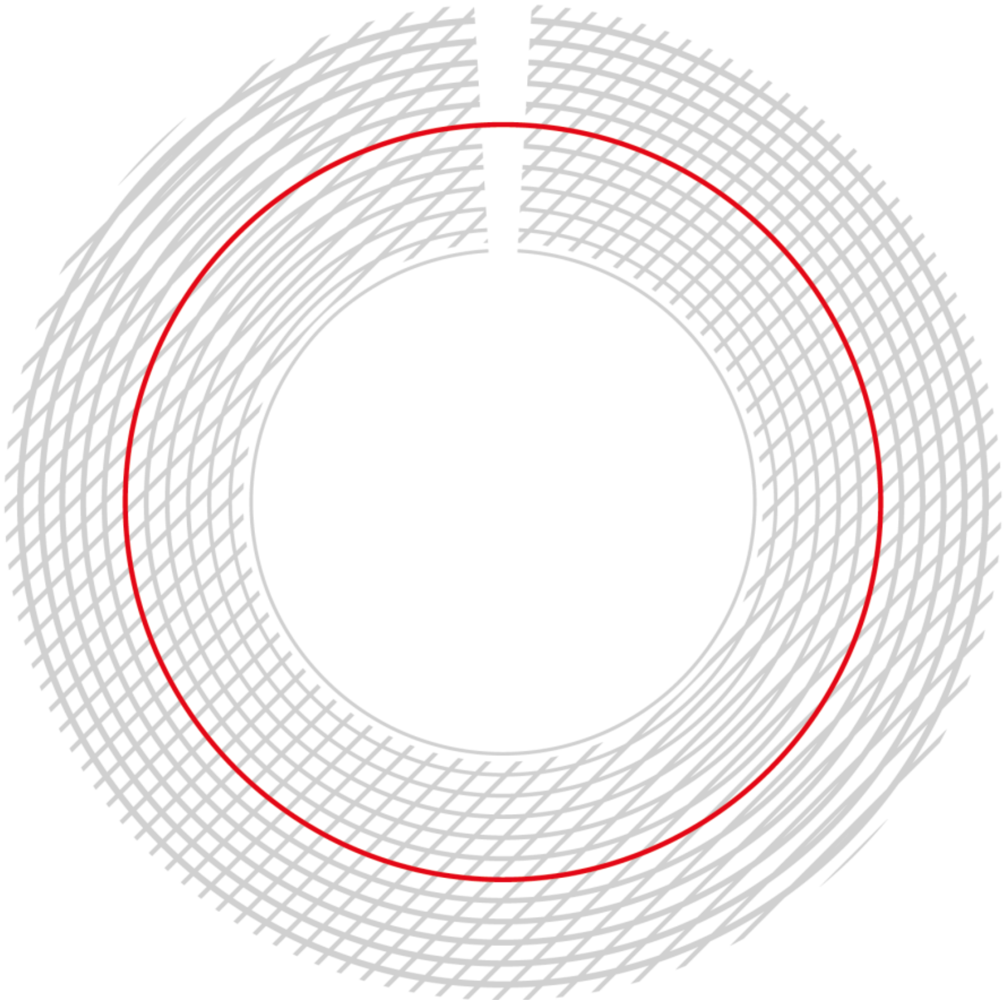
NEVERENDING ENERGY



INTERIM REPORT

1ST HALF 2014

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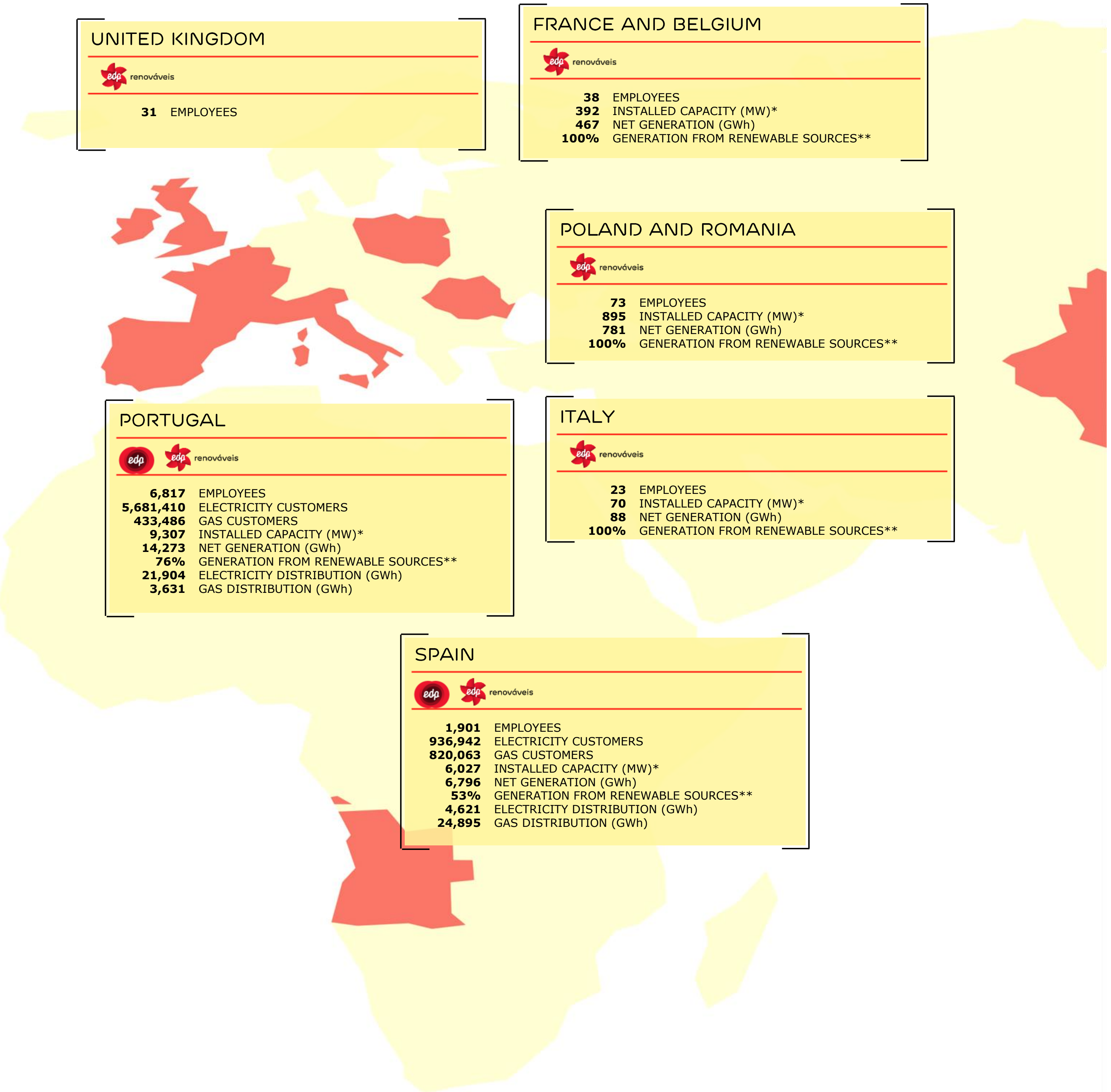
EDP IN THE WORLD



UNITED KINGDOM

edp renováveis

31	EMPLOYEES

FRANCE AND BELGIUM

edp renováveis

38	EMPLOYEES
392	INSTALLED CAPACITY (MW)*
467	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**

POLAND AND ROMANIA

edp renováveis

73	EMPLOYEES
895	INSTALLED CAPACITY (MW)*
781	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**

PORTUGAL

edp / edp renováveis

6,817	EMPLOYEES
5,681,410	ELECTRICITY CUSTOMERS
433,486	GAS CUSTOMERS
9,307	INSTALLED CAPACITY (MW)*
14,273	NET GENERATION (GWh)
76%	GENERATION FROM RENEWABLE SOURCES**
21,904	ELECTRICITY DISTRIBUTION (GWh)
3,631	GAS DISTRIBUTION (GWh)

ITALY

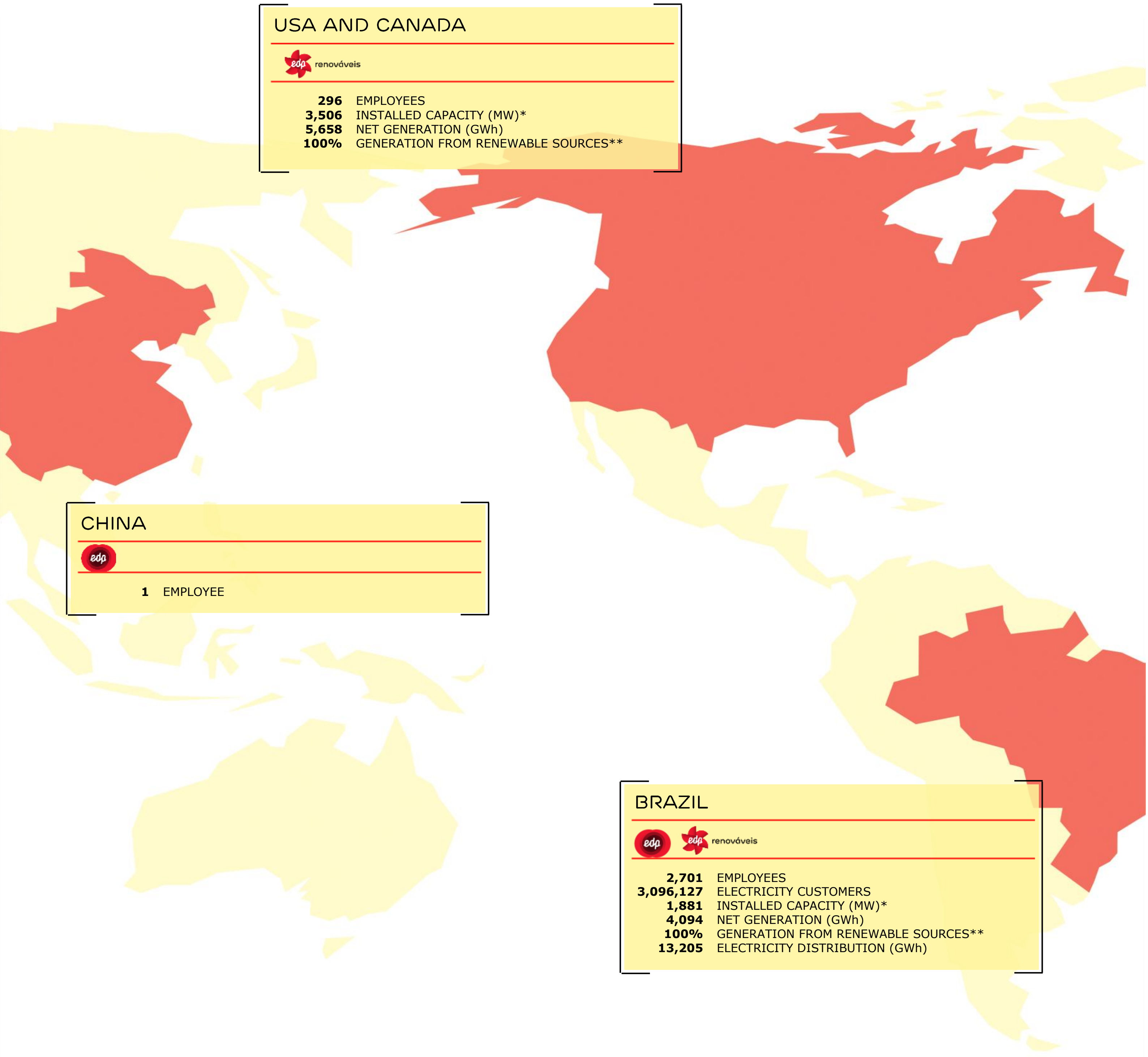
edp renováveis

23	EMPLOYEES
70	INSTALLED CAPACITY (MW)*
88	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**

SPAIN

edp / edp renováveis

1,901	EMPLOYEES
936,942	ELECTRICITY CUSTOMERS
820,063	GAS CUSTOMERS
6,027	INSTALLED CAPACITY (MW)*
6,796	NET GENERATION (GWh)
53%	GENERATION FROM RENEWABLE SOURCES**
4,621	ELECTRICITY DISTRIBUTION (GWh)
24,895	GAS DISTRIBUTION (GWh)



* MW EBITDA.

** Includes hydro, wind and solar.

VISION, VALUES AND COMMITMENTS

VISION

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

VALUES

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

COMMITMENTS

SUSTAINABILITY

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

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

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

PEOPLE

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

We promote the development of skills and merit.

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

RESULTS

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

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

We demand excellence in everything that we do.

CLIENTS

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

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

We surprise our clients by anticipating their needs.

RECOGNITION

CORPORATE

28 Jan - EDP is the world leader in Sustainability among the utilities: For the 7th consecutive year, EDP is a member of the Sustainability Yearbook, and for the 5th consecutive year has been included in the Gold Class as one of the world leaders and has been named as the utilities' industry leader.

30 April – António Mexia awarded by the President of the Portuguese Republic: The Chairman of EDP's Executive Board received the Grand Cross of the Order of Business Merit - Industrial Merit Class from Aníbal Cavaco Silva for having excelled "in the internationalisation of the Portuguese economy".

24 June – IR Magazine Europe Awards 2014: EDP came 10th in the IR Magazine EuroTop 100 list, and was mentioned in the "Best Investor Relations by a CEO (large capital)", "Best Sustainable Practice", "Best Overall Investor Relations - Southern Europe", "Regional Awards – Southern Europe" and "Best in Sector – Utilities" categories.

14 Mar and 12 June - Brand Finance says EDP tops the list of the "Top 30 Most Valuable Portuguese Brands 2014": The value of EDP brand has risen from 2.04 to 2.26 billion euro, which led Brand Finance to give EDP an AA+.
EDP is Portugal's most valuable brand and the only Portuguese brand to appear in the rankings of the 500 most valuable brands in the world. The Company occupies the 476th place in the Brand Finance rankings, and is the only Portuguese company on the list.

20 May – EDP is included in the Euronext Vigeo World 120 Sustainability Index: Once more EDP has been recognised as one of the world's top companies in terms of sustainability.

22 April – EDP is once more one of the most ethical energy companies in the world: The Ethisphere Institute recognised EDP as one of the world's seven most ethical companies in the electricity sector. The Group was one of "The World's Most Ethical Companies" international ranking for the 3rd consecutive year.

18 June – António Mexia is the best CEO in the utilities sector: EDP's CEO was named by Thomson Reuters Extel Europe 2014 as the best European CEO in the utilities sector, and the 15th best CEO of an European company. Nuno Alves, CFO of EDP Group, was named the best CFO in Portugal and closed the Top 25 list of CFOs on the European level.

PORTUGAL

16 Jan - Project STORK in the Environmental Engineering and Management Journal (EEMJ): The project seeks to reduce the number of birds being electrocuted on our electrical distribution grid, and to improve the quality of the grid's technical service and received the second-highest assessment rating from its assessors.

03 Mar - EDP wins "Green Fleet" award: Out of a total of 21 fleets to choose from, Fleet Magazine and Boxer Consulting awarded the 2013 Green Fleet award to EDP. This prize is awarded to the fleet with the highest percentage of hybrid and electric vehicles (EDP with around 3,300 vehicles).

21 Jan - EDP Produção is distinguished by the University of Porto's Engineering Faculty (FEUP): Recognition of this business partnership focused on the faculty's civil engineering department.

21 May – Museum of Electricity wins Certificate of Excellence: The Museum of Electricity is one of the 215 tourist attractions in Lisbon listed on TripAdvisor to "consistently receive top ratings from travellers".

24 Jan - EDP Comercial receives the Gatewit Procurement Awards: This award recognizes supply companies that apply best practices in public electronic contracts within the framework of the use of the Public Procurement platform.

30 May – EDP Distribuição wins international award: EDP Distribuição won the "Most Effective Recovery of the Year" award, from the BCI-Business Continuity Institute, in recognition of the efficient way in which the company worked to restore the grid and in providing service to customers after Gong storm.

SPAIN

Jan - PERFILA project is a winner at the first EnerTIC Awards: The platform for information and communications technology (ICT) companies to improve energy efficiency, EnerTIC, distinguished the project headed by Red Eléctrica de España, in which EDP España participates, as the best SmartGrids initiative of 2013.

May – EDP wins FM Global award: The insurer FM Global recognized the Soto Ribera combined cycle power plant with the Highly Protected Risk award for the improvements that have been carried out to the risk prevention system.

EDP RENOVÁVEIS

31 Mar - EDP Renováveis in Poland is named "best place to work" in 2014, for the second consecutive year: Great Place to Work recognized EDP Renováveis (EDPR) in the "Companies with fewer than 50 employees" category.

BRAZIL

27 Jan - ClimaGrid is featured on the cover of Metering International magazine. The project was also presented to the InterClima Forum in Lima, at the invitation of the Peruvian environment ministry, promoted by the LEDS-LAC International Platform and sponsored by the Inter-American Development Bank.

26 May – EDP wins award for respecting the customer: EDP won the Smart Contact Centre 2014's gold award in the "Respect for the Customer" category for the successful case in which "EDP solidified its foundations in terms of Excellence and Respect for the Customer." The winning project highlighted the physical transition from the EDP Group distributor's call centres, as well as the success of indicator management and of the results obtained by the customer care service.

24 Mar – Personnel management certified by Top Employers for the 3rd consecutive time: EDP was chosen as one of the companies with the best HR management practices in accordance to the Top Employers Brazil certification. EDP remains one of the three standard-bearing companies in the area of personnel management.

27 Mar - Amanhã magazine recognizes EDP in its "Champions of Innovation" ranking: EDP was listed as one of the 50 most innovative companies in the south of the country because of the Cenaeel wind farm in Santa Catarina. In the energy sector, EDP stood out as the leading electricity company, and took first place in the innovation category. The 500 major companies in the south, listed in the Great and Leader categories elaborated by Amanhã and PriceWaterhouseCoopers are invited to take part.

OBJECTIVES AND GOALS

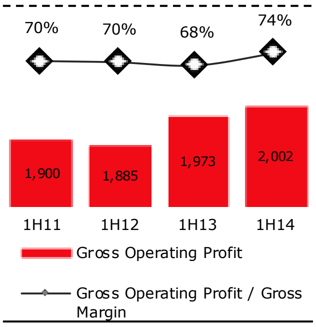
Objectives	Goals	Date
1. ECONOMIC AND SOCIAL VALUE		
To focus on growth maintaining the financial deleveraging	EBITDA Average Annual Growth Rate: ~5% per year	2014-2017
	Net Profit Average Annual Growth Rate: ~5% per year	2014-2017
	Payout ratio between 55% and 65% of recurrent net profit, with a minimum of €0.185 per share	2014-2017
	Average Annual Net Investments of ~€1.6bn per year	2014-2015
	Installed capacity of ~27 GW	2017
	Renewable installed capacity >75% of total installed capacity	2017
	Adjusted Net Debt/EBITDA: ~3.0x	2017
To preserve a low risk business profile	Regulated & LT Contracted EBITDA >70% of total EBITDA	2017
To promote internal efficiency	OPEX III cost savings of €180M/year by 2017	2017
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017
2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION		
To focus growth on a cleaner production	Until 2020, reduce CO_2 emissions by 70% in comparison with 2008 values	2020
To strenghten an appropriate environmental management of EDP's activities	Increase 25% of installed capacity and 15% of substations certified according with ISO 14001	2014
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2017
3. INNOVATION		
To promote competitiveness and productivity through innovation	Maintain a financing budget of €20M/year for Research&Development projects	2017
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015
4. INTEGRITY AND GOOD GOVERNANCE		
To strenghten the ethics in all EDP's employees' culture	Maintain the incorporation in the World Most Ethical Companies list by the Ethisphere Institute	2017
	Identify and assess ethical risks of EDP Group	2014
5. TRANSPARENCY AND DIALOGUE		
To report transparently and ensure an open and trusting relationship with stakeholders	Set up na external Stakeholder Board, as an advisory corporate board to support EDP's strategy	2014
	Complete the report of GHG emissions, scope 3	2015
	Report in accordance to the new Global Reporting Initiative Standards - G4	2015
6. HUMAN CAPITAL AND DIVERSITY		
To work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2013	2014
To implement an action plan for the Diversity Policy	Between 10 and 15 initiatives	2013-2015
Extend EDP's training model to the Group	Implement EDP's University in Brazil	2014
To keep a high level of employee satisfaction	Maintain employees's Global Satisfaction above 80%	2014-2017
7. ACCESS TO ENERGY		
To keep or improve the quality levels of technical and commercial services provided to our clients	Ensure that ICEIT and DEC are above the levels set by Regulators	2014-2015
8. SOCIAL DEVELOPMENT AND CITIZENSHIP		
To enhance a close relationship between the company and the society	Guarantee an allocated budget to Fundação EDP up to 0.1% of the Group's turnover	2012-2015
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015
	Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies	2015

KEY INDICATORS

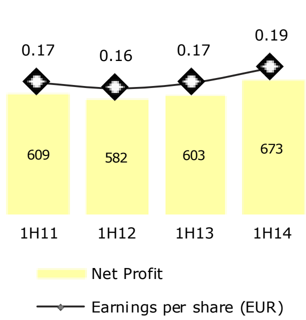
FINANCIAL INDICATORS

EDP Group	Unit	1H14	1H13	1H12	1H11
Turnover	€000	8,019,423	8,182,702	8,213,532	7,542,984
Gross Operating Profit	€000	2,002,147	1,972,735	1,885,108	1,900,381
Long-Term Contracted Generation in Iberia	€000	355,769	367,868	402,332	412,593
Liberalised Activities in Iberia	€000	315,351	225,070	182,084	192,069
Regulated Networks in Iberia	€000	558,741	522,140	519,982	524,378
EDP Renováveis	€000	506,470	542,841	503,533	409,243
EDP Brasil	€000	265,875	311,140	297,930	392,432
Other activities	€000	-59	3,676	-20,753	-30,333
Operating Profit	€000	1,303,839	1,250,348	1,174,379	1,175,714
Net Profit [1]	€000	673,163	603,219	581,768	608,662
Operating Cash-Flow	€000	2,067,420	2,070,629	1,072,510	1,486,105
Operating Investment	€000	659,032	600,751	690,230	845,058
Long-Term Contracted Generation in Iberia	€000	10,187	19,251	18,132	32,273
Liberalised Activities in Iberia	€000	295,160	264,072	207,565	153,265
Regulated Networks in Iberia	€000	158,348	160,951	184,247	166,566
EDP Renováveis	€000	113,205	11,759	109,425	344,976
EDP Brasil	€000	53,961	128,049	158,979	123,786
Other activities	€000	28,171	16,669	11,882	24,192
Investment in renewables	%	61.0	60.1	49.5	58.7
Financial Investment/(Divestment)	€000	-150,486	-341,996	42,679	236,687
Net Investments [2]	€000	632,553	771,790	741,915	896,743
Net Assets	€000	40,289,463	41,030,879	40,907,483	39,011,383
Equity	€000	11,679,941	11,400,446	11,107,016	10,635,012
Net Debt [3]	€000	16,874,371	17,256,370	17,953,067	16,878,631
Net Debt Adjusted from Regulatory Receivables	€000	14,612,555	14,603,663	15,680,035	15,448,665
Net Debt/Gross Operating Profit	x	4.2	4.4	4.8	4.4
Adjusted Net Debt/Gross Operating Profit	x	3.6	3.7	4.2	4.1
Net Debt/Equity	%	144	151	162	159
Earnings per share [1]	€	0.19	0.17	0.16	0.17
Market Capitalisation	€000	13,397,554	9,049,931	6,815,786	8,954,861
Stock price	€	3.66	2.48	1.86	2.45

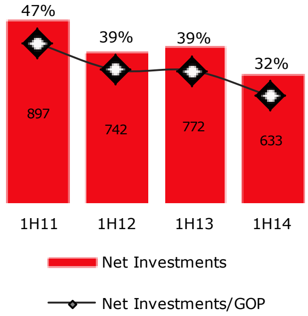
GROSS OPERATING PROFIT (€M)



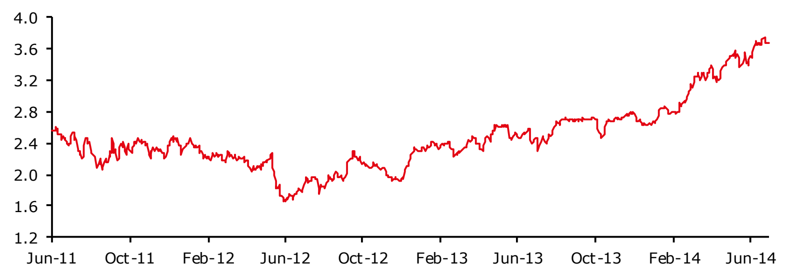
NET PROFIT [1] (€M)



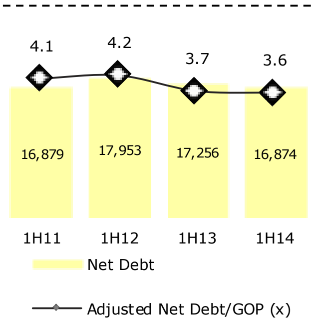
NET INVESTMENTS [2] (€M)



EDP STOCK PRICE EVOLUTION (€)



NET DEBT [3] (€M)

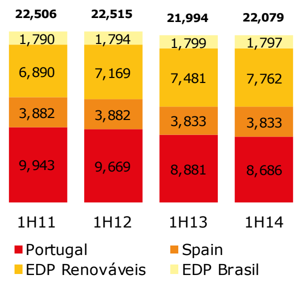


NOTE: 1H13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards and the inclusion of concession redits, according to IFRIC 12.

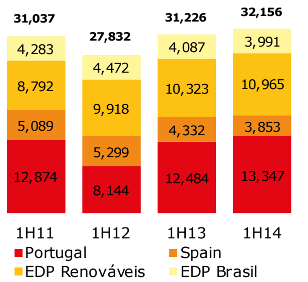
[1] Net Profit attributable to EDP Equity holders. [2] Includes Operating Investment, Financial Investment and divestments ("asset rotation") [3] Includes Financial Debt, Cash and equivalents, short-term assets at fair value, fair value and net investment hedges and collateral deposits related with financial debt.

OPERATIONAL INDICATORS (1/2)

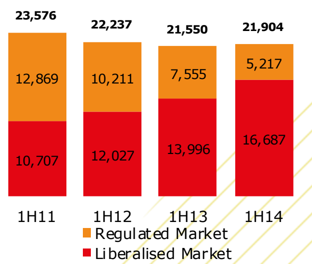
INSTALLED CAPACITY [1] (MW)



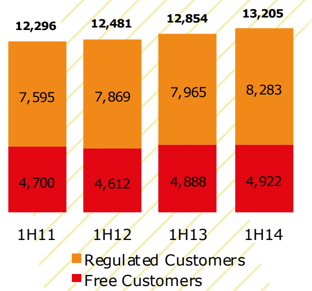
NET ELECTRICITY GENERATION (GWh)



ELECTRICITY DISTRIBUTED IN PORTUGAL (GWh)



ELECTRICITY DISTRIBUTED IN BRAZIL (GWh)



	Unit	1H14	1H13	1H12	1H11
INSTALLED CAPACITY [1]	**MW**	**22,079**	**21,994**	**22,515**	**22,506**
Hydro	MW	7,510	7,498	7,236	6,795
Thermal	MW	6,532	6,697	7,643	8,354
Conventional Thermal	MW	2,640	2,805	3,752	4,462
CCGT	MW	3,736	3,736	3,736	3,736
Nuclear	MW	156	156	156	156
Wind	MW	7,710	7,442	7,169	6,887
Other Renewables	MW	209	195	192	195
Other	MW	118	161	275	275
Installed Capacity - Contracted Generation	MW	14,304	14,872	15,650	15,368
Installed Capacity - Liberalised Generation	MW	7,774	7,122	6,864	7,137
NET ELECTRICITY GENERATION	**GWh**	**32,156**	**31,226**	**27,832**	**31,037**
Hydro	GWh	14,191	13,114	7,246	11,824
Thermal	GWh	6,373	6,813	9,517	9,148
Conventional Thermal	GWh	5,626	5,861	7,455	4,349
CCGT	GWh	219	437	1,509	4,264
Nuclear	GWh	529	515	553	534
Wind	GWh	10,934	10,307	9,918	8,790
Other Renewables	GWh	437	439	232	414
Other	GWh	221	553	920	861
Steam	*GWh*	*542*	*802*	*1,083*	*1,077*
Net Generation - Contracted Generation	GWh	24,684	24,948	21,603	23,005
Net Generation - Liberalised Generation	GWh	7,472	6,278	6,230	8,032
ELECTRICITY DISTRIBUTED	**GWh**	**39,731**	**39,010**	**39,436**	**40,824**
Portugal	GWh	21,904	21,550	22,237	23,576
Spain	GWh	4,621	4,606	4,717	4,952
Brazil	GWh	13,205	12,854	12,481	12,296
ELECTRICITY SUPPLY POINTS		**9,831**	**9,731**	**9,649**	**9,593**
Portugal	'000	6,076	6,079	6,117	6,154
Spain	'000	659	658	657	654
Brazil	'000	3,096	2,994	2,876	2,785
INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME					
Portugal [2]	minutes	34.7	29.8	20.7	38.3
Spain [2]	minutes	13.2	21.7	15.2	20.0
Brazil - Bandeirante (DEC)	hours	7.4	9.2	8.5	11.2
Brazil - Escelsa (DEC)	hours	9.6	10.7	10.1	9.7
ELECTRICITY DISTRIBUTION GRID STRUCTURE					
Grid extension	km	337,799	335,548	332,245	329,358
Portugal	km	225,695	224,688	222,934	221,551
Spain	km	23,343	23,202	22,850	22,479
Brazil	km	88,761	87,658	86,462	85,328
GAS DISTRIBUTED	**GWh**	**28,527**	**31,866**	**35,384**	**29,556**
Portugal	GWh	3,631	3,657	4,125	3,767
Spain	GWh	24,895	28,208	31,259	25,789
GAS SUPPLY POINTS	**'000**	**1,335**	**1,308**	**1,282**	**1,246**
Portugal	'000	313	296	281	259
Spain	'000	1,022	1,012	1,002	988
GAS DISTRIBUTION GRID STRUCTURE					
Grid extension	km	14,638	14,301	14,488	13,964
Portugal	km	4,543	4,376	4,219	3,944
Spain [3]	km	10,096	9,925	10,269	10,020

NOTE: 1H13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards

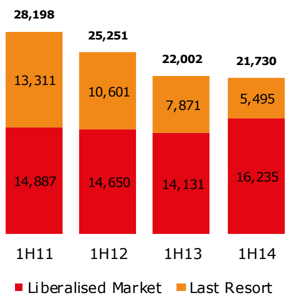
[1] MW EBITDA [2] ICEIT in MV grid, excluding extraordinary events. [3] From 2011 to 2012, includes gas transmission grid in Spain.

OPERATIONAL INDICATORS (2/2)

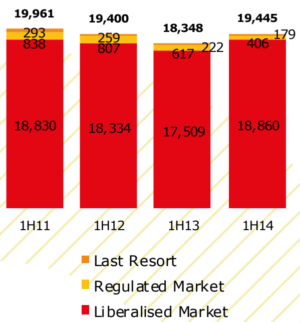
	Unit	1H14	1H13	1H12	1H11
ELECTRICITY SUPPLIED	**GWh**	**36,343**	**36,009**	**38,333**	**40,774**
Portugal	GWh	12,772	13,599	14,839	17,311
Liberalised Market	GWh	7,555	6,044	4,628	4,442
Last Resort supply	GWh	5,217	7,555	10,211	12,869
Spain	GWh	8,958	8,403	10,411	10,887
Liberalised Market	GWh	8,680	8,087	10,021	10,446
Last Resort supply	GWh	278	317	390	442
Brazil (1)	GWh	14,613	14,007	13,083	12,576
Liberalised Market	GWh	6,330	6,041	5,213	4,980
Last Resort supply	GWh	8,283	7,965	7,869	7,595
Electricity Supplied - Green Tariff	**GWh**	**8,157**	**8,085**	**8,041**	**7,540**
Portugal	GWh	16	6	5	7
Spain	GWh	2,484	2,462	2,429	2,428
USA	GWh	5,658	5,618	5,607	5,105
Electricity Supplied - Special Needs	**GWh**	**0.9**	**0.8**	**0.6**	**0.5**
Electricity Supplied - Social Tariff	**GWh**	**205,394**	**281**	**248**	**265**
Portugal	GWh	46	62	84	48
Spain	GWh	65	62	57	67
Brazil	GWh	205,284	156	107	150
ELECTRICITY CUSTOMERS	**#**	**9,714,479**	**9,671,031**	**9,866,474**	**9,895,789**
Portugal	#	5,681,410	5,803,126	5,977,524	6,090,875
Liberalised Market	#	2,509,168	1,505,130	444,855	301,475
Last Resort supply	#	3,172,242	4,297,996	5,532,669	5,789,400
Spain	#	936,942	873,693	1,013,319	1,019,747
Liberalised Market	#	684,813	609,712	715,921	686,236
Last Resort supply	#	252,129	263,981	297,398	333,511
Brazil (1)	#	3,096,127	2,994,212	2,875,631	2,785,167
Liberalised Market	#	521	316	199	100
Last Resort supply	#	3,095,606	2,993,896	2,875,432	2,785,067
Electricity Customers - Green Tariff	**#**	**683,132**	**585,841**	**519,221**	**428,121**
Portugal	#	4,481	4,660	4,657	5,515
Spain	#	678,651	581,181	514,564	422,606
Electricity Customers - Special Needs	**#**	**762**	**828**	**923**	**822**
Portugal	#	412	509	600	535
Brazil	#	350	319	323	287
Electricity Customers - Social Tariff	**#**	**323,793**	**332,699**	**268,159**	**490,548**
Portugal	#	46,055	65,255	88,972	77,572
Spain	#	63,294	61,302	58,204	117,521
Brazil	#	214,444	206,142	120,983	295,455
GAS SUPPLIED	**GWh**	**19,445**	**18,348**	**19,400**	**19,961**
Portugal	GWh	2,443	3,616	3,938	4,770
Liberalised Market	GWh	2,038	2,999	3,131	3,933
Regulated Market	GWh	406	617	807	838
Spain	GWh	17,001	14,733	15,462	15,191
Liberalised Market	GWh	16,823	14,511	15,203	14,898
Last Resort supply	GWh	179	222	259	293
GAS CUSTOMERS	**#**	**1,253,549**	**1,122,151**	**1,050,891**	**1,064,763**
Portugal	#	433,486	335,391	284,941	258,650
Liberalised Market	#	315,966	150,708	8,278	691
Regulated Market	#	117,520	184,683	276,663	257,959
Spain	#	820,063	786,760	765,950	806,113
Liberalised Market	#	748,956	710,348	672,397	685,874
Last Resort supply	#	71,107	76,412	93,553	120,239

(1) Includes "Comercializadora" and regulated customers from Distribution.

ELECTRICITY SUPPLIED IN IBERIA (GWh)



GAS SUPPLIED IN IBERIA (GWh)



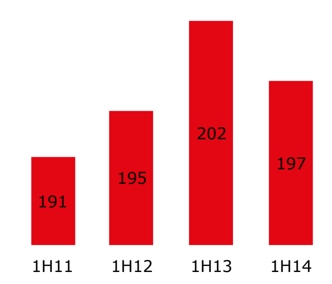
SUSTAINABILITY INDICATORS (1/4)

	Unit	1H14	1H13
SUSTAINABILITY INDEX [1]		103.2	101.1
Revenues from ISO 14001 certified installations	%	37	28
Specific consumption of water	m^3/MWh	25	24
Specific production of waste	g/MWh	3.4	4.4
Investment and expenses in biodiversity preservation	%EBITDA	0.31	0.36
Generation from renewable sources/Total generation [2]	%	81	77
Pay ratio by gender (Male/Female)		1.01	0.99
Training hours/Working hours	%	2.0	1.5
Severity rate	Tg	123	122

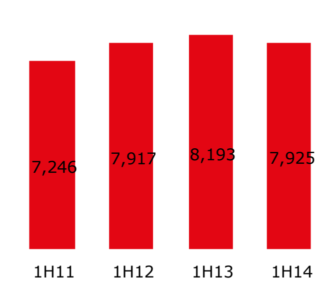
ECONOMIC INDICATORS		1H14	1H13	1H12	1H11
GVA per employee [3]	€	197,234	202,107	194,904	191,132
Economic value generated [3]	€000	8,773,640	8,876,614	8,747,410	8,144,926
Economic value distributed [3]	€000	7,924,681	8,192,770	7,917,489	7,245,837
Economic Value Retained [3]	€000	848,959	683,844	829,921	899,089
Fines and penalties [3]	€000	1,977	4,486	n.d.	52
Support from Public Authorities [4]	€000	72,249.8	20,913.1	279.8	388.3
Billing of energy services [5]	€000	29,557	24,702	20,690	21,821

SUSTAINABILITY INDEX
BASE 100 (2010 - 2012)

GVA PER EMPLOYEE (€ '000)



ECONOMIC VALUE DISTRIBUTED (€M)



[1] EDP´s Sustainability Index was revised and the new base 100 is related with three homologous quarters (2010-2012). For more information about the Sustainability Index see: www.edp.pt >sustainability > approach to sustainability

[2] Does not include nuclear

[3] 1H13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

[4] The figure for 2013 was revised according with Global Reporting Initiative: extended the scope beyond the operating subsidies.

[5] The figures for 2013-2012 have been revised due to a correction of energy services revenues in Brazil.

Direct impacts (some)
- 10,968,028 Customers
- 68,257.5 GWh energy distributed
- 55,787.5 GWh energy supplied

Indirect impacts (some)
- Micro-generation, grids and energy storage and electric vehicles
- First projects of solar photovoltaic

Economic value generated (*)
€8,773.6M

Direct impacts (some)
- 11,884 Employees
- € 205M costs with employees
- ~€659M invested
- €13,398M "Market cap"

Indirect impacts (some)
- Participation in External Forum for Equality in Labour and Employment
- 638,909 beneficiaries of voluntary social investment (> €6M)

Economic value distributed(*)
€7,924.7M

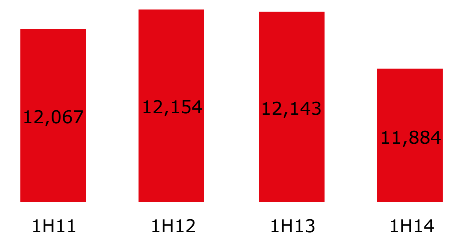
Economic value accumulated(*)
€849.0M

(*) Economic Value Generated (EVG): Turnover + other operating income + gains/losses with the sale of financial assets + gains/losses from associated companies + financial income;
Economic Value Distributed (EVD): COGS + operating costs + other operating costs + current tax + financial costs + dividend payment;
Economic Value Accumulated (EVA): EVG – EVD.

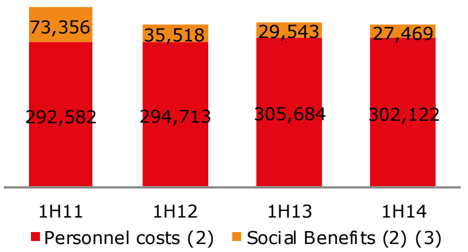
SUSTAINABILITY INDICATORS (2/4)

SOCIAL INDICATORS	Unit	1H14	1H13	1H12	1H11
Employees					
Employees [(1)]	#	11,884	12,143	12,154	12,067
Portugal	#	6,818	6,967	7,169	7,187
Spain	#	1,901	1,940	1,982	2,017
Brazil	#	2,701	2,787	2,592	2,429
USA	#	296	292	281	320
Rest of Europe	#	168	157	130	114
Female employees	#	2,716	2,738	2,659	2,632
Portugal	#	1,449	1,462	1,446	1,414
Spain	#	482	483	483	469
Brazil	#	629	645	583	583
USA	#	98	98	101	130
Rest of Europe	#	58	50	46	36
Staff turnover	%	3.40	3.40	3.44	3.00
Average age of employees	years	46	46	46	46
Absenteeism	%	3.51	3.14	3.15	3.42
Personnel costs [(2)]	€000	302,122	305,684	294,713	292,582
Social Benefits [(2) (3)]	€000	27,469	29,543	35,518	73,356
HC ROI [(4)]	€	37.9	23.1	23.5	19.5
Training					
Total training hours	hours	205,352	170,188	225,841	225,958
Total training rate	h/p	17.3	14.0	18.6	18.7
Employees trained	%	75.0	42.1	71.0	60.0
Total training costs	€000	3,073	2,519	2,956	3,529
Work productivity	€/h	223	221	216	232
Prevention and safety					
On-duty accidents	#	17	25	19	21
On-duty death accidents	#	0	2	1	1
PSE On-duty death accidents	#	9	4	7	2
EDP severity index	Tg	123	122	136	168
EDP frequency index	Tf	1.58	2.27	1.77	1.87
PSE frequency index	Tf	4.99	5.17	5.92	3.74
EDP+PSE frequency index	Tf	3.88	4.22	4.46	3.11
Total lost days due to accidents	#	1,329	1,348	1,408	1,891
Social Contributions (LBG Model)					
Volunteer contributions/EBITDA	%	0.31	0.38	0.39	0.41

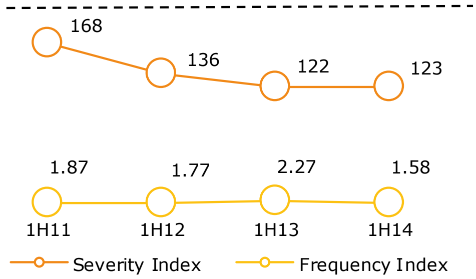
NUMBER OF EMPLOYEES



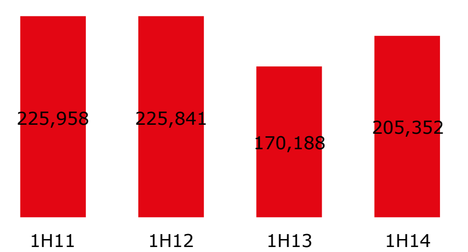
COSTS AND BENEFITS WITH EMPLOYEES [(2)] (€ '000)



EDP SEVERITY AND FREQUENCY INDEXES



TRAINING VOLUME (h)



[(1)] The 2011 figure was revised due to changes in "headcount" methodology, so as to include Executive Governing Bodies.

[(2)] 1H13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

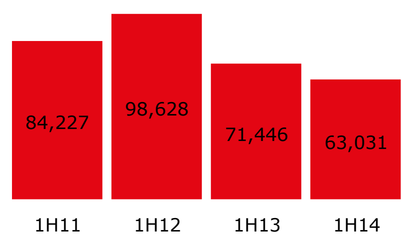
[(3)] In September, 2011, financial costs from pension funds were reclassified. In 2014, the gains entered in the accounts due to the changing of Collective Agreement, valued in €129M, were not included in the social benefits value. For more details, please see financial note 9.

[(4)] HC ROI=(Total Turnover- (Operating costs- Personnel costs and Employee Benefits))/Personnel costs and Employee Benefits

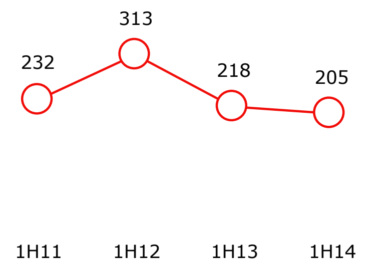
SUSTAINABILITY INDICATORS (3/4)

ENVIRONMENTAL INDICATORS (1/2)	Unit	1H14	1H13	1H12	1H11
Primary energy consumption	TJ	**63,031**	**71,446**	**98,628**	**84,227**
Total for generation, transportation and distribution	TJ	62,912	71,326	98,488	84,083
Coal	TJ	51,704	53,721	68,630	38,733
Fuel-oil	TJ	267	284	4,102	394
Natural gas [1]	TJ	4,402	9,662	18,780	36,237
Diesel	TJ	86	50	98	46
Forestry waste	TJ	n.a	1,840	1,366	1,890
Residual gases (steel plant gas, blast furnace gas, coke gas)	TJ	6,453	5,769	5,512	6,783
Vehicle fleet fuel	TJ	119	120	141	144
Electricity consumption					
Production consumption	MWh	1,712,781	1,332,396	1,193,164	872,721
Administrative services	MWh	17,229	18,568	19,289	17,211
Losses over network	%	9.5	10.6	11.5	11.3
Atmospheric emissions					
Total Emissions					
CO_2 [2]	kt	6,593	6,987	8,868	7,326
SO_2	kt	4.9	5.0	8.1	2.7
NO_x	kt	5.8	6.3	7.3	5.9
Particles	kt	0.2	0.2	0.4	0.3
Overall specific emissions [3]					
CO_2	g/kWh	205	218	313	232
SO_2	g/kWh	0.15	0.16	0.28	0.09
NO_x	g/kWh	0.18	0.20	0.26	0.19
Particles	g/kWh	0.01	0.01	0.01	0.01
Specific emissions from thermal power stations [3]					
CO_2	g/kWh	998	896	801	688
SO_2	g/kWh	0.74	0.64	0.73	0.26
NO_x	g/kWh	0.88	0.80	0.66	0.55
Particles	g/kWh	0.03	0.03	0.03	0.03
CO_2 avoided through the use of renewable energies	kt	19,641	17,230	10,056	11,525
CO_2 intensity	g/€	822	860	1,080	971
Direct emissions (scope 1)	kt CO_2 eq	6,606	6,998	8,892	7,343
Indirect emissions (scope 2)	kt CO_2 eq	1,076	911	761	554

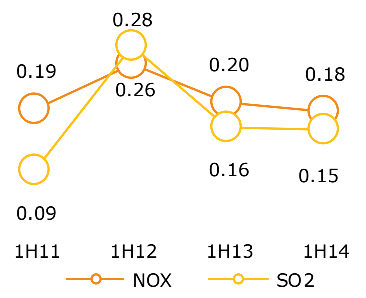
PRIMARY ENERGY CONSUMPTION (TJ)



CO_2 SPECIFIC EMISSIONS (g/kWh)



SPECIFIC EMISSIONS (g/kWh)

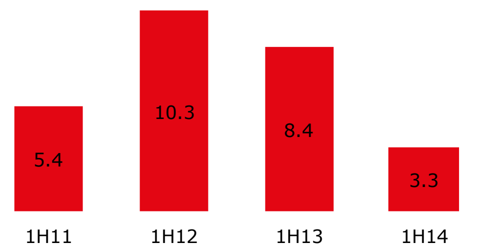


[1] Figure for 2011 was changed to include gas consumption in gas transportation and distribution activities.
[2] Not including vehicle fleet.
[3] Calculation based on the net generation, as stipulated in the Global Reporting Initiative.

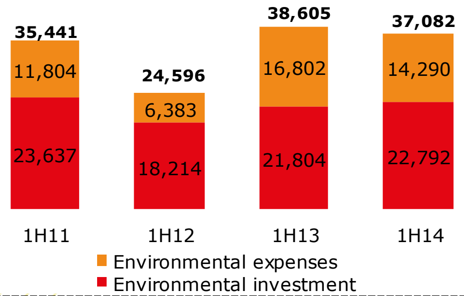
SUSTAINABILITY INDICATORS (4/4)

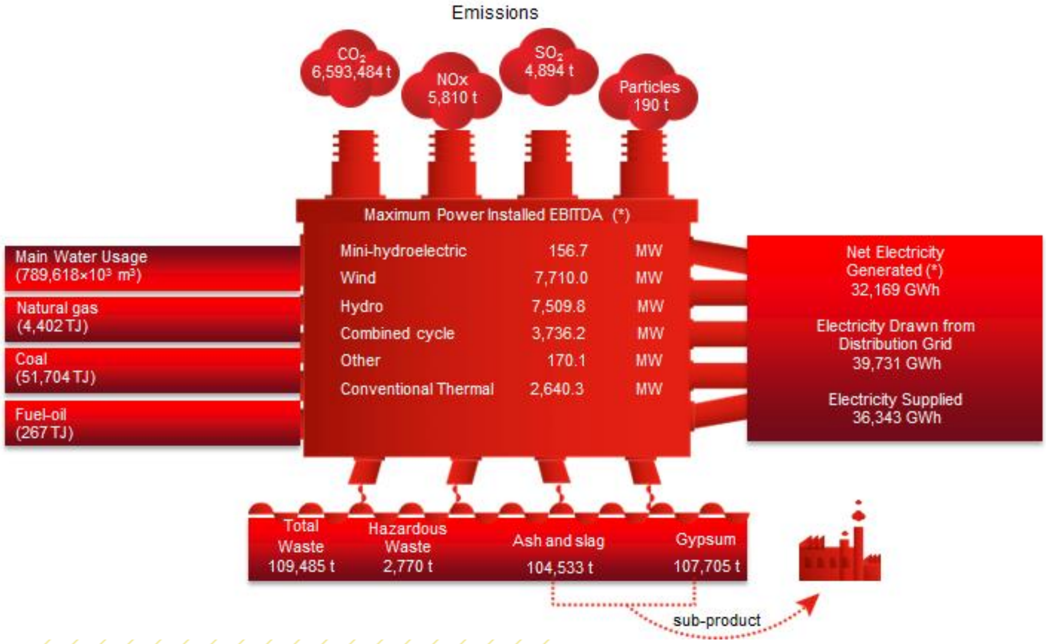
ENVIRONMENTAL INDICATORS (2/2)	Unit	1H14	1H13	1H12	1H11
Use of Water	$m^3 x10^3$	**789,618**	**762,575**	**774,783**	**587,622**
Refrigeration water	m^3x10^3	786,836	759,255	770,865	583,458
Raw water	m^3x10^3	2,701	3,186	3,829	3,961
Drinking water	m^3x10^3	81	133	90	204
Waste					
Total waste	t	109,485	141,348	383,913	191,490
Total hazardous waste	t	2,770	3,348	2,259	20,539
Recovered waste	%	66	66	45	81
Sub-products	t	212,238	189,591	164,157	153,610
Environmental investment and expenses (1)					
Environmental Investment and expenses	€'000	37,082	38,605	24,596	35,441
Environmental management expenses	€'000	4,501	5,101	4,973	n.a.
Environmental remediation expenses	€'000	9,789	11,700	1,410	n.a.
Environmental prevention expenses	€'000	22,792	21,804	18,214	n.a.
Environmental Income	€'000	1,481	1,753	3,326	2,463
Environmental investment/total investment	%	2.6	2.3	1.9	2.8
Environmental fines and penalties	€'000	53	70	210	2
Environmental Certification (ISO 14001)					
No. of certified production facilities	#	257	243	166	106
Net maximum of certified installed capacity	%	80	75	72	70
No. of certified substations	#	175	155	126	43
Installed capacity of certified substations	%	33	29	24	5
Certified gas distribution	%	100	100	100	100

WASTE PER GENERATED ELECTRICITY UNIT (g/kWh)



ENVIRONMENTAL INVESTMENT AND EXPENSES (€ '000)(1)





(*) Not include nuclear and includes heat generation: 542 GWh.

(1) 1H13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

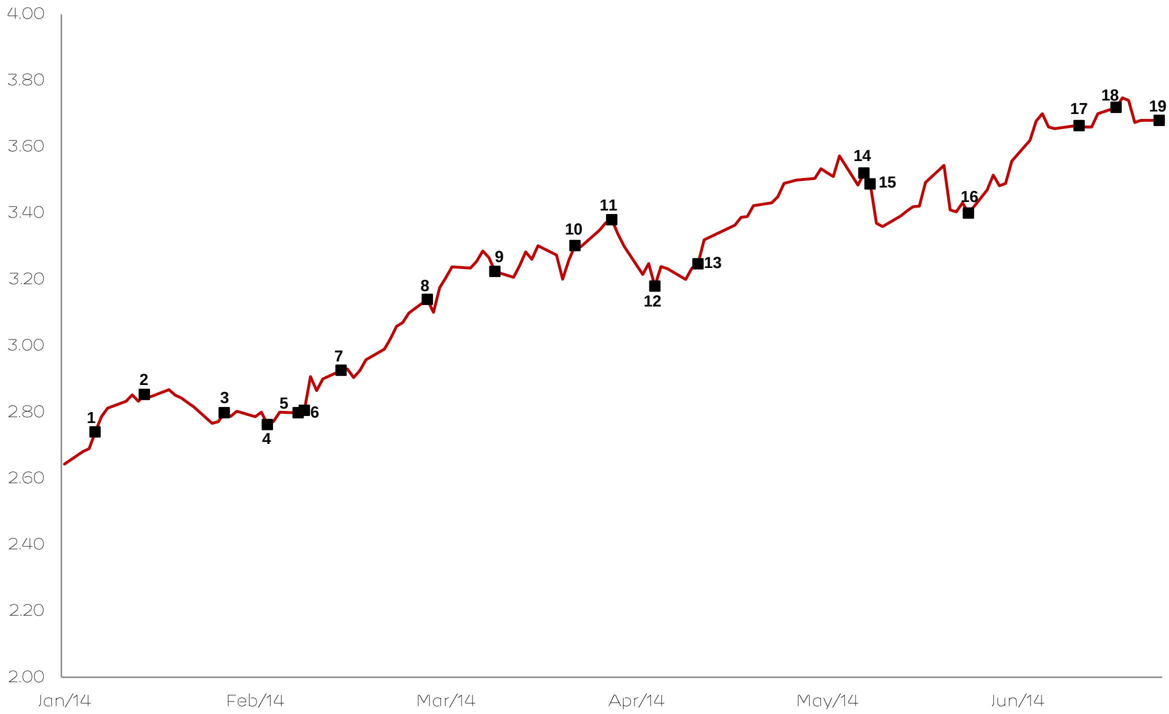
02

Corporate Governance

Performance of EDP on the stock market 19
Corporate bodies 21

A. PERFORMANCE OF EDP ON THE STOCK MARKET

MAIN EVENTS AFFECTING THE EDP SHARE PRICE IN 1ST HALF OF 2014



#	Date	Description	Price
1	07-Jan-14	EDP issues USD 750 million of notes	2.740
2	15-Jan-14	Fitch maintains EDP on rating watch negative	2.853
3	28-Jan-14	Standard & Poor's affirms EDP's 'BB+' rating on stable outlook	2.798
4	04-Feb-14	CTG and EDP agree to jointly promote the creation of a research center for new energy technologies	2.762
5	07-Feb-14	CTG group enters partnership with EDP Brasil for construction of hydro power plant São Manoel	2.798
6	10-Feb-14	Iberdrola decreases its ownership interest in the share capital of EDP	2.805
6	10-Feb-14	EDP sells EUR 138 million of tariff deficit in Portugal	2.805
7	14-Feb-14	Norges Bank notifies qualified shareholding in EDP	2.926
8	28-Feb-14	Disclosure of the financial results for 2013	3.140
9	13-Mar-14	Capital Group notifies qualified shareholding in EDP	3.224
10	26-Mar-14	EDP to receive EUR 750 million in securitization of electricity tariff deficit in Portugal	3.302
11	01-Apr-14	Iberdrola decreases its ownership interest in the share capital of EDP	3.380
12	08-Apr-14	EDP issues EUR 650 million bond maturing in April 2019	3.180
13	15-Apr-14	Fitch maintains EDP on rating watch negative	3.247
14	12-May-14	EDP's Annual General Shareholders Meeting	3.521
15	13-May-14	Resignation of member of the General and Supervisory Board	3.488
15	13-May-14	Moody's affirmed EDP at "Ba1" with outlook negative	3.488
15	13-May-14	Disclosure of the financial results for the first quarter of 2014	3.488
16	29-May-14	Payment of gross dividend of EUR 0.185 per share for the 2013 financial year	3.400
17	16-Jun-14	EDP sells EUR 200 million of tariff deficit in Portugal	3.664
18	20-Jun-14	EDP signed a 5-year revolving credit facility in the amount of €3,150 million	3.719
19	27-Jun-14	Conclusion of sale by EDP Brasil of 50% in Jari and Cachoeira Caldeirão hydro plants	3.680

B. CORPORATE BODIES

I. CORPORATE GOVERNANCE STRUCTURE

1.1. CORPORATE GOVERNANCE MODEL

EDP's governance structure is based on the dual model and consists of the General Meeting, Executive Board of Directors, General and Supervisory Board and the Statutory Auditor.

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as their Chairmen and Vice-Chairmen, if any, and the Statutory Auditors, based on a proposal by the General and Supervisory Board (or by delegation to the Financial Matters Committee / Audit Committee). The General Meeting also appoints the members of the Environment and Sustainability Board, on proposal of the Executive Board of Directors, and Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of the members of the corporate bodies (except the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board).

The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.

Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company's supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.

For a better understanding of EDP's corporate governance, EDP's website (www.edp.pt) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

Moreover, the General and Supervisory Board and Executive Board of Directors have approved the Corporate Governance Manual which is also available to shareholders and the general public on the EDP website (www.edp.pt). The primary objective of this manual is to record and share an understanding of the two corporate bodies in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals as regards the quality of its corporate governance practices. The Corporate Governance Manual therefore sought to serve the following purposes in order to achieve this basic goal:

- To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;
- To select the recommendations deemed most appropriate to EDP's governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- To identify recommendations that are not appropriate to EDP's interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;
- To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law;
- Describe EDP's governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and increase the quality of EDP's governance processes.

Given the recent changes to the CMVM's Regulation 4/2013 and the new recommendations on Corporate Governance, a review process of EDP's Corporate Governance Manual is underway.

1.2. INCOMPATIBILITY RULES AND INDEPENDENCE CRITERIA

EDP's Articles of Association (Article 9 (1) Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27)) and the Internal Regulations of the General and Supervisory Board (Article 7), both available on its website (www.edp.pt), lay down the rules on independence and incompatibilities for members of any of the company's corporate bodies.

The criteria of independence set out in EDP's Articles of Association are in line with those laid down in 414 (5) of the Company Code and determine that independence means an absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence is "absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently".

Pursuant to its Internal Regulations, the General and Supervisory Board has in place a specific procedure regarding compliance with a large number of rules on incompatibilities and independence applicable to positions on this board (Articles 6 and 7 of the General and Supervisory Board Internal Regulations). This procedure includes the following aspects:

- Acceptance of a position as member of the General and Supervisory Board is subject to a written statement setting out specifically (i) the inexistence of any incompatibility under the law or Articles of Association; (ii) compliance with the independence requirements set out in its Internal Regulations, if the person has been elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or, for the Chairman, directly to the board any subsequent event that might generate incompatibility or loss of independence;
- Every year, the members of the General and Supervisory Board must renew their statements as to the inexistence of incompatibility and compliance with the independence requirements, if applicable;

Also every year, the General and Supervisory Board conducts a general assessment of compliance with the rules of incompatibility and independence by its members.

At the same time, the Internal Regulations of the General and Supervisory Board has broadened the independence criteria applicable to its members, going beyond the provisions of Article 414 (5) of the Company Code and Article 9 of EDP's Articles of Association, and so people who directly or through their spouse or relative or similar in a straight line and to the collateral third degree, inclusive, are in one of the following situations cannot have independent status:

- Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;
- Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company that is a competitor of EDP; and
- Having been re-elected for more than two consecutive or non-consecutive terms of office.

The rules of independence covering members of the General and Supervisory Board are particularly important regarding the following requirements:

- The board must consist of a majority of independent members (Article 434 (4) of the Company Code and Article 21 (4) of EDP's Articles of Association);
- The Financial Matters Committee/Audit Committee and the Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 444 (6) of the Company Code Article 27 (1) (a) and (b) of the General and Supervisory Board's Internal Regulations).

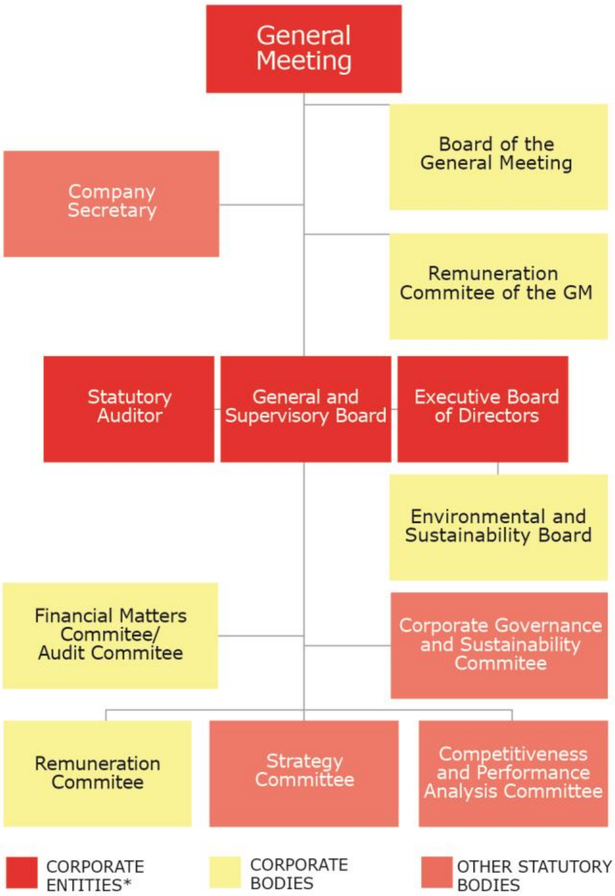
In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Company Code (Article 414-A (1) (a) to (e) and (h) (ex vi Article 434 (4) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulations of the General and Supervisory Board.

On 28 February, 2014, the General and Supervisory Board assessed compliance with the rules on incompatibilities and independence of the elected members at the General Meeting of 20 February, 2012 and members elected at the General Meeting of 6 May, 2013.

The Chairman and Vice-Chairman of the Board of the General Meeting made similar statements of compliance with the criteria of independence and incompatibility for their positions, as set out in Article 414 (5) and Article 414-A (1) of the Company Code and in Articles 9 and 10 of EDP's Articles of Association.

The above statements are available to the public on EDP's website, www.edp.pt.

II. ORGANIC CORPORATE STRUCTURE



*Corporate entities are also corporate bodies, pursuant to Article 8 of EDP's Articles Association

2.1. CORPORATE BODIES

Pursuant to Article 8 of EDP's Articles of Association, the corporate bodies of the company are the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Statutory Auditor. The company has also the following corporate bodies: Board of the General Meeting, the Environment and Sustainability Board, the Remuneration Committee, the Remuneration Committee of the General Meeting and the Financial Matters Committee/Audit Committee.

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 20 February 2012, for the three-year period from 2012 to 2014. The term of office of these members of the corporate bodies therefore ends on 31 December 2014, though they may remain in office until a new appointment.

The Statutory Auditor and alternate auditor and members of the other corporate bodies, including the Board of the General Meeting, the Remuneration Committee of the General Meeting and the Sustainability and Environment Board were elected at the Annual General Meeting held on 17 April 2012 also for a 3-year term of office, for the period from 2012 to 2014.

2.1.1. GENERAL MEETING OF SHAREHOLDERS

Pursuant to Article 12 of EDP's Articles of Association, the officers of the General Meeting are a Chairman, a Vice-Chairman and the Company Secretary, who is appointed by the Executive Board of Directors.

At the Annual General Meeting of 17 April 2012 the Chairman and Vice-Chairman of the General Meeting were elected to office for the three year period from 2012 to 2014. The Company Secretary was appointed on 22 February 2012 (likewise for the term from 2012 to 2014).

Board of the General Meeting

Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Maria Teresa Isabel Pereira

The Chairman of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21 (2) of EDP's Articles of Association.

2.1.2. GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – see Article 441 of the Company Code and Article 22 of EDP's Articles of Association - the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company's interests, pursuant to the Company Code and the company's Articles of Association. It is elected by the shareholders at the General Meeting.

Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

Pursuant to article 22 of the Articles of Association, the General and Supervisory Board is especially responsible for:

- Permanently monitor the management of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, goals and compliance with the law;
- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the statutory auditor and external auditor and, with regard to the former, issue an opinion on their election or appointment, dismissal, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluate internal accounting and auditing procedures, the efficacy of the risk management system, internal control system and internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors
- Monitor the definition of criteria and responsibilities required or appropriate for the structures and internal bodies of the company or Group and their impact and draft follow-up plans;
- Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Company Code, on its own initiative or when requested to do so by the CEO;
- Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;
- Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- Represent the company in its relations with the directors;
- Supervise the work of the Executive Board of Directors;
- Oversee compliance with the law and Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- Supervise the preparation and disclosure of financial information
- Call the General Meeting when it deems appropriate;
- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place at EDP, the General and Supervisory Board also has a power of particular importance. Although it does not have management powers, pursuant to Article 442 (1) of the Company Code, Article 17 (2) of the Articles of Association lays down that the approval of EDP's strategic plan and performance of the operations indicated below by EDP or its subsidiaries are subject to a prior favourable opinion from this board (see also Article 13 of the Internal Regulations of the General and Supervisory Board):

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;

- Financing operations of significant value;
- Opening and closure of establishments, or important parts thereof, and substantial extensions or limitations of company activity;
- Other transactions or operations of significant economic or strategic value;
- Formation or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for splits, mergers or conversions;
- Amendments to the Articles of Association, including changes of registered office and share capital increases when on the Executive Board of Directors' initiative;
- Approval of the draft decision of the Executive Board of Directors to increase the share capital by means of one or more share capital increases, up to the aggregate limit of 10% of the current share capital by issuing Category A shares to be subscribed by new inputs of cash;
- Formation or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular powers, and, pursuant to Article 18 of the Rules of Procedure of the General and Supervisory Board, is responsible for:

- Convening and presiding over meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities;
- Proposing to the plenary General and Supervisory Board the members, the Chairman and, when appropriate, the Vice-Chairman of each committee;
- Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties;
- Requesting from the Executive Board of Directors relevant information for the General and Supervisory Board and its committees to perform their duties and ensuring that the members of the General and Supervisory Board receive it in good time;
- Taking the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular;
- Monitoring implementation of the General and Supervisory Board’s budget and managing the material and human resources assigned to it;
- Ensuring correct implementation of General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member delegated by the board for that purpose, may attend meetings of the Executive Board of Directors whenever s/he sees fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights pursuant to Article 21 (10) of EDP's Articles of Association.

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 4 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee.

With the assistance of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually performs:

- A self-assessment of its activity and performance and those of its committees, the conclusions of which are set out in its annual report (see Article 10 of the General and Supervisory Board Internal Regulations);
- An independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of which are submitted to the General Meeting and are presented in an annex to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board, continues to be one of the few listed companies in Portugal and abroad that has voluntarily established a formal, impartial process to assess the activity of this board and of the Executive Board of Directors. Experience of recent years has allowed the General and Supervisory Board to make some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- After the year’s end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of its Board. The questionnaires are answered individually and are confidential.
- The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at a General and Supervisory Board meeting;
- The General and Supervisory Board issues its assessment opinions and they are included in this board's annual report;
- At the General Meeting, the Chairman of the General and Supervisory Board presents the board's opinion in the item of the agenda for assessment of the Executive Board of Directors.

On May 9, 2014, José Maria Espírito Santo Silva Ricciardi communicated his resignation as member of the General and Supervisory Board.

The members of the General and Supervisory Board are currently as follows:

	General and Supervisory Board	Independent Members	First appointment date
Chairman	Eduardo de Almeida Catroga	Independent	30/03/2006
Vice-Chairman	Dingming Zhang (em representação da China Three Gorges Corporation)		20/02/2012
	Guojun Lu (as representative of China International Water & Electric Corp.)		20/02/2012
	Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)		20/02/2012
	Shengliang Wu (as representative of CWEI (Europe), S.A.)		20/02/2012
	Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)		02/06/2008
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)		14/04/2011
	Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL)		16/04/2010
	Harkat Abderezak (as representative of Sonatrach)		20/02/2012
	Alberto João Coraceiro de Castro	Independent	30/03/2006
	António Sarmento Gomes Mota	Independent	15/04/2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20/02/2012
	Fernando Maria Masaveu Herrero		20/02/2012
	Ilídio da Costa Leite de Pinho	Independent	20/02/2012
	Jorge Avelino Braga de Macedo	Independent	20/02/2012
	Manuel Fernando de Macedo Alves Monteiro	Independent	30/03/2006
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Independent	20/02/2012
	Vasco Joaquim Rocha Vieira	Independent	20/02/2012
	Vítor Fernando da Conceição Gonçalves	Independent	30/03/2006
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12/04/2007
	Augusto Carlos Serra Ventura Mateus	Independent	06/05/2013
	Nuno Manuel da Silva Amado		06/05/2013

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and CWEI (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

The operations of the General and Supervisory Board are governed by their Internal Regulations, available on EDP's website, www.edp.pt.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, on his/her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman, pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board.

The General and Supervisory Board met four times in the first half of 2014 and minutes were kept of all the meetings.

2.1.3. EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Company Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting. Pursuant to Article 16 (2) of the Articles of Association, the Executive Board of Directors must have a minimum of five and a maximum of seven members.

The members of the Executive Board of Directors are as follows:

	Executive Board of Directors	First appointment date
Chairman	António Luís Guerra Nunes Mexia	30/03/2006
	Nuno Maria Pestana de Almeida Alves	30/03/2006
	João Manuel Manso Neto	30/03/2006
	António Manuel Barreto Pita de Abreu	30/03/2006
	António Fernando Melo Martins da Costa	30/03/2006
	João Manuel Veríssimo Marques da Cruz	20/02/2012
	Miguel Stilwell de Andrade	20/02/2012

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The Executive Board of Directors is a collegial body. Individual directors in office are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- Setting the goals and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- Appointing proxies with such powers as it sees fit, including the power to delegate;
- Appointing the Company Secretary and alternate;
- Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- Exercising any other powers that may be granted to it by law or by the General Meeting;
- Establishing its own internal rules.

Proposals to amend EDP's Articles of Association regarding share capital increases submitted by the Executive Board of Directors require a prior opinion from the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the notices of meetings, support documents and minutes of the meetings and, on request, provides appropriate, timely information, which is accessible to all the members of the General and Supervisory Board and of the Financial Matters Committee/Audit Committee.

When so requested by other members of the corporate bodies, the Executive Board of Directors also provides all the required information in a timely and appropriate fashion. There is an information sharing portal for the Executive Board of Directors and General and Supervisory Board, which is accessible to all their members.

The Chairman of the Executive Board of Directors is granted particular powers by Article 18 of the Articles of Association. These powers are:

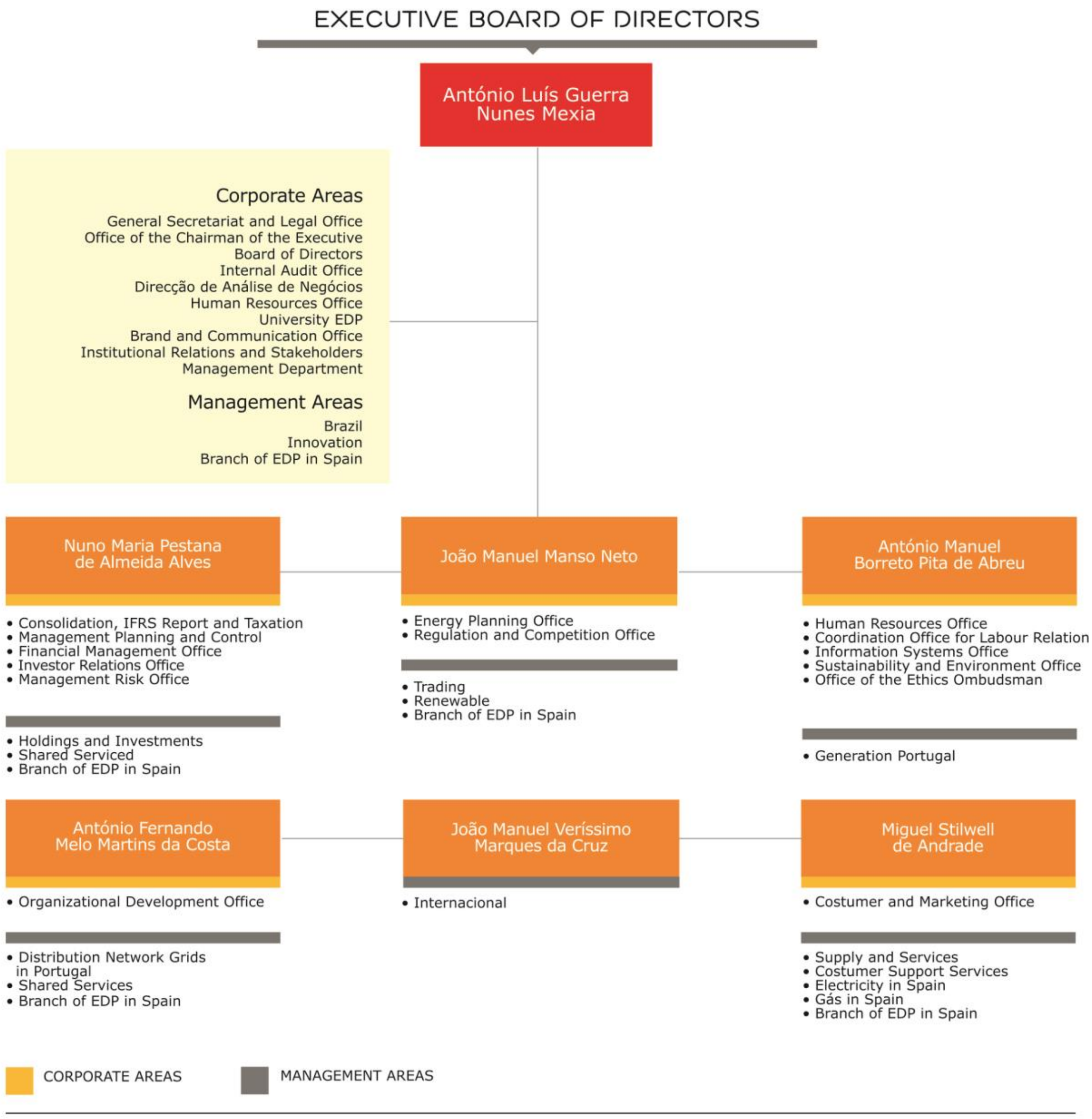
- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring proper execution of the decisions of the Executive Board of Directors.

The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General and Supervisory Board, whenever considered appropriate, except when these concern decisions on the supervision of the work of the Executive Board of Directors and, in general, any situations that may involve a conflict of interest, pursuant to Article 18 (2) of the Articles of Association.

The General and Supervisory Board met nineteen times in the first half of 2014 and minutes were kept of all the meetings.

In the Executive Board of Directors there is a functional division of management areas to each of its members. The college of directors is responsible for making decisions on all matters within its remit. Delegated powers are not granted to directors individually, because of the board's particular nature.

The organisation of the Executive Board of Directors is based on the following management areas and corporate matters:



The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board, which draws up a report on this matter and publish, in its the Annual Report, a statement on the assessment of the Executive Board of Directors.

2.1.3. STATUTORY AUDITOR

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for terms of office of three years, pursuant to and for the purposes of Article 25 of EDP's Articles of Association and Article 446 of the Portuguese Companies Code.

According to the Portuguese Companies Code and the company's Articles of Association, the Statutory Auditor is in particular responsible for (see Article 446 (3) of the Portuguese Companies Code):

- The regularity of the company's books, accounting records and the respective supporting documents
- When, and in the form it deems fitting, the cash and all assets or securities belonging to the company or received by it as a guarantee, deposit or for any other purpose
- The exactness of the account rendering documents
- Whether or not the accounting policies and valuation criteria adopted by the company lead to a correct evaluation of the assets and profits.

EDP's external auditor has been KPMG since December 2004 and Vítor Manuel da Cunha Ribeirinho has been the certified auditor partner since 2012.

2.1.4. REMUNERATION COMMITTEE OF THE GENERAL MEETING

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The Remuneration Committee of the General Meeting has the following membership:

Remuneration Committee - General Meeting

Chairman	José Manuel Archer Galvão Teles
	José de Mello - Sociedade Gestora de Participações Sociais, S.A. (representado por Luís Eduardo Brito Freixial de Goes)
	Álvaro João Duarte Pinto Correia

2.1.5. ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment Board was set up as a company body in 1991. Its name was changed to Environment and Sustainability Board by decision of the Annual General Meeting of 30 March 2006.

As a company body, the Environment and Sustainability Board has powers to advise the Executive Board of Directors on environment and sustainability matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and drafting opinions and recommendations on the environmental impact of projects planned by the EDP Group (Article 28 (1) of EDP's Articles of Association).

The current members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability.

The members of the Environment and Sustainability Board were elected at the Annual General Meeting of 17 April, 2012 for 2012/2014.

The Environment and Sustainability Board's membership is as follows:

Environment and Sustainability Board

Chairman	José Pedro Sucena Paiva
	Alberto da Ponte
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

2.1.6. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

The Internal Regulations of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to its responsibility for the exercise of its duties as a corporate body. These committees may be set up whenever it sees fit and appropriate and have specific duties delegated to them.

The main remit of the standing and ad hoc committees is specific, continuous monitoring of the matters entrusted to them, in order to ensure informed decisions by the General and Supervisory Board or provide it with information on certain matters.

The committees' activity is coordinated by the Chairman of the General and Supervisory Board, who ensures proper articulation of the committees with the plenary board through their chairmen, who keep him informed by sending notices and the minutes of meetings.

The General and Supervisory Board believes that the committees are important to the regular functioning of the company as they can perform certain delegated duties, especially monitoring the company's financial information, reflecting on its governance system, assessing the performance of directors and evaluating its own overall performance.

The General and Supervisory Board has five specialised committees: Financial Matters Committee/Audit Committee, Remuneration Committee, Corporate Governance and Sustainability Committee, Strategy Committee and Performance Analysis and Competitiveness Committee. They were set up at the meeting of 21 February, 20012 and their membership was changed at meetings on 18 and 22 May, 2012.

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting.

The Financial Matters Committee/Audit Committee's membership is as follows:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	21/02/2012
Vice-Chairman	Vítor Fernando da Conceição Gonçalves	13/07/2006
	António Sarmento Gomes Mota	07/05/2009
	Manuel Fernando de Macedo Alves Monteiro	13/07/2006
	Maria Celeste Ferreira Lopes Cardona	18/04/2012

In accordance with the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the Statutory Auditor and the External Auditor of EDP and issue opinions on the Statutory Auditor's election or appointment, removal from office, independence and other relations with EDP;
- Permanently monitor and assess internal accounting and auditing procedures and the efficacy of the risk-management system, internal control system and internal audit system;
- Monitor the bookkeeping, accounting records, supporting documents and the status of any assets or securities held by EDP in any capacity, as and when it sees fit;
- Exercise the powers expressly granted by the General and Supervisory Board;
- Exercise any other powers that may be specifically granted by law.

As a specialised committee of the General and Supervisory Board, the Financial Matters Committee/Audit Committee also assists it in the hiring and dismissal of the External Auditor, pursuant to Article 4 (1) (i) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

In the first half of 2014, the Financial Matters Committee/Audit Committee met seven times and minutes of its meetings were kept.

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved to the Annual General Meeting for consultative purposes, at least in the years in which this policy is established or amended. After publication of Law 28/2009 of 19 June, the Remuneration Committee has been adjusting its actions to comply with applicable legal provisions.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has a representative at the General Meetings of Shareholders.

Following the resignation of José Maria Espírito Santo Silva Ricciardi as a member of the General and Supervisory Board, he ceased to be a member of this committee, on 9 May 2014.

The committee has the following members:

Remuneration Committee of the GSB		First appointment date
Chairman	Alberto João Coraceiro de Castro	13/07/2006
	Ilídio da Costa Leite de Pinho	22/05/2012
	Guojon Lu	11/05/2012
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	18/04/2012

In the first half of 2014, the Remuneration Committee appointed by the General and Supervisory Board met twice and minutes of its meetings were kept.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to permanently monitor and supervise all matters related with the following:

- Corporate governance;

- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Definition of criteria and duties to be complied with in EDP's bodies and their repercussions on their membership; and
- Drafting of succession plans.

The role of the Corporate Governance and Sustainability Committee is to assist the General and Supervisory Board in the continuous evaluation of the management and the performance assessment of the General and Supervisory Board itself. The General and Supervisory Board makes this assessment annually, based on the committee’s work, and publishes them in a report. The conclusions of this assessment are included in the annual report of the General and Supervisory Board and presented to shareholders at the AGM.

Two other important roles of the Corporate Governance and Sustainability Committee are the monitoring of:

- The company's governance practices; and
- Management of human resources and succession plans.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The Corporate Governance and Sustainability Committee’s membership is as follows:

Corporate Governance and Sustainability Committee		First appointment date
Chairman	Manuel Fernando de Macedo Alves Monteiro	18/04/2012
	Ilídio da Costa Leite de Pinho	18/04/2012
	Maria Celeste Lopes Cardona	18/04/2012
	Vasco Joaquim Rocha Vieira	18/04/2012
	Wu Shengliang	11/05/2012

In the first half of 2014, the Corporate Governance and Sustainability Committee appointed by the General and Supervisory Board met once and minutes of its meetings were kept.

STRATEGY COMMITTEE

The work of the Strategy Committee is governed by the Internal Regulations of the Strategy Committee. Pursuant to these regulations, the Strategy Committee, which was set up by decision of the General and Supervisory Board, is responsible for strategy regarding investments, financing and strategic partnerships.

The Strategy Committee was set up by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is to permanently monitor the following:

- Long-term strategies and scenarios;
- Strategic implementation, business planning and their budgets;
- Major investments and divestments;
- Debt and financing;
- Strategic alliances;
- Market performance and competitiveness;
- Regulation

Following the resignation of José Maria Espírito Santo Silva Ricciardi as a member of the General and Supervisory Board, he ceased to be a member of this committee.

The Strategy Committee consists of the following members:

	Strategy Committee	First appointment date
Chairman	Eduardo de Almeida Catroga	18/04/2012
Vice-Chairman	Zhang Dingming	11/05/2012
	Felipe Fernández Fernández	18/04/2012
	Harkat Abderezak	18/04/2012
	Jorge Braga de Macedo	18/04/2012
	Mohamed Ali Al-Fahim	18/04/2012
	Augusto Carlos Serra Ventura Mateus	09/05/2013
	Nuno Manuel da Silva Amado	09/05/2013
	Wu Shengliang	09/05/2013

In the first half of 2014, the Strategy Committee appointed by the General and Supervisory Board met twice and minutes of its meetings were kept.

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

The Performance Analysis and Competitiveness Committee, established by decision of the General and Supervisory Board, analyses EDP's performance and competitiveness in the markets in which the company operates. The work of the Performance Analysis and Competitiveness Committee is governed by its internal regulations.

The Performance Analysis and Competitiveness Committee was set up by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is as follows:

- Analyse the company's business performance;
- Benchmark EDP's performance against the industry's top companies;
- Assess the competitiveness of EDP's business portfolio.

The committee has the following members:

	Performance Analysis and Competitiveness Committee	First appointment date
Chairman	Luís Filipe da Conceição Pereira	18-04-2012
Vice-Chairman	Yang Ya	11-05-2012
	Alberto João Coraceiro de Castro	18-04-2012
	António Sarmento Gomes Mota	18-04-2012
	Fernando Masaveu Herrero	18-04-2012
	Nuno Manuel da Silva Amado	09-05-2013
	Wu Shengliang	09-05-2013

In the first half of 2014, the Performance Analysis and Competitiveness Committee appointed by the General and Supervisory Board met twice and minutes of its meetings were kept.

III. SHAREHOLDER STRUCTURE AND MANAGEMENT TRANSACTIONS

1. CAPITAL STRUCTURE

EDP's share capital to the amount of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares.

There are no limitations on the transferability of ordinary (or Category A) shares as, pursuant to the Securities Code, shares traded on a market are freely transferrable, although EDP's Articles of Association contain rules limiting the exercise of voting rights, which apply to both ordinary shares (or Category A) shares and Category B shares.

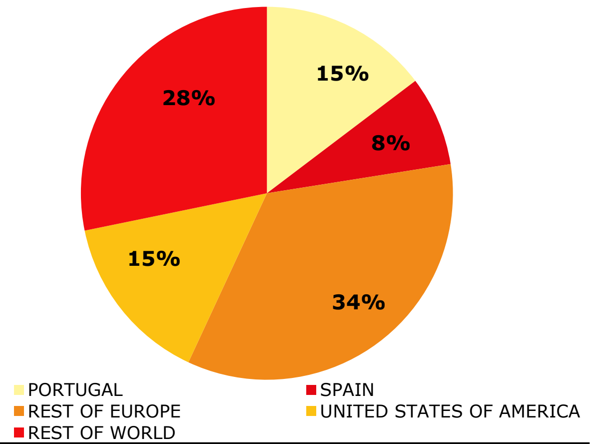
Although the Articles of Association still refer to Category B shares, on 14 February 2013 Parpública – Participações Públicas (SGPS), S.A. used accelerated bookbuilding to sell the 151,517,000 Category B shares with a face value of 1 euro each, equivalent to 4.14% of EDP's share capital, that it still owned. As a result of the settlement of this operation, on 19 February 2013, Parpública – Participações Públicas (SGPS), S.A. has decreased to 0% of EDP's share capital. As mentioned in Article 4 (5) of EDP's Articles of Association, Category B shares only continue to be in this category if they are owned by public bodies. Their transfer to non-public bodies results in their conversion into Category A shares. Therefore, as a result of the transfer of the shares owned by Parpública – Participações Públicas (SGPS), S.A. and their automatic conversion into Category A shares, there are no Category B shares.

EDP's share capital is therefore represented exclusively by 3,656,537,715 Category A shares, which are ordinary and have a face value of 1 euro each.

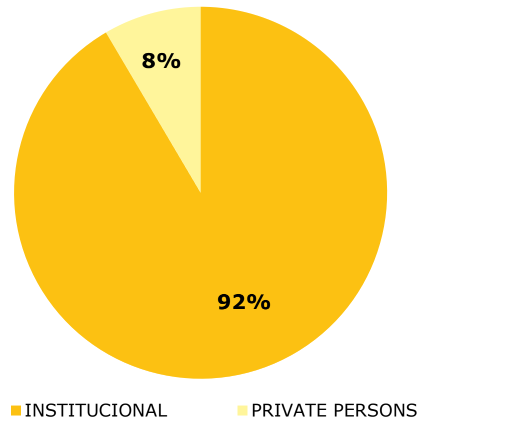
2. SHAREHOLDER STRUCTURE

The geographical and investor type breakdown of the EDP shareholder structure on 31 December 2013 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHY



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE



Source: Interbolsa

3. QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 30 June 2014 and their voting rights in accordance with Article 20 (1) of the Securities Code.

Shareholder	Nº of Shares	% Capital	% Vote
CHINA THREE GORGES			
CWEI (Europe), S.A.	780,633,782	21.35%	21.35%
Total	**780,633,782**	**21.35%**	**21.35%**

China Three Gorges International (Europe) S.A. is fully owned by CWEI (Hong Kong) Co. Ltd, which is fully owned by CWE Investment Co. Ltd. China Three Gorges Corporation directly holds 100% equity of CWE Investment Co. Ltd.

CAPITAL GROUP COMPANIES, INC.			
Capital Research and Management Company	370,584,953	10.13%	10.13%
Capital Income Builder	128,927,511	3.53%	3.53%
Income Fund of America	100,234,925	2.74%	2.74%
Total	**370,584,953**	**10.13%**	**10.13%**
OPPIDUM CAPITAL, S.L.			
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
Total	**263,046,616**	**7.19%**	**7.19%**

Oppidum is owned 52.9% by Masaveu International, S.L. and 47.1% by Liberbank, S.A.

INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)			
Senfora SARL	148,431,999	4.06%	4.06%
Total	**148,431,999**	**4.06%**	**4.06%**

The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.

GRUPO MILLENNIUM BCP + FUNDO DE PENSÕES			
Elementos dos Órgãos Sociais	28,380	0.00%	0.00%
Fundação Millennium BCP	350,000	0.01%	0.01%
Fundo de Pensões do Grupo Millennium BCP	88,789,594	2.43%	2.43%
Total	**89,167,974**	**2.44%**	**2.44%**

The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.

SONATRACH			
Sonatrach	87,007,433	2.38%	2.38%
Total	**87,007,433**	**2.38%**	**2.38%**
QATAR INVESTMENT AUTHORITY			
Qatar Holding Luxembourg II Sárl	82,868,933	2.27%	2.27%
Total	**82,868,933**	**2.27%**	**2.27%**

The company Qatar Holding Luxembourg II Sárl is fully owned by Qatar Holding LLC, a company wholly owned by Qatar Investment Authority.

NORGES BANK			
Norges Bank	76,488,229	2.09%	2.09%
Total	**76,488,229**	**2.09%**	**2.09%**
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, S.A.	73,249,881	2.00%	2.00%
Órgãos de Administração e Fiscalização	43,475	0.00%	0.00%
Total	**73,293,356**	**2.00%**	**2.00%**

The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital in fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.

Shareholder	Nº of Shares	% Capital	% Vote
BLACKROCK, INC.			
BlackRock (Netherlands) B.V.	322,768	0.01%	0.01%
BlackRock Advisors (UK) Limited	6,350,788	0.17%	0.17%
BlackRock Advisors, LLC	160,104	0.00%	0.00%
BlackRock Asset Management Australia Limited	203,075	0.01%	0.01%
BlackRock Asset Management Canada Limited	473,971	0.01%	0.01%
BlackRock Asset Management Deutschland AG	5,155,677	0.14%	0.14%
BlackRock Asset Management Ireland Limited	9,906,691	0.27%	0.27%
BlackRock Financial Management	102,299	0.00%	0.00%
BlackRock Fund Advisors	11,415,217	0.31%	0.31%
BlackRock Fund Managers Limited	780,661	0.02%	0.02%
BlackRock Institutional Trust Company, National Association	25,044,436	0.68%	0.68%
BlackRock International Limited	9,073	0.00%	0.00%
BlackRock Investment Management (Australia) Limited	145,989	0.00%	0.00%
BlackRock Investment Management (UK) Ltd	47,089	0.00%	0.00%
BlackRock Investment Management, LLC	3,311,143	0.09%	0.09%
BlackRock Japan Co Ltd	2,947,809	0.08%	0.08%
BlackRock Life Limited	6,101,003	0.17%	0.17%
iShares (DE) I InvAG mit Teilgesellschaftsvermogen	790,452	0.02%	0.02%
Total	**73,268,245**	**2.00%**	**2.00%**
EDP (TREASURY STOCK)	**23,201,564**	**0.63%**	
REMAINING SHAREHOLDERS	**1,588,544,631**	**43.44%**	
TOTAL	**3,656,537,715**	**100.00%**	

Note: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 25% of the totality of the corresponding votes to the capital stock exceeed.

8. FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the financial instruments held by members of the Executive Board of Directors and the changes from 2013 to the first half of 2014, as required by Article 447 (5) of the Company Code.

Financial instruments owned by members of the Executive Board of Directors were as follows:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
	Nº Shares 06-30-2014	Nº Shares 12-31-2013	Nº Bonds 06-30-2014	Nº Bonds 12-31-2013	Nº Shares 06-30-2014	Nº Shares 12-31-2013	Nº Shares 06-30-2014	Nº Shares 12-31-2013
Executive Board of Directors								
António Luís Guerra Nunes Mexia	41,000	41,000	0	0	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves	125,000	125,000	25	25	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0	0
António Manuel Barreto Pita de Abreu (1)	34,549	34,549	0	0	2,180	1,810	41	41
António Fernando Melo Martins da Costa (2)	13,299	13,299	50	50	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz	3,878	3,878	0	0	0	0	0	0
Miguel Stilwell de Andrade	111,576	111,576	0	0	2,510	2,510	0	0

Notes:

1) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu; The shares of EDP Renováveis also include 370 shares held by his wife and not previously referenced by mistake.

2) The shares of EDP Renováveis includes 150 held by his wife, Anna Malgorzata Starzenska Martins da Costa.

In the first half of 2014, the members of the Executive Board of Directors did not perform any operations on financial instruments.

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

The table below shows the financial instruments by the members of the General and Supervisory Board, and the changes from 2013 to the first half of 2014, as required by Article 447 (5) of the Company Code.

Financial instruments owned and/or imputable to members of the General and Supervisory Board were as follows:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 06-30-2014	Nº Shares 12-31-2013	Nº Bonds 06-30-2014	Nº Bonds 12-31-2013	Nº Shares 06-30-2014	Nº Shares 12-31-2013
GENERAL AND SUPERVISORY BOARD [1]						
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0
China Three Gorges Corporation	780,633,782	780,633,782	0	0	0	0
Dingming Zhang (as representative of China Three Gorges Corporation)	0	0	0	0	0	0
China International Water & Electric Corp.	0	0	0	0	0	0
Guojun Lu (as representative of China International Water & Electric Corp.)	0	0	0	0	0	0
China Three Gorges New Energy Co. Ltd.	0	0	0	0	0	0
Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)	0	0	0	0	0	0
CWEI (Europe) S.A. [2]	780,633,782	780,633,782	0	0	0	0
Shengliang Wu (as representative of CWEI (Europe) S.A.)	0	0	0	0	0	0
Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)	0	0	0	0	0	0
José de Mello Energia, S.A.	73,293,356	168,097,034	0	0	0	0
Luís Filipe da Conceição Pereira (as representative of José de Mello Energia) [3]	4,233	1,459	150	150	1,200	1,200
Senfora SARL	148,431,999	148,431,999	0	0	0	0
Mohamed Al Fahim (as representative of Senfora SARL)	0	0	0	0	0	0
Sonatrach	87,007,443	87,007,443	-	0	0	0
Harkat Abderezak (as representative of Sonatrach)	0	0	0	0	0	0
José Maria Espírito Santo Silva Ricciardi [4]	_	0	_	0	_	2,320
Alberto João Coraceiro de Castro [5]	6,917	6,917	5	5	3,080	3,080
António Sarmento Gomes Mota	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	0	0
Fernando Maria Masaveu Herrero [6]	264,709,056	264,709,056	0	0	0	0
Ilídio da Costa Leite de Pinho	0	0	0	0	0	0
Jorge Avelino Braga de Macedo	0	0	0	0	0	0
Manuel Fernando de Macedo Alves Monteiro	0	0	60	60	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	0	0	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	60	60
Vítor Fernando da Conceição Gonçalves	0	0	0	0	0	0
Rui Eduardo Ferreira Rodrigues Pena	4,541	4,541	35	35	1,500	1,500
Augusto Carlos Serra Ventura Mateus	0	0	0	0	0	-
Nuno Manuel da Silva Amado	0	0	0	0	0	-

Notes:

1) The members of the General and Supervisory Board do not hold any shares of EDP - Energias do Brasil, S.A.

2) Formerly China Three Gorges International (Europe), S.A.

3) The shares of EDP - Energias de Portugal are held by the spouse, Maria Manuela Silva Casimiro Pereira who is also the owner of all shares of EDP Renõváveis. Were also awarded to the spoude 2,774 shares acquired at a price of € 3,50 on June 6, 2014, as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2013,

4) Resigned on May 9, 2014.

5) The shares of EDP - Energias de Portugal and EDP Renewables include 94 and 380 shares, respectively, held by the spouse, Ana Maria Ferreira Lopes. Inherited 2,339 shares of EDP - Energias de Portugal and 620 shares of EDP Renewables following the settlement of the ascending inheritance of Maria Odete Coraceiro.

6) The shares of EDP - Energias de Portugal, SA include 263,046,616 shares held by Oppidum, which is directly owned by Liberbank 44.1% and 55.9% by Masaveu Internacional, S.L. which, in turn, is wholly owned by Masaveu Corporación, S.A., Fernando Masaveu has managerial responsibilities and 2.020 shares held by his wife Carolina Compostizo Fernández. Fernando Masaveu is a person discharging managerial responsibilities in Flicka Forestal SL, which holds 1,660,420 shares of EDP - Energias de Portugal, S.A.

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EDP GROUP'S BUSINESS EVOLUTION

EDP GROUP

In the first half of 2014, the EDP Group's net profit attributable to EDP Shareholders reached EUR 673 million, compared with EUR 603 million in the first half of 2013. Net profit increased 12%, supported by a 4% increase in EBIT and a good performance at financial results.

INCOME STATEMENT – EDP GROUP

EUR Million	1H14	1H13	Δ %
Gross Profit	2,699	2,890	-7%
Net Operating costs	697	918	-24%
EBITDA	2,002	1,973	1%
EBIT	1,304	1,250	4%
Net Profit for the period	794	710	12%
Net Profit attributable to EDP shareholders	673	603	12%
Non-controlling interests	121	107	13%

Consolidated EBITDA rose by 1% year-on-year (+EUR 29 million), to EUR 2,002 million in the first half of 2014, mainly impacted by EUR 129 million gain booked in the sale of a 50% equity stake in Jari and Cachoeira-Caldeirão hydro plants in Brazil to China Three Gorges and the EUR 129 million gain booked in the wake of new Collective Labour Agreement established in Portugal which compensated negative tariff deviations at Brazil net of CDE/CCEE contributions due to severe drought (-EUR 108 million in the first half of 2014 versus –EUR 18 million in the first half of 2013), adverse regulatory impact in Iberia, namely at EDP Renováveis and exchange rate impact due to depreciation of the BRL and USD versus the EUR. The EBITDA in the first half of 2013 included a EUR 56 million gain booked on the sale of gas transmission assets in Spain at regulated networks business.

The new Collective Labour Agreement reached with the 64 unions representing EDP's employees in Portugal (~6,700 employees) resulted in a gain of EUR 129 million in the first half of 2014, corresponding to the change of net present value of the group's future liabilities: EUR 87 million booked in regulated networks, EUR 23 million in long term contracted generation in Iberia, EUR 6 million in liberalised activities and EUR 13 million at other (shared services companies).

EBITDA

EUR Million	1H14	1H13	Δ %
LT Contracted Generation in Iberia	356	368	-3%
Liberalised Activities Iberia	315	225	40%
Regulated Networks Iberia	559	522	7%
Wind Power	506	543	-7%
Brazil	266	311	-15%
Other	(0)	4	-
Consolidated	**2,002**	**1,973**	**1%**

EDP Group's net operating costs (supplies and services, personnel costs and costs with social benefits) decreased by 20% year-on-year, to EUR 623 million in the first half of 2014. Excluding the impact from the new Collective Labour Agreement, operating costs fell by 3% year-on-year (-EUR 25 million) backed by a 2% year-on-year fall in Iberia, on the successful execution of our corporate efficiency program and 2% reduction in workforce (mainly prompted by early retirements in Portugal); and by BRL depreciation versus Euro. Other net operating costs stood at EUR 74 million in the first half of 2014, -EUR 67 million year-on-year, impacted by the previously referred EUR 56 million gain on the sale of gas assets in Spain in the first half of 2013 and the aforementioned EUR 129 million gain in Brazil in the first half of 2014. Generation taxes in Spain and in Portugal totalled EUR 61 million in the first half of 2014.

Net depreciation and amortisation (net of compensation from depreciation and amortisation of subsidised assets) decreased 1% year-on-year to EUR 681 million in the first half of 2014, mostly reflecting: i) extension of the useful life since November 2013 of our CCGTs (from 25 to 35 years) and of some of coal plants in Spain; ii) lower depreciation at some special regime facilities in Spain, following the impairments made in the fourth quarter of 2013; iii) impairment at hydro project in Portugal (Alvito) accounted in the second quarter of 2014 amounting to EUR 27 million; iv) lower impairments at EDP Renováveis in the first half of 2014 related to projects under development (EUR 10 million in the first half of 2013) and v) exchange rate impact mostly due to EUR/BRL evolution (-EUR 10 million).

Financial results went down 23% year-on-year to EUR 245 million in the first half of 2014 reflecting a higher average cost of debt, up from 4.1% in the first half of 2013 to 4.6% in the first half of 2014, which was partly mitigated by a EUR 0.7 billion decrease in average net debt. Capitalised financial costs reached EUR 83 million in the first half of 2014, up EUR 20 million year-on-year, driven by a higher level of works in progress, namely in new hydro projects in Portugal.

Results from associated companies amounted to EUR 8 million in the first half of 2014 with the main contributions to this item coming from: i) EDP Renováveis's 40% equity stake in ENEOP in Portugal (EUR 10 million in the first half of 2014 versus EUR 8 million in the first half of 2013); ii) 21% stake in CEM in Macau (EUR 6 million in the first half of 2014 versus EUR 7 million in the first half of 2013) and iii) 50% equity stake in Pecém I contributed with –EUR 12 million in the first half of 2014 (versus –EUR 40 million in the first half of 2013).

Non-controlling interests increased 13% year-on-year to EUR 121 million in the first half of 2014, driven by higher net profit at the level of EDP Brasil and execution of the asset rotation strategy in EDP Renováveis. All in all, net profit attributable to EDP shareholders increased 12% year-on-year to EUR 673 million in the first half of 2014.

Financial Investments/(divestments) totalled EUR 150 million in the first half of 2014. Financial divestments mainly include EUR 134 million from the conclusion sale to CWE Investment Corporation ("CWEI"), a 100%-owned China Three Gorges subsidiary, of 50% equity stakes in Jari and Cachoeira Caldeirão hydro projects and EUR 28 million from EDP Renováveis disposal of a 49% equity stake in a wind farm portfolio of 100MW located in France sold to Axpo Group. Financial investments in the first half of 2014 essentially refer to some success fees related to the development of our wind business and to EDP Brasil's equity contributions to Jari hydro project.

CAPEX

EUR Million	1H14	1H13	Δ %
Long-Term Contracted Generation Iberia	10	19	-47%
Liberalised Activities Iberia	295	264	12%
Regulated Networks Iberia	158	161	-2%
Wind & Solar Power	113	12	863%
Brazil	54	128	-58%
Other	28	17	69%
EDP Group	**659**	**601**	**10%**
Expansion Capex	**387**	**335**	**15%**
Maintenance Capex	**272**	**266**	**2%**

Consolidated capex increased 10% year-on-year to EUR 659 million in the first half of 2014. Excluding the cash-grant received by EDP Renováveis North America, in January 2013, related to a wind farm installed in the fourth quarter of 2012, consolidated capex in the first half of 2014 was 5% lower year-on-year (-EUR 33 million). Maintenance capex was 2% higher year-on-year, at EUR 272 million in the first half of 2014. Expansion capex totalled EUR 387 million in the first half of 2014, devoted to the construction of new hydro and wind capacity.

Capex in hydro capacity under construction in Portugal, comprising 3 new plants and 2 repowerings, totalled EUR 274 million in the first half of 2014. Capex in new wind and solar capacity totalled EUR 113 million, mostly allocated to capacity additions in the first half of 2014 (+6MW in Europe) and to 405MW of capacity under construction, the bulk of which in the United States (329MW). In Brazil, capex totalled EUR 54 million in the first half of 2014 and was mostly devoted to maintenance capex at our distribution business.

NET DEBT

EDP Group's consolidated net debt as at June 2014 amounted to EUR 16,874 million, resulting from a gross nominal debt of EUR 18,674 million deducted mainly by (i) an amount of cash and equivalents and financial assets at fair value through profit or loss of EUR 1,631 million, which was held, mainly, at EDP S.A., EDP Finance BV and EDP Servicios Financieros (EUR 759 million), Group's Brazilian subsidiaries (EUR 521 million), and EDP Renewables (EUR 308 million), and (ii) collateral deposits in the amount of EUR 432 million.

When compared to December 2013, the Group's net debt was nearly EUR 209 million lower, mostly due to securitization of Portuguese electricity tariff deficit which compensated the payment of 2013 annual dividend.

In terms of maturity, EDP Group's consolidated nominal debt breaks down into 18% in short-term and 82% in medium and long-term, with an average maturity of 4 years.

EDP maintained in 2014 its policy of centralizing funding at EDP, S.A., EDP Finance BV and EDP Sucursal, which represented 87% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings (6%) and project finance debt (mainly from the subsidiaries of the EDP Renewables Group – 5%, and EDP Produção Group - 1%).

In January 2014, EDP Finance B.V. issued a USD 750 million bond, maturing in January 2021 with a coupon of 5.25% and in April, EDP Finance B.V. issued a 5 year Eurobond in the amount of EUR 650 million with a coupon of 2.625%, both under the MTN programme. These issues allowed EDP to reach different markets and investors and to strengthen its liquidity position.

Regarding the loan markets, in June 2014, EDP signed a five-year revolving credit facility ("RCF") in the amount of EUR 3,150 million which can be drawn in Euros and USD. This RCF replaced the EUR 2,000 million RCF signed in 2010 that was due to mature in November 2015, keeping the same purpose as backup credit facility.

In the first half of 2014, EDP monetized approximately EUR 1,113 million of Portuguese tariff deficit: i) in February, EDP sold a portion of approximately EUR 138 million, and the respective interest, of the 2013 tariff deficit related with special regime generation; ii) in March, EDP securitized, by means of a true sale without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., a portion of the 2013 tariff deficit, and respective interest, for an amount of EUR 750 million; and iii) in June, EDP sold a portion of approximately EUR 200 million, and the respective interest, of the 2014 tariff deficit related with special regime generation.

In February 2014, the Group contracted project finance for wind projects in Poland in the total amount of PLN 301 million, with maturity of 14 years. In April project finance for Canadian wind projects was also closed in the total amount of CAD 49 million and maturity of 10 years.

Maintaining a prudent financial management policy, by June 2014 EDP had access to EUR 3,309 million of available credit lines and EUR 100 million of commercial paper with underwriting commitment, fully available. Additionally the Group has a EUR 1,000 million Euro Commercial Paper programme (ECP) at EDP SA level and a EUR 500 million "Pagarés" programme at HC Energia. Both programmes are not committed, being used for the Group short term treasury management. As at 30 June, the total amount issued of ECP and "Pagarés" amounted to EUR 386.4 million.

In 2014, the average cost of debt of the EDP Group was 4.6% and approximately 48% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency of EDP at 73%. The USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 19%.

In January, Standard & Poor's ("S&P") affirmed its 'BB+' long-term and 'B' short-term corporate credit ratings on EDP removing the CreditWatch with negative implications. The outlook is stable. The affirmation and removal from CreditWatch followed S&P's similar action on Portugal.

In May, Moody's Investors Service Limited ("Moody's") maintained EDP's rating at 'Ba1' with negative Outlook. In July, Moody's revised the outlook from negative to positive.

In July, Fitch Ratings ("Fitch") affirmed EDP's long-term rating at 'BBB-', revising its outlook from Rating Watch Negative to Stable. The outlook reflects a projected reduction of leverage thanks to a significant downsize of the capital expenditure plan for the next four years, a steady execution of yearly monetization of outstanding tariff deficit receivables, the completion of selective minorities disposals to EDP's equity partner China Three Gorges and an increase of EBITDA supported by new capacity additions.

LONG-TERM CONTRACTED GENERATION IN IBERIA

EBITDA from long-term contracted generation fell 3% year-on-year, to EUR 356 million in the first half of 2014, impacted by the transfer of 3 hydro plants to liberalised activities following the termination of respective PPA (EUR 32 million gross profit in the first half of 2013) and by production stoppage in several special regime thermal plants.

Gross profit from PPA/CMEC was EUR 21 million lower year-on-year in the first half of 2014, at EUR 358 million, mainly due to the transfer of 3 hydro plants to our merchant portfolio. Following the end in December 2013 of PPA at hydro plants Bemposta I, Picote I and Miranda (804MW; 2.5TWh energy production in an average hydro year), are operating in the liberalised market since 1 January 2014.

The annual deviation between market gross profit under CMECs assumptions and gross profit under current market conditions ('revisibility') totalled EUR 99 million in the first half of 2014, mainly driven by low spot prices. Deviation at hydro plants totalled EUR 48 million as the impact from a production 26% above CMEC's reference was offset by an average realised price 48% below CMEC's reference. In turn, market gross profit at our Sines coal plant stood EUR51 million below the CMEC's reference, due to shorter volumes (-20%) and average clean dark spread 16% below the CMEC's reference.

Gross profit from special regime was EUR 21 million lower year-on-year, at EUR 41 million in the first half of 2014, driven by the shutdown of a cogeneration plant in Portugal (Energin, 44MW) in January 2014 and by the interruption of production in most of our Spanish thermal plants (74MW, 80% of total capacity) in February 2014, as remuneration terms proposed and due to be in place since July 2013 make its operation unprofitable. Also, gross profit at our mini-hydro plants in Portugal was 12% lower year-on-year, driven by slightly lower volumes.

LIBERALISED ACTIVITIES IN IBERIA

EBITDA from liberalised activities in Iberia was EUR 90 million higher year-on-year, at EUR 315 million in the first half of 2014, driven by: (i) a stronger contribution from hydro production (58% weight in generation mix in the first half of 2014 versus 47% in the first half of 2013); (ii) +EUR 35 million year-on-year of gross profit from gas supply and trading activities; (iii) improved volume and margins in the electricity supply business in Portugal and (iv) higher results derived from the successful management of volatility in the energy markets.

As a result of the end of PPAs at 3 hydro plants in December 2013, 804MW of hydro capacity was transferred from the long term contracted generation portfolio to liberalised generation portfolio (1.7TWh in the first half of 2014). Additionally, hydro output increased 48% year-on-year, propelled by the even rainier the first half of 2014 (versus an already rainy the first half of 2013). The higher contribution from hydro justified a 31% drop in the average generation cost. In terms of regulation, EBITDA was hit by an overall impact in Iberia of EUR 61 million (generation taxes and reduction in capacity payment in Spain and in Portugal).

In the electricity business, gross profit rose by 18% in the first half of 2014, to EUR 463 million, driven by a higher average unit margin (up from €18.0/MWh in the first half of 2013 to €18.4/MWh in the first half of 2014).

Total volume sold rose by 15% to 25TWh in the first half of 2014, reflecting increases in sales to retail and in the wholesale market. Average sourcing cost fell by 15% year-on-year supported by a cheaper generation mix (-31% year-on-year on higher contribution from hydro) and cheaper electricity purchases derived from selective wholesale buying in the period. Average selling price was 10% lower in the first half of 2014, as a result of a 6% decline in average selling prices to retail clients derived from lower cost of electricity and competition; and a 24% fall in the average selling prices in the wholesale market supported by lower revenues in complementary markets and inferior pool prices.

In the liberalised generation activity in the Iberian market, output from our generation plants (unadjusted for hydro pumping) was 19% higher in the first half of 2014, mainly prompted by a higher contribution from hydro plants in the wake of stronger hydro resources and the switch of 3 hydro plants from long term contracted generation activity to liberalised activities, in January 2014. The 3 run-of-the-river plants which PPAs matured in December 2013 imply a total installed capacity of 804MW and have posted a 1.7TWh output in the first half of 2014. The rise in hydro output was partially compensated by lower production at our CCGTs (-0.2TWh), whilst our coal plants production was flat.

Output from our coal plants was flat year-on-year in the first half of 2014, backed by high load factors in May and June, after a period of strong hydro volumes. Average load factor was flat year-on-year, at 37% in the first half of 2014. Generation from Spanish domestic coal was 239GWh in the first half of 2014. Average production cost declined by 6%, to €37/MWh, supported by a lower coal cost.

Output from our CCGTs declined by 50% year-on-year in the first half of 2014, driven by lower demand for thermal production and low competitiveness of gas versus coal, implying a 1p.p. decline in average load factor, to 1% in the first half of 2014. Average production cost reached to €172/MWh in the first half of 2014, driven by lack of dilution of gas procurement fixed costs as plants were almost stopped.

Output from our hydro generation rose by 48% in the first half of 2014, fuelled by both rainy weather conditions and additional capacity in the portfolio (804MW transferred from long term contracted generation portfolio following PPA maturities). The average cost of hydro production fell from €2.6/MWh in the first half of 2013 to €0.8/MWh in the first half of 2014, reflecting a less intensive pumping activity derived from very high level of hydro reserves. Pumping activity is concentrated at our Alqueva plant, at an average cost correspondent to a 76% discount to the average pool price (versus 43% in the first half of 2013).

Overall, average production cost was 31% lower year-on-year, at €17.7/MWh in the first half of 2014, reflecting the higher contribution from the cheaper technology, which is hydro (58% of total output in the first half of 2014 versus 47% in the first half of 2013).

In terms of regulation, in October 2013, the Portuguese government announced a 2nd package of measures for the electricity system, aimed at correcting potential distortions in both the market of ancillary services and in the remaining markets, arising from different regulatory conditions between Portugal and Spain. Regarding the remaining markets, the Order 12955-A/2013 established a levy applicable to generators in the liberalised market from October to December 2013, which amount will vary according to the conclusions of a half-yearly analysis conducted by the regulator and approved by the Government. The transitory charge in place corresponds to €2/MWh in off-peak hours and €3/MWh in peak hours. On 6 February 2014, the Order 1873/2014 was published, which maintains the charge, as an advanced payment on the amounts mentioned in the nº 1 of the Order 12955-A/2013, of 10 October fixing the payment per MWh injected into the network. The overall impact in the first half of 2014 amounted to EUR 7 million.

In Spain, the RDL9/2013 established a decrease in capacity payments for CCGTs from €26/kW to €10/kW, although doubling the remaining payment period; and the funding of the social tariff by vertically integrated companies. As a result of this, revenues from capacity payments were EUR 10 million lower year-on-year in the first half of 2014. Additionally, generation taxes in place since January 2013 amounted to EUR 41 million in the first half of 2014, EUR 7 million above the first half of 2013 on higher coal purchases.

In the electricity supply business in Spain, electricity volume supplied to our clients in the free market increased by 7% year-on-year to 8.7TWh, in the first half of 2014, accompanied by a 12% increase in the number of clients supplied, within a context in which EDP's strategy is to focus on the most attractive customer segments.

In the electricity supply business in Portugal, electricity volume supplied to EDP clients in the free market in Portugal advanced 25% year-on-year, to 7.6TWh in the first half of 2014, propelled by a 66% expansion of our client base. EDP's market share in the free market rose by 3p.p. year-on-year in the first half of 2014, to 46%, in line with EDP's strategy to focus on the most attractive residential/SMEs segments.

In accordance with the rules and calendar defined for the liberalisation of electricity supply in Portugal, the electricity last resort supplier (EDP Serviço Universal) can no longer accept new customers (with the exception of those entitled to the social tariff). Additionally, all remaining consumers under the regulated tariff will have to move to the free market until the end of the on-going transitory period: until December 2014 for clients with contracted power above 10.35 kVA and until December 2015 for clients with contracted power below 10.35 kVA. During the transitory period, the regulator may apply quarterly updates to transitory tariff as to promote the switch to the free market. In this context, the switching of electricity consumers to the free market over 2013 and in the first half of 2014 was very strong. During the first half of 2014, the number of consumers in the free market soared to 2.9 million, elevating the total consumption in the free market to 79%.

Our gas sourcing activity in the first half of 2014 was based on an annual 3.6bcm portfolio of long term contracts, which flexibility has been enhanced through several contract renegotiations. Moreover, rather than solely using volumes available for electricity generation and for the sale to clients in the free market, EDP was able to divert part of its take-or-pay gas volumes to wholesale markets, where conditions were more attractive during the semester. As a result, gas supplied rose by 5% year-on-year to 21TWh (1.8bcm) in the first half of 2014, as sales in wholesale markets more than doubled year-on-year, offsetting the 29% decrease in sales to final clients and the 43% drop in consumption at our gas fired power plants.

Volumes of gas supplied to our clients in the liberalised market in Spain rose by 15%, to 17TWh in the first half of 2014, as a result of a focus on wholesale trading opportunities, and following a 4% expansion in the client portfolio.

Volumes of gas supplied to our clients in the liberalised market in Portugal fell by 32% year-on-year, in the first half of 2014, to 2TWh, reflecting a more selective policy of clients contracting and the loss of two large industrial clients, in the third quarter of 2013 and the first quarter of 2014. This was partially compensated by the volume increase in the residential segment following the gas market liberalisation. The strong pace of gas supply liberalisation, along with our successful dual offer (electricity + gas) to residential clients, prompted a surge in the number of clients to 316,000 in June 2014, corresponding to more 165,000 clients year-on-year.

REGULATED NETWORKS IN IBERIA

Regulated networks activity in Iberia includes our activities of distribution of electricity and gas in Portugal and Spain and our activity of last resort supplier in Portugal.

EBITDA from regulated networks in Iberia amounted to EUR 559 million in the first half of 2014, 7% higher year-on-year, impacted by a EUR 56 million gain booked on the sale of gas transmission assets in the first quarter of 2013 and by a EUR 87 million gain derived from the new Collective Labour Agreement reached in Portugal. Adjusted for these impacts, EBITDA from regulated networks in Iberia was 1% higher year-on-year (+EUR 5 million), to EUR 471 million in the first half of 2014, mainly driven by tight cost control focused on OPEX efficiency.

Gross profit was 2% lower year-on-year (-EUR 20 million) in the first half of 2014, reflecting in Portugal, a lower return on regulated asset base ("RAB") in both electricity and gas distribution derived from the lower sovereign risk, fast clients' switching to free market and adverse revenues update for 'GDP Deflator-X' in the electricity business and in Spain, negative impact from regulatory changes in electricity distribution.

Regulatory receivables in Iberia include tariff adjustment in electricity and gas in Portugal and Spain and the revisibility component associated to CMEC. Regulatory receivables in Iberia fell by 16% in the first half of 2014 from EUR 2,686 million in December 2013 to EUR 2,262 million in June 2014 (-EUR 424 million) driven by both Portugal (-EUR 344 million) and Spain (-EUR 80 million).

EBITDA from electricity distribution and last resort supply activities in Portugal amounted to EUR 391 million in the first half of 2014, 33% higher year-on-year (+EUR 97 million), impacted by a EUR 87 million gain stemming from the new Collective Labour Agreement reached in Portugal. Excluding this gain, EBITDA rose by 3% year-on-year (+EUR 10 million), to EUR 303 million in the first half of 2014, supported by tight cost control.

On 15 December 2013, ERSE released 2014 tariffs and regulated revenues for our electricity distribution and last resort supply activities in Portugal, setting a 2.8% average annual increase for electricity tariffs in Portugal. Moreover, electricity distribution regulated revenues were set at EUR 1,260 million and last resort supply activity regulated revenues set at EUR 78 million for 2014.

Distribution grid regulated revenues was 1% lower year-on-year (-EUR 8 million), at EUR 603 million, mainly driven by a lower return on asset base (8.31% in the first half of 2014 versus 8.5% in the first half of 2013) and adverse update for 'GDP Deflator-X'. In the first half of 2014 electricity distributed rose by 2% year-on-year following moderate increase throughout all segments of consumption.

Last resort supplier regulated revenues fell by 11% (-EUR 5 million), to EUR 39 million in the first half of 2014, reflecting consumers' fast switching to the free market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP Serviço Universal can no longer contract new clients as from 1 January 2013, while the regulator can apply quarterly tariff increases in order to encourage clients' transfer to a liberalised supplier. The volume of electricity supplied by last resort supplier dropped 31% year-on-year, to 5.2TWh in the first half of 2014. Total clients supplied declined 1,126 thousands year-on-year to 3,172 thousands in June 2014, mostly driven by the residential segment.

EBITDA from our electricity distribution activity in Spain was 7% lower year-on-year, at EUR 55 million in the first half of 2014 fully supported by lower regulated revenues (-EUR 3 million year-on-year) derived from the new regulatory framework in place since 2013, even if only reflected in the second half of 2013 financial statements. Electricity distributed by EDP España (HC Energía), mostly in the region of Asturias, was stable year-on-year at 4.6 TWh in the first half of 2014.

In terms of regulation, the Spanish Government established some changes in the remuneration regime of electricity distribution activities. From now onwards, RAB was set at 200bp premium over 10-year Spanish bond yields in 2014-2020 and introduced the principle of economic and financial sustainability of the system (any cost or revenue change will have to be balanced by a revenue/cost change; automatic tariff adjustments as to cope with any deficit in excess of 2% of yearly costs or an accumulated deficit of 5% of total costs).

EBITDA from regulated gas distribution in Spain decreased to EUR 87 million in the first half of 2014 since the first half of 2013 included a EUR 56 million gain stemming from the sale of our transmission gas assets to Enagas. Excluding this one-off, EBITDA was almost flat (-1% year-on-year), at EUR 87 million, reflecting flat regulated revenues. Volume of gas distributed was 12% lower year-on-year, at 25TWh, dragged by lower consumption for electricity generation purposes, the shutdown of a pulp and paper plant in the Cantabria region and milder weather conditions, particularly in the second quarter of 2014.

According to a Ministerial Order of December 2013, gas distribution regulated revenues attributable to our gas distribution subsidiary in Spain amount to EUR 198 million in 2014. However RDL 8/2014 released in July 2014 sets revenue cuts for the regulated activities, beginning in July 2014. The allowed revenues for the remaining of the year will be set on a new regulation in the near future.

EBITDA from gas distribution in Portugal rose by EUR 1 million (+3% year-on-year) to EUR 26 million in the first half of 2014. Regulated revenues were flat as a result of the lower return on asset base in the regulatory year 2013/14, booked in the second quarter of 2014 (based on a return on regulated assets of 8.41% versus preliminary rate of 9%). Notwithstanding the 6% growth in the number of supply points, prompted by the continuing effort of new client connection in the region operated by EDP, volume distributed was 1% lower year-on-year, at 3.6TWh.

EDP RENOVÁVEIS

EDP Renováveis owns and operates EDP Group wind and solar power assets and develops projects for new renewable capacity. The two main markets in which EDP Renováveis operates are the United States of America (30% of EDP Renováveis' EBITDA in the first half of 2014) and Spain (27%). Other markets include Portugal (17%), France, Poland, Romania, Belgium, Italy, Brazil and Canada (the latter 7 representing 20% of EDP Renováveis' EBITDA in the first half of 2014).

EDP Renováveis' EBITDA decreased 7% year-on-year (-EUR 36 million) to EUR 506 million in the first half of 2014 driven by the negative impact following the changes in remuneration for renewable assets in Spain combined with low average market price in the period and the EUR 14 million gain in the first quarter of 2013 from the restructuring of a PPA contract in the United States**.** Forex impact on EBITDA totalled -EUR 10 million due to a depreciation of US dollar and Brazilian real versus Euro.

Installed capacity rose 4% year-on-year (+281MW from which +6MW in the first half of 2014) to 7.8GW by June 2014. Average load factor increased from 33% in the first half of 2013 to 34% in the first half of 2014 on the back of the outstanding wind conditions across all regions and the average selling prices went down 10% year-on-year to €57.7/MWh reflecting regulatory changes in Spain and lower prices in Romania.

In the United States, installed capacity totalled 3.5 GW as of June 2014, stable year-on-year. Electricity output increased 4% year-on-year, reaching 5.6TWh in the period. Average selling price in the United States increased 5% year-on-year to USD50/MWh in the first half of 2014 reflecting higher merchant prices achieved in the period benefiting from a recovery in the spot market and a higher production towards PPA/hedges. Gross profit (including revenues from PTCs) increased 6% to USD 370 million, while EBITDA increased 1% year-on-year impacted by a USD 18 million positive impact in the first quarter of 2013 from the restructuring of the off-taking volumes of a long-term PPA for 200MW (from 100% to 80%). Since the beginning of 2013, EDP Renováveis has already secured 1,380MW of new PPAs, of which 250MW for projects that were already in operation and

1,130MW for new projects to be installed in 2014 and beyond (329MW are already under construction). As of June 2014, EDP Renováveis had 299MW of wind capacity under construction in United States - 200MW Headwaters wind farm and 99MW Rising Tree wind farm - expected to be commissioned in December 2014. Additionally, in February 2014, EDP Renováveis started the construction of 30MW of solar PV in South California (20-year PPA), which is expected to be commissioned in the fourth quarter of 2014.

In Canada, EDP Renováveis installed its first wind project with an installed capacity of 30MW. In the first half of 2014, electricity output was 24GWh, average load factor was 28% and average selling price was USD130/MWh.

In Spain, Government fully approved the new remuneration framework, in June 2014, which sets up a new remuneration based on Spanish 10-year yields plus 300bps, under which wind farms will receive the pool price and a capacity complement per MW, dependent on the year of commissioning, until completing 20-years. From the 2.2 GW installed capacity of EDP Renováveis, 9% will not receive capacity complement. There will be interim revisions (every 3 years) to correct deviations from the expected pool price.

Following the changes in remuneration framework for renewable assets introduced in July 2013, EDP Renováveis' EBITDA in Spain decreased 33% to EUR 122 million year-on-year in the first half of 2014. Electricity generated went up by 1% year-on-year to 2.9TWh and average price reached €62/MWh in the first half of 2014 versus €85/MWh in the first half of 2013. The average price of the first half of 2014 includes capacity complement per MW attributable to EDP Renováveis' wind farms.

In Portugal, EDP Renováveis' EBITDA increased 7% year-on-year to EUR 88 million in the first half of 2014, up EUR 6 million year-on-year. Wind production increased by 4% year-on-year to 926GWh, due to the higher load factor (34% versus 33% in the first half of 2013), and the average selling price remained unchanged at €108/MWh. Also, in Portugal, EDP Renováveis holds an equity stake in ENEOP consortium (consolidated under equity method), licensed to build 1,335MW of wind capacity (534MW attributable to EDP Renováveis). As of June 2014, ENEOP had an installed capacity of 1,208MW (483MW attributable to EDP Renováveis). In December 2013, EDP Renováveis signed a Memorandum of Understanding with China Three Gorges for the sale of 49% in EDP Renováveis' 40% share in ENEOP consortium whose conclusion is expected in 2015. Additionally, EDP Renováveis installed the first 2MW of solar PV in the North of Portugal.

In European markets outside of Iberia, gross profit increased 17% to EUR 127 million due to a 33% year-on-year increase of output to 1,335GWh in the first half of 2014 following a 22% or 249MW increase of installed capacity over the last 12 months. EBITDA rose by 14% year-on-year (+EUR 12 million) to EUR 98 million in the first half of 2014.

In France, EDP Renováveis has 322MW of capacity (+8MW year-on-year). Wind power in France is sold through fixed tariffs indexed to inflation for 15 years. In the first half of 2014, average tariff was stable at €90/MWh. In the first half of 2014, EDP Renováveis concluded the sale of 49% equity shareholding and outstanding shareholders loans in a wind farm portfolio of 100MW located in France to Axpo Group. As of June 2014, EDP Renováveis had 18MW under construction in France.

In Belgium, EDP Renováveis has 71MW of capacity (+14MW year-on-year), which sell its power through PPAs. In the the first half of 2014, average selling price was €110/MWh.

In Italy, EDP Renováveis has 70MW of wind capacity (+30MW year-on-year). In the first half of 2014, average selling tariff decrease to €122/MWh due to lower price for new capacity, once compared to the old regime.

In Poland, EDP Renováveis has 374MW of capacity (+54MW year-on-year; +4MW in the first half of 2014). Wind production increased to 429 GWh due to capacity additions over the last 12 months and an increase in load factor (+3pp to 27%). In the first half of 2014, average selling price decreased by 3% year-on-year to PLN408/MWh. As of June 2014, EDP Renováveis had 24MW under construction in Poland.

In Romania, EDP Renováveis has 521MW of capacity (+144MW year-on-year), of which 50MW is solar PV. Wind production increased 2% to 352 GWh supported by higher average MW in operation in the period which compensated the decrease in load factor (-4p.p. versus the first half of 2013 to 22%). In the first half of 2014, average selling price decreased by 37% year-on-year to RON370/MWh, impacted by lower green certificate prices due to green certificates oversupply in the market.

In Brazil, EDP Renováveis has 84MW in operation remunerated through long term contracts (20 years). In the first half of 2014, EDP Renováveis generated 103GWh, an increase of 5% versus the first half of 2013. Average selling price increased by 12% to R$345/MWh, driven mainly by the update PPA price according with inflation type adjustment. EDP Renováveis has currently 236MW under development in Brazil awarded at the energy A-5 auction with PPA's for a period of 20-years from which 120MW will start in January 2016 with a price set at R$97/MWh, indexed to the Brazilian inflation rate and 116MW will start in January 2018 with price set at R$109/MWh (prices to be inflation updated over the PPA period).

EDP BRASIL

EDP Energias do Brasil's contribution to consolidated EBITDA decreased by 15% (-EUR 45 million), to EUR 266 million in the first half of 2014 driven by a depreciation of the Brazilian real versus the Euro (-EUR 48 million impact). In local currency, EBITDA increased 1% year-on-year (+BRL 7 million) to BRL 838 million in the first half of 2014, reflecting negative tariff deviations at our distribution business net of CDE/CCEE contributions and of previous year's recoveries (BRL 340 million in the first half of 2014 versus BRL 47 million in the first half of 2013) which were offset by a BRL 408 million capital gain following the sale to CWE Investment Corporation ("CWEI"), a 100%-owned China Three Gorges subsidiary, of a 50% stake in each of these projects, in accordance with the terms of the Memorandum of Understanding signed in December 2013. Excluding these impacts, adjusted EBITDA went down 12% year-on-year to BRL 770 million in the first half of 2014. EBITDA from distribution decreased by 92% year-on-year on the back of negative tariff deviations net of CDE/CCEE contributions and of previous year's recoveries, lower regulated revenues, penalised by the valuation of grid losses at higher prices, and a lower return on Escelsa's regulated asset base following the last tariff review (August 2013). Generation and Supply EBITDA fell 13% year-on-year (-BRL 71 million), given the generators need to purchase energy at abnormally high market prices due to low Generation Scaling Factor (95% in the first half of 2014).

In the first half of 2014, all Brazilian distribution companies faced record highs in terms of electricity purchases costs. On 7 March 2014, the Decree 8.203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. BRL 1.2 million were allocated to Brazilian distribution companies, being BRL 30 million allocated to Escelsa, according ANEEL's calculation published in Order No. 515/2014. On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), which is administered by the CCEE with the aim of preserving the consumer tariff volatility, besides relieving distributors cash flow for 2014 expenses; (ii) BRL 4 billion of additional Financial Contribution from the National Treasury in the Energy Development Account (CDE); and (iii) performance of Existing Energy Auction of the Year "A", with energy delivery in 2014, expected to be held in April and supply starting from 1 May 2014. These measures were implemented for the publication on 2 April 2014 of the Decree 8.221/2014 related with the cover of the extra costs for 2014, with retroactive effects to February, and defines the financing method and the subsequent effect on electricity tariffs. This cover has a character of a non-refundable contribution cost. On 25 April 2014, CCEE signed contracts with some banks to finance BRL 11.2 billion for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE will be incharge for the funds for the loan payment, present in the energy tariffs, and should be transferred to the consumers starting from February 2015, in the tariff increases dates for each distributors in the country. The payment of the loan will be made starting on November 2015.

EBITDA from our electricity distribution activity in Brazil went down by -BRL 318 million year-on-year to BRL 28 million in the first half of 2014, reflecting higher negative tariff deviations, net of CDE/CCEE contributions (+BRL 370 million in the first half of 2014 versus +BRL 134 million in the first half of 2013) and lower recoveries from previous years' deviations (-BRL 29 million in the first half of 2014 versus -BRL 87 million in the first half of 2013). Excluding these impacts, EBITDA went down 6% year-on-year (or -BRL 24 million) to BRL 369 million in the first half of 2014, on the back of lower regulated revenues, down 1% year-on-year to BRL 721 million in the first half of 2014, reflecting the negative impact of grid losses valued at higher market prices (BRL 44 million year-on-year) and Escelsa's last regulatory review (August 2013), lowering from 10% to 7.5% (after taxes) the return on the regulated asset base which were mitigated by higher volumes distributed versus the regulator's expectations when setting up the tariffs.

Volumes of electricity sold went up 4% year-on-year in the first half of 2014, reflecting 6% increase in the 'residential, commercial and other' segments, justified by a wider client base and higher temperatures. Volumes sold to the industrial segment decreased 1% year-on-year, reflecting the migration of clients to the free market. At the same time, volumes distributed to industrial clients in the free market increased by 1% year-on-year.

EBITDA from our electricity generation activities in Brazil went down 15% year-on-year (-BRL 69 million) to BRL 399 million in the first half of 2014, reflecting the need to purchase energy at unusually high market prices as the Generation Scaling Factor stood below 100% (95% in the first half of 2014 versus 96% in the first half of 2013), which implied an increase in the average electricity spot price of 132% year-on-year to R$678/MWh in the first half of 2014 and lower volumes of electricity sold, given the adverse hydro environment and a higher allocation of volumes of electricity to be sold in the first half of 2013 (50% in the first half of 2014 versus 53% in the first half of 2013).

Electricity volumes sold fell 5% year-on-year to 4.1TWh in the first half of 2014, reflecting the above mentioned seasonal allocation of volumes. Average selling price went up 5% year-on-year, translating PPA prices inflation updates, as most of the capacity is contracted under long term PPAs and short-term contracts (for 2014) closed at higher prices as part of the seasonality strategy.

In June 2014, within the scope of EDP's strategic partnership with China Three Gorges and in accordance with the terms of the Memorandum of Understanding signed in December 2013, EDP Brasil completed the sale to CWEI of 50% equity stakes in Jari and Cachoeira Caldeirão hydro plants for a total amount of BRL 420.6 million and CWEI will also assume 50% of future equity contributions. Additionally, in February 2014, EDP Brasil agreed with CWEI its entry into São Manoel hydro project purchasing half of the 66.7% held by EDP Brasil (33.3%) and CWEI will also assume future equity contributions (closing expected for the second half of 2014). In accordance with International Financial Reporting Standards, Jari and Cachoeira Caldeirão started being consolidated by EDP through the equity method.

The trading and supply activity in Brazil is carried out by our EDP Comercializadora subsidiary in the free market, essentially through a service of energy sourcing to large industrial clients without incurring in material energy market risk. In the first half of 2014, electricity supply gross profit increased 3% year-on-year (+BRL 2 million) to BRL 65 million reflecting a favourable long position and higher volumes supplied to clients, benefiting from higher spot prices.

Condensed Financial Statements
30 June 2014

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the six-month period ended 30 June 2014 and 2013

Thousands of Euros	Notes	2014	2013*
Revenues from energy sales and services and other	6	8,019,423	8,182,702
Cost of energy sales and other	6	-5,320,641	-5,292,285
		2,698,782	2,890,417
Other income	7	254,941	190,513
Supplies and services	8	-422,407	-441,327
Personnel costs and employee benefits	9	-200,571	-335,227
Other expenses	10	-328,598	-331,641
		-696,635	-917,682
		2,002,147	1,972,735
Provisions	11	-17,775	-36,850
Amortisation and impairment	12	-680,533	-685,537
		1,303,839	1,250,348
Financial income	13	491,143	518,259
Financial expenses	13	-736,402	-835,435
Share of net profit in joint ventures and associates		8,133	-14,860
Profit before income tax and CESE		1,066,713	918,312
Income tax expense	14	-242,368	-208,130
Extraordinary contribution to the energy sector (CESE)	15	-30,629	-
		-272,997	-208,130
Net profit for the period		**793,716**	**710,182**
Attributable to:			
Equity holders of EDP		**673,163**	**603,219**
Non-controlling Interests	32	**120,553**	**106,963**
Net profit for the period		**793,716**	**710,182**
Earnings per share (Basic and Diluted) - Euros	29	0.19	0.17

* Restated for IFRS 10 and 11 purposes

LISBON, 31 JULY 2014

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 for the six-month period ended 30 June 2014 and 2013

Thousands of Euros	2014 Equity holders of EDP	2014 Non-controlling Interests	2013* Equity holders of EDP	2013* Non-controlling Interests
Net profit for the period	673,163	120,553	603,219	106,963
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-110,289	-5,237	12,848	-6,999
Tax effect from the actuarial gains / (losses)	29,114	1,781	-1,819	2,380
	-81,175	-3,456	11,029	-4,619
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	75,901	119,829	-63,078	-94,251
Fair value reserve (cash flow hedge)	13,392	-5,306	26,567	6,497
Tax effect from the fair value reserve (cash flow hedge)	-4,156	1,465	-7,458	-1,791
Fair value reserve (available for sale investments)	20,114	-698	8,621	-772
Tax effect from the fair value reserve (available for sale investments)	-5,293	237	-316	263
Share of other comprehensive income of associates, net of taxes	-8,130	-6,542	8,646	6,220
	91,828	108,985	-27,018	-83,834
Other comprehensive income for the period (net of income tax)	10,653	105,529	-15,989	-88,453
Total comprehensive income for the period	683,816	226,082	587,230	18,510

* Restated for IFRS 10 and 11 purposes

LISBON, 31 JULY 2014

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 June 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013*
Assets			
Property, plant and equipment	16	19,634,769	19,454,099
Intangible assets	17	5,942,555	6,017,802
Goodwill	18	3,259,336	3,253,144
Investments in joint ventures and associates	20	789,473	645,421
Available for sale investments	21	232,138	212,483
Deferred tax assets	22	243,034	320,590
Trade receivables	24	118,139	98,994
Debtors and other assets from commercial activities	25	3,124,313	3,188,179
Other debtors and other assets	26	645,106	552,032
Collateral deposits associated to financial debt	34	400,930	420,081
Total Non-Current Assets		34,389,793	34,162,825
Inventories	23	211,073	264,788
Trade receivables	24	1,935,731	2,181,903
Debtors and other assets from commercial activities	25	1,459,238	1,820,900
Other debtors and other assets	26	308,936	306,579
Current tax assets	27	323,136	433,052
Financial assets at fair value through profit or loss		9,089	4,217
Collateral deposits associated to financial debt	34	31,007	18,729
Cash and cash equivalents	28	1,621,460	2,156,707
Assets held for sale	41	-	715,837
Total Current Assets		5,899,670	7,902,712
Total Assets		40,289,463	42,065,537
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-69,100	-85,573
Share premium	29	503,923	503,923
Reserves and retained earnings	31	3,711,899	3,365,777
Consolidated net profit attributable to equity holders of EDP		673,163	1,005,091
Total Equity attributable to equity holders of EDP		8,476,423	8,445,756
Non-controlling Interests	32	3,203,518	3,082,146
Total Equity		11,679,941	11,527,902
Liabilities			
Financial debt	34	15,376,806	15,600,723
Employee benefits	35	1,702,611	1,751,066
Provisions	36	367,639	354,233
Deferred tax liabilities	22	670,424	759,092
Institutional partnerships in USA wind farms	37	1,458,758	1,508,495
Trade and other payables from commercial activities	38	1,350,041	1,251,192
Other liabilities and other payables	39	364,910	326,570
Total Non-Current Liabilities		21,291,189	21,551,371
Financial debt	34	3,681,823	4,158,086
Employee benefits	35	180,503	183,469
Provisions	36	22,451	27,437
Hydrological correction account	33	18,463	35,641
Trade and other payables from commercial activities	38	2,566,353	3,219,936
Other liabilities and other payables	39	256,505	209,651
Current tax liabilities	40	592,235	574,080
Liabilities held for sale	41	-	577,964
Total Current Liabilities		7,318,333	8,986,264
Total Liabilities		28,609,522	30,537,635
Total Equity and Liabilities		40,289,463	42,065,537

* Restated for IFRS 10 and 11 purposes

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the three-month period from 1 April to 30 June 2014 and 2013

Thousands of Euros	2014	2013*
Revenues from energy sales and services and other	3,692,210	3,768,062
Cost of energy sales and other	-2,476,467	-2,384,524
	1,215,743	1,383,538
Other income	183,629	54,466
Supplies and services	-220,050	-229,248
Personnel costs and employee benefits	-36,561	-165,602
Other expenses	-171,015	-156,576
	-243,997	-496,960
	971,746	886,578
Provisions	-10,890	-27,410
Amortisation and impairment	-356,511	-341,404
	604,345	517,764
Financial income	261,618	270,761
Financial expenses	-359,946	-434,363
Share of net profit in joint ventures and associates	-3,528	-3,252
Profit before income tax and CESE	502,489	350,910
Income tax expense	-56,500	-49,055
Extraordinary contribution to the energy sector (CESE)	-15,929	-
	-72,429	-49,055
Net profit for the period	430,060	301,855
Attributable to:		
Equity holders of EDP	**377,074**	**268,479**
Non-controlling Interests	**52,986**	**33,376**
Net profit for the period	**430,060**	**301,855**
Earnings per share (Basic and Diluted) - Euros	0.10	0.07

* Restated for IFRS 10 and 11 purposes

LISBON, 31 JULY 2014

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

EDP - Energias de Portugal

Condensed Consolidated Statement of Comprehensive Income for the three-month period from 1 April to 30 June 2014 and 2013

Thousands of Euros	2014 Equity holders of EDP	2014 Non-controlling Interests	2013* Equity holders of EDP	2013* Non-controlling Interests
Net profit for the period	377,074	52,986	268,479	33,376
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-109,307	-4,298	18,030	-1,947
Tax effect from the actuarial gains / (losses)	28,780	1,462	-3,581	662
	-80,527	-2,836	14,449	-1,285
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	42,309	66,742	-106,468	-181,321
Fair value reserve (cash flow hedge)	22,489	-1,900	38,156	4,764
Tax effect from the fair value reserve (cash flow hedge)	-7,075	563	-11,053	-1,342
Fair value reserve (available for sale investments)	-17,215	-129	-1,949	-
Tax effect from the fair value reserve (available for sale investments)	4,573	44	329	1
Share of other comprehensive income of associates, net of taxes	-4,846	-4,073	10,756	8,682
	40,235	61,247	-70,229	-169,216
Other comprehensive income for the period (net of income tax)	-40,292	58,411	-55,780	-170,501
Total comprehensive income for the period	336,782	111,397	212,699	-137,125

* Restated for IFRS 10 and 11 purposes

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EDP - Energias de Portugal

Condensed Consolidated Statement of Changes in Equity as at 30 June 2014 and 31 December 2013

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 2012	**11,431,668**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,239,314**
Comprehensive income:											
Net profit for the period	710,182	-	-	-	603,219	-	-	-	-	603,219	106,963
Changes in the fair value reserve (cash flow hedge) net of taxes	23,815	-	-	-	-	19,109	-	-	-	19,109	4,706
Changes in the fair value reserve (available for sale investments) net of taxes	7,796	-	-	-	-	-	8,305	-	-	8,305	-509
Share of other comprehensive income of associates, net of taxes	14,866	-	-	-	-	4,264	-	4,382	-	8,646	6,220
Actuarial gains/(losses) net of taxes	6,410	-	-	-	11,029	-	-	-	-	11,029	-4,619
Exchange differences arising on consolidation	-157,329	-	-	-	-	-	-	-63,078	-	-63,078	-94,251
Total comprehensive income for the period	605,740	-	-	-	614,248	23,373	8,305	-58,696	-	587,230	18,510
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-79,890	-	-	-	-	-	-	-	-	-	-79,890
Purchase and sale of treasury stock	5,911	-	-	-	-5,598	-	-	-	11,509	5,911	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portug	224,178	-	-	-	112,859	-	-	-	-	112,859	111,319
Changes resulting from acquisitions/sales and equity increases	-118,159	-	-	-	-11,116	-315	-	-	-	-11,431	-106,728
Other reserves arising on consolidation	44	-	-	-	-3	-	-	-	-	-3	47
Balance as at 30 June 2013*	**11,400,446**	**3,656,538**	**503,923**	**620,069**	**3,573,294**	**-63,060**	**52,247**	**-34,428**	**-90,709**	**8,217,874**	**3,182,572**
Comprehensive income:											
Net profit for the period	483,462	-	-	-	401,872	-	-	-	-	401,872	81,590
Changes in the fair value reserve (cash flow hedge) net of taxes	9,680	-	-	-	-	8,881	-	-	-	8,881	799
Changes in the fair value reserve (available for sale investments) net of taxes	20,107	-	-	-	-	-	20,688	-	-	20,688	-581
Share of other comprehensive income of associates, net of taxes	16,924	-	-	-	-	1,425	-	8,115	-	9,540	7,384
Actuarial gains/(losses) net of taxes	-106,784	-	-	-	-122,159	-	-	-	-	-122,159	15,375
Exchange differences arising on consolidation	-261,787	-	-	-	-	-	-	-101,801	-	-101,801	-159,986
Total comprehensive income for the period	161,602	-	-	-	279,713	10,306	20,688	-93,686	-	217,021	-55,419
Dividends attributable to non-controlling interests	-87,070	-	-	-	-	-	-	-	-	-	-87,070
Purchase and sale of treasury stock	3,065	-	-	-	-2,071	-	-	-	5,136	3,065	-
Sale without loss of control of EDPR Portugal	-381	-	-	-	-293	-	-	-	-	-293	-88
Sale without loss of control of Wheatfield	34,977	-	-	-	-805	-	-	-177	-	-982	35,959
Changes resulting from acquisitions/sales and equity increases	15,432	-	-	-	9,365	-262	-	-	-	9,103	6,329
Other reserves arising on consolidation	-169	-	-	-	-32	-	-	-	-	-32	-137
Balance as at 31 December 2013*	**11,527,902**	**3,656,538**	**503,923**	**620,069**	**3,859,171**	**-53,016**	**72,935**	**-128,291**	**-85,573**	**8,445,756**	**3,082,146**
Comprehensive income:											
Net profit for the period	793,716	-	-	-	673,163	-	-	-	-	673,163	120,553
Changes in the fair value reserve (cash flow hedge) net of taxes	5,395	-	-	-	-	9,236	-	-	-	9,236	-3,841
Changes in the fair value reserve (available for sale investments) net of taxes	14,360	-	-	-	-	-	14,821	-	-	14,821	-461
Share of other comprehensive income of associates, net of taxes	-14,672	-	-	-	-	-1,671	-	-6,459	-	-8,130	-6,542
Actuarial gains/(losses) net of taxes	-84,631	-	-	-	-81,175	-	-	-	-	-81,175	-3,456
Exchange differences arising on consolidation	195,730	-	-	-	-	-	-	75,901	-	75,901	119,829
Total comprehensive income for the period	909,898	-	-	-	591,988	7,565	14,821	69,442	-	683,816	226,082
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-	-	-	-
Dividends paid	-671,879	-	-	-	-671,879	-	-	-	-	-671,879	-
Dividends attributable to non-controlling interests	-112,407	-	-	-	-	-	-	-	-	-	-112,407
Purchase and sale of treasury stock	12,891	-	-	-	-2,269	-	-	-	15,160	12,891	-
Share-based payments	1,457	-	-	-	144	-	-	-	1,313	1,457	-
Sale without loss of control of french companies - EDPR Europe	28,256	-	-	-	2,954	1,627	-	-	-	4,581	23,675
Changes resulting from acquisitions/sales and equity increases	-16,163	-	-	-	-205	-	-	-	-	-205	-15,958
Other reserves arising on consolidation	-14	-	-	-	6	-	-	-	-	6	-20
Balance as at 30 June 2014	**11,679,941**	**3,656,538**	**503,923**	**659,613**	**3,740,366**	**-43,824**	**87,756**	**-58,849**	**-69,100**	**8,476,423**	**3,203,518**

* Restated for IFRS 10 and 11 purposes

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

EDP - Energias de Portugal

Condensed Consolidated and Company Statement of Cash Flows
for the six-month period ended 30 June 2014 and 2013

	Group		Company	
Thousands of Euros	**Jun 2014**	**Jun 2013***	**Jun 2014**	**Jun 2013**
Operating activities				
Cash receipts from customers	7,635,070	7,433,139	1,046,940	1,070,414
Proceeds from tariff adjustments sales	1,113,313	1,007,823	-	-
Payments to suppliers	-5,821,474	-5,583,829	-1,104,142	-1,013,801
Payments to personnel	-312,584	-420,489	-6,633	-6,996
Concession rents paid	-143,180	-142,703	-	-
Other receipts / (payments) relating to operating activities	-290,069	-150,638	-15,726	92,455
Net cash from operations	2,181,076	2,143,303	-79,561	142,072
Income tax received / (paid)	-113,656	-72,674	-8,055	-8,325
Net cash from operating activities	2,067,420	2,070,629	-87,616	133,747
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	133,508	255,556	-	-
Other financial assets and investments	494	349	-	161,580
Property, plant and equipment and intangible assets	3,524	27,053	-	19
Investment grants	11,296	2,569	-	-
Interest and similar income	44,598	31,601	259,539	184,091
Dividends	27,494	19,411	573,902	676,230
	220,914	336,539	833,441	1,021,920
Cash payments relating to:				
Acquisition of assets / subsidiaries	-5,894	-165,608	-	-
Other financial assets and investments	-5,883	-5,672	-249	-161,508
Changes in cash resulting from consolidation perimeter variations	39	-21,754	-	-
Property, plant and equipment and intangible assets	-854,901	-1,087,820	-16,424	-15,414
	-866,639	-1,280,854	-16,673	-176,922
Net cash from investing activities	-645,725	-944,315	816,768	844,998
Financing activities				
Receipts / (payments) relating to loans	-856,716	-294,673	-603,207	-602,856
Interest and similar costs including hedge derivatives	-438,379	-380,276	-230,712	-136,596
Governmental grants received	-	91,549	-	-
Share capital increases / (decreases) by non-controlling interests	-16,093	-15,869	-	-
Receipts / (payments) relating to derivative financial instruments	8,167	-14,816	-3,901	6,909
Dividends paid to equity holders of EDP	-671,879	-670,932	-672,158	-671,212
Dividends paid to non-controlling interests	-43,763	-44,586	-	-
Treasury stock sold / (purchased)	12,891	5,911	14,348	7,797
Sale of assets / subsidiaries without loss of control	28,261	257,371	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-26,978	-22,622	-	-
Net cash from financing activities	-2,004,489	-1,088,943	-1,495,630	-1,395,958
Changes in cash and cash equivalents	-582,794	37,371	-766,478	-417,213
Effect of exchange rate fluctuations on cash held	47,547	-25,583	43	121
Cash and cash equivalents at the beginning of the period	2,156,707	1,695,336	1,183,405	1,305,235
**Cash and cash equivalents at the end of the period ** **	1,621,460	1,707,124	416,970	888,143

* Restated for IFRS 10 and 11 purposes
** See details of "Cash and cash equivalents" in note 28 of the Financial Statements.

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

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the six-month period ended 30 June 2014 and 2013

Thousands of Euros	Notes	2014	2013
Revenues from energy sales and services and other	6	1,117,313	1,112,662
Cost of energy sales and other	6	-1,014,283	-1,016,050
		103,030	96,612
Other income		6,426	5,873
Supplies and services	8	-89,299	-85,987
Personnel costs and employee benefits	9	-8,780	-8,491
Other expenses	10	-11,978	-9,112
		-103,631	-97,717
		-601	-1,105
Provisions	11	-8	-2,775
Amortisation expense and impairment	12	-7,160	-7,751
		-7,769	-11,631
Financial income	13	1,098,998	1,205,253
Financial expenses	13	-566,715	-567,030
Profit before income tax		524,514	626,592
Income tax expense	14	8,506	-63,183
Net profit for the period		**533,020**	**563,409**

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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 for the six-month period ended 30 June 2014 and 2013

Thousands of Euros	2014	2013
Net profit for the period	533,020	563,409
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	5,880	3,911
Tax effect from the fair value reserve (cash flow hedge)	-1,831	-1,162
Fair value reserve (available for sale investments)	8,230	2,513
Tax effect from the fair value reserve (available for sale investments)	-2,590	88
Other comprehensive income for the period (net of income tax)	9,689	5,350
Total comprehensive income for the period	542,709	568,759

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EDP - Energias de Portugal, S.A.

Condensed Company Statement of Financial Position
as at 30 June 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013
Assets			
Property, plant and equipment	16	210,856	198,603
Intangible assets		3	4
Investments in subsidiaries	19	10,086,403	10,086,403
Investments in joint ventures and associates	20	6,595	6,595
Available for sale investments	21	51,774	43,544
Investment property		27,020	27,419
Deferred tax assets	22	15,080	25,097
Debtors and other assets from commercial activities		836	3,142
Other debtors and other assets	26	6,075,338	6,445,501
Collateral deposits associated to financial debt	34	323,999	334,497
Total Non-Current Assets		16,797,904	17,170,805
Inventories		51	510
Trade receivables	24	214,888	183,478
Debtors and other assets from commercial activities	25	262,974	330,275
Other debtors and other assets	26	2,175,426	1,974,827
Current tax assets	27	110,979	132,053
Collateral deposits associated to financial debt	34	20,995	12,675
Cash and cash equivalents	28	416,970	1,183,405
Total Current Assets		3,202,283	3,817,223
Total Assets		20,000,187	20,988,028
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-63,005	-79,478
Share premium	29	503,923	503,923
Reserves and retained earnings	31	2,287,507	2,161,226
Net profit for the period		533,020	790,875
Total Equity		6,917,983	7,033,084
Liabilities			
Financial debt	34	6,991,965	7,290,125
Provisions	36	21,156	19,942
Trade and other payables from commercial activities		1,984	3,521
Other liabilities and other payables	39	2,458,732	2,450,942
Total Non-Current Liabilities		9,473,837	9,764,530
Financial debt	34	2,779,910	3,210,777
Provisions	36	812	2,208
Hydrological correction account	33	18,463	35,641
Trade and other payables from commercial activities	38	574,783	672,871
Other liabilities and other payables	39	209,114	248,938
Current tax liabilities	40	25,285	19,979
Total Current Liabilities		3,608,367	4,190,414
Total Liabilities		13,082,204	13,954,944
Total Equity and Liabilities		20,000,187	20,988,028

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

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the three-month period from 1 April to 30 June 2014 and 2013

Thousands of Euros	2014	2013
Revenues from energy sales and services and other	555,549	509,964
Cost of energy sales and other	-510,120	-462,231
	45,429	47,733
Other income	3,641	2,510
Supplies and services	-44,822	-44,741
Personnel costs and employee benefits	-4,964	-4,238
Other expenses	-10,966	-8,071
	-57,111	-54,540
	-11,682	-6,807
Provisions	281	-1,135
Amortisation and impairment	-3,555	-3,885
	-14,956	-11,827
Financial income	754,102	889,747
Financial expenses	-243,663	-292,859
Profit before income tax	495,483	585,061
Income tax expense	6,718	-62,850
Net profit for the period	**502,201**	**522,211**

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EDP - Energias de Portugal, S.A.

Condensed Company Statement of Comprehensive Income
for the three-month period from 1 April to 30 June 2014 and 2013

Thousands of Euros	2014	2013
Net profit for the period	502,201	522,211
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	30,199	18,646
Tax effect from the fair value reserve (cash flow hedge)	-9,502	-5,470
Fair value reserve (available for sale investments)	-3,451	-1,346
Tax effect from the fair value reserve (available for sale investments)	1,090	195
Other comprehensive income for the period (net of income tax)	18,336	12,025
Total comprehensive income for the period	520,537	534,236

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at 30 June 2014 and 31 December 2013

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 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**
Comprehensive income:								
Net profit for the period	563,409	-	-	-	563,409	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	2,749	-	-	-	-	2,749	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,601	-	-	-	-	-	2,601	-
Total comprehensive income for the period	568,759	-	-	-	563,409	2,749	2,601	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	5,911	-	-	-	-5,598	-	-	11,509
Share-based payments	1,886	-	-	-	398	-	-	1,488
Balance as at 30 June 2013	**6,791,555**	**3,656,538**	**503,923**	**620,069**	**2,091,225**	**-8,382**	**12,796**	**-84,614**
Comprehensive income:								
Net profit for the period	227,466	-	-	-	227,466	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	7,514	-	-	-	-	7,514	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	3,484	-	-	-	-	-	3,484	-
Total comprehensive income for the period	238,464	-	-	-	227,466	7,514	3,484	-
Purchase and sale of treasury stock	3,065	-	-	-	-2,071	-	-	5,136
Balance as at 31 December 2013	**7,033,084**	**3,656,538**	**503,923**	**620,069**	**2,316,620**	**-868**	**16,280**	**-79,478**
Comprehensive income:								
Net profit for the period	533,020	-	-	-	533,020	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	4,049	-	-	-	-	4,049	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	5,640	-	-	-	-	-	5,640	-
Total comprehensive income for the period	542,709	-	-	-	533,020	4,049	5,640	-
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-
Dividends paid	-672,158	-	-	-	-672,158	-	-	-
Purchase and sale of treasury stock	12,891	-	-	-	-2,269	-	-	15,160
Share-based payments	1,457	-	-	-	144	-	-	1,313
Balance as at 30 June 2014	**6,917,983**	**3,656,538**	**503,923**	**659,613**	**2,135,813**	**3,181**	**21,920**	**-63,005**

LISBON, 31 JULY 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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1. ECONOMIC ACTIVITY OF EDP GROUP

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

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

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors, whose scope and framework is adequately detailed in Note 1 of the Notes to Consolidated Financial Statements of 2013 with reference to the activities undertaken in 2013.

During the six-month period ended 30 June 2014, we emphasize the following changes, with significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity - Portugal

The Law 83-C/2013, Law of the State Budget 2014 ("Lei do Orçamento de Estado 2014"), approved by the Portuguese Government on 31 December 2013, introduced an extraordinary contribution applicable to the energy sector (CESE), with the objective of financing mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund which aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. This contribution focuses generally on the economic operators that develop the following activities: (i) generation, transport or distribution of electricity; (ii) transport, distribution, storage or wholesale supply of natural gas; (iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

CESE is calculated on the value of the companies' net assets as at 1 January 2014, which comply, cumulatively, to: (i) tangible assets; (ii) intangible assets, except industrial property elements; (iii) financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets if it is higher than the value of those assets.

The applicable rate is 0.85% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 3,000 hours, 0.565% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 1,500 and less than 3,000 hours and 0.285% for power plants with an equivalent annual utilisation of installed capacity less than 1,500 hours.

The exemptions include assets of wind generation, mini-hydric power plants, and power plants with licenses granted following a public tender and land comprising the public domain.

Generation

On 6 February 2014, the Order 1873/2014 was published, which is maintains the charge, as an advanced payment on the amounts mentioned in the No 1 of the Order 12955 -A/2013, of 10 October fixing the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, until another mechanism to allow a fixed price paid in advance regarding the MWs injected into the network is set in the future.

On 1 April 2014, the Order 4694/2014 was published, entered into force on the next business day after its publication, which lays down the general guidelines of the revisibility calculation provided by the Decree-Law 240/2004, of 27 December, concerning the participation of CMEC plants in the secondary regulation market band, as well as the principles of the prices formation earned by the secondary regulation band power plants participating in the services system market with reference to the Spanish' system services market.

Activity in the energy sector in Spain

Electricity - Spain

Vulnerable Consumers

On 28 March 2014, the Spanish Government approved the Royal-Decree 216/2014 which established the structure and the calculation method of the voluntary prices applicable to small electricity consumers and the legal regime under which the contracts will be indexed to the market electricity price. This Royal-Decree entered into force on 1 April, with retroactive effects to 1 January 2014.

Activity in the energy sector in Brazil

Electricity - Brazil

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Escelsa, reviewed by the Order No. 287/2014, the Remuneration Base ("BRR") part of the 6th Periodic Tariff Review, incorporating 32 millions of Reais to the Gross BRR and 24 millions of Reais to the Net BRR. The amount will be incorporated into the tariff and the values that were not received in 2013 will be adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tarif adjustment of 2014.

On 7 March 2014, the Decree 8.203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. 1.2 millions of Reais were allocated to Brazilian distribution companies, being 30 millions of Reais allocated to Escelsa, according ANEEL's calculation published in Order No. 515/2014.

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

These measures were implemented by Decree 8.221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billions of Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE will be incharge for the funds for the loan payment, present in the energy tariffs, and should be transferred to the consumers starting on February 2015, in the tariff increases dates for each distributors in the country. The loan payment will be made starting on November 2015. The ACR-Account resources obtained through bank loans sold out in April 2014, therefore the financial statements don't include any costs reimbursement related to May and June 2014.

The existing energy auction, called Auction "A", held on 30 April 2014, for the purchase of electricity from existing generation projects secured the contracting of approximately 2,046 MW of hydroelectric and thermal power plants of natural gas and biomass. The power supply starts in 1 May 2014 until 31 December 2019. Auction "A", aimed to meet the immediate need for energy contracting by distribution due to involuntary exposure as well as reduce the impact on tariff adjustments.

Activity in the Renewable Energies Sector

Regulatory framework for the activities in Spain

The Spanish Government published in 20 June 2014, the Order IET/1045/2014, which includes the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Decree-Law 413/2014 of June 2014.

The remuneration is now structured in order for a standard asset to receive a pre-tax return defined as the yield of the Spanish 10-year bonds plus 300 bps. The return is based on the assets' regulatory life (20 years for wind energy assets).

EDP Renováveis expects that this regulatory change will have a total annual negative impact of approximately 30 millions of Euros at EBITDA level (under an average windy year), when compared with the previous framework defined by Royal Decree-Law 2/2013.

Regulatory framework for the activities in Portugal

The Environment and Energy Ministry published, on 24 June, the Decree Law 94/2014 that allows the increase of installed capacity of wind farms up to 20%. The additional production generated from the capacity increase will have a fixed remuneration of 60 Euros/MWh, whilst the remaining production is remunerated at the previous tariff.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the six-month period ended 30 June 2014 and condensed consolitated and company statement of financial position as at 30 June 2014.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 31 July 2014. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the six-month period ended 30 June 2014 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2014 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 2013.

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.

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

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, the first time adoption of IFRS 10 and 11 with effective date of 1 January 2014, implied the Group to apply this standard for comparative purposes for the annual period immediately preceding, that is 1 January 2013.

Adoption of IFRS 10 and 11

The Group has adopted IFRS 10 and 11 for the first time when preparing these condensed consolidated financial statements as at 31 March 2014.

IFRS 10 – Consolidated Financial Statements gives a new guidance about which entities must be consolidated in the consolidated financial statements, by establishing an unique control model, by which an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 – Joint Arrangements brings a couple of changes in accounting for jointly controlled entities. According to this standard, a joint arrangement structure is no longer the main feature in determining the accounting model to apply. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. This assessment is made by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

IFRS 11 requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable and a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28 - Investments in Associates and Joint Ventures.

Investees which have changed the consolidation method and the respective impacts in consolidated financial statements due to the adoption of these standards are disclosed in notes 5 and 47, respectively.

b) Basis of consolidation

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

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

Controlled entities

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist.

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

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

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

Jointly controlled entities

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

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

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

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

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

Entities over which the Group has significant influence

Investments in associates are accounted for by the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

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

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exist when:
(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

This category includes: (i) financial assets at fair value through profit or loss, acquired for negotiation purposes in the short term, and (ii) other financial assets designated at fair value through profit or loss at inception (fair value option).

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

For the financial assets that present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

Borrowing costs and other directly attributable costs

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

Government grants

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

Transfers of assets from customers

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

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:
- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

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

m) Accounts receivable

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost 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.

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

Actuarial gains and losses resulting from (i) differences between financial and actuarial assumptions used and actual amounts and (ii) changes in the actuarial assumptions, are recognised against equity.

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

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

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Operating segments

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

In accordance with IFRS 8, an operating segment is a Group component:
(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
(iii) for which discrete financial information is available.

x) Tariff adjustments

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

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

Decree-Law 87/2011, 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 Revenues from energy sales and services and other of Gas and network accesses the effects resulting from the recognition of tariff adjustments against Debtors and other assets from commercial activities and Trade and other payables from commercial activities, in the same terms defined for the electric sector as mentioned above.

y) CO2 licences and greenhouse gas emissions

The Group holds CO2 licences in order to deal with gas emissions resulting from its operational activity and licences for trading. The CO2 and gas emissions licences held for own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

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

z) Statement of Cash Flow

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

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

aa) Group concession activities

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

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

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

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

Financial Asset Model

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

Intangible Asset Model

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

Mixed Model

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

Under the terms of the concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of the assets assigned to concessions, thus the revenue and the expenditure with the acquisition of these assets have equal amounts (see note 6).

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

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

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

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

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

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

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

Contractual Stability Compensation - Revisable mechanism

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

Review of the useful life of the assets

The Group reviews the reasonability of the useful lives used to determine the rates of depreciation of assets assigned to the activity on an annual basis and prospectively changed the depreciation charge of the year.

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.

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

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity which considered the technical availability for an additional period of 10 years. The referred study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 2, Grupo 4 and Soto 5).

Useful lives of generation assets - Hydro independent generator in Brazil

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

Tariff adjustments

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

In Portugal, the Decree-Law 237-B/2006 of 19 December, and the Decree-Law nº 165/2008 of 21 August, recognised an unconditional right of the operators of the binding electric sector to recover or return the tariff ajustments and the related interest expenses, 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. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments, therefore, under this legislation regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group recorded in the income statement under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

For entities of the natural gas sector, Decree-Law 87/2011 of 18 July 2011, also establishes the unconditional right of regulated operators in this sector to recover or return tariff adjustments and related interest expenses, regardless of the form of its future payment or in situations of insolvency and cease of operations, allowing the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

In Spain, the Royal Decree Law 6/2009, published on 7 May 2009 established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

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

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

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

Impairment of long term assets and Goodwill

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

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

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

In Portugal, the tax authorities are entitled to review the EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for annual periods of 2013 and 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is three years, from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in the financial statements.

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generation 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 could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

Regulatory changes occurred in Spain

On 12 July 2013, the Spanish Government approved the Royal Decree-Law 9/2013 which comprises a set of relevant changes in the remuneration scheme applicable to the entities operating in the electric sector in Spain, including the one regulated by the Royal Decree-Law 2/2013.

The main changes applicable to renewable energy producers are as following: (i) Derogation of the present remuneration scheme regulated by the Royal Decree-Law 661/2007 and subsequents, (ii) the remuneration of wind energy and cogeneration activity will be determined according to the reasonable rate, which will have in consideration the average of ten-year bond yield, in secondary market, plus 300 basis points, (iii) definition of a standard model for activity income and expenses. This model will determine the remuneration's reasonable rate, considering the standard income of energy sales in market and the standard production costs and investment in standard facilities.

On 26 November 2013, the Government submitted to CNMC ("Comisión Nacional de los Mercados y la Competencia"), a draft decree describing the new remuneration scheme for renewable generation. This draft decree did not include the required parameters to calculate the remuneration for the renewables' sector activities, but defined that it should be retrospectively applied since 14 July. These parameters were released on 3 February 2014 when the CNMC disclosed the draft Ministerial Order containing the needed parameters to calculate the remuneration for each one of the 1,600 different types of renewable installations defined by the government.

According to these parameters, wind farms built in 2004 or earlier are not eligible to receive any incentive while the new wind farms will receive a flat premium per installed MW until the end of their regulatory life. The flat premium will be subject to tri-annual modifications due to updates in the forecast of the parameters affecting the profitability of the installations. Overall, the wind sector will receive 1,191 millions of Euros in 2014 which compares to the forecast of 2,000 millions of Euros that would have been received under the old regulation. This cut of approximately 800 millions of Euros in the wind sector represents 45% of the total savings for the whole renewable sector that were estimated at 1,750 millions of Euros in the budget published within the tariff and charges order draft.

As a consequence of this measure, EDP Group estimated and booked the impact in the profit and loss for the year and calculated the impairment for wind farm assets and cogeneration assets as at 31 December 2013. As a result, an impairment loss of 16 millions of Euros and 31 millions of Euros was booked by EDPR Europe and HC Energia, respectively.

The Spanish Government published in 20 June 2014, the Order IET/1045/2014, which includes the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Decree-Law 413/2014 of June 2014, described on Note 1.

Entities included in the consolidation perimeter

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

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

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

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

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

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

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

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

Exchange-rate risk management

EDP, S.A. 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), Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to these assets.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of these assets.

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

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 30 June 2014 and 2013, would lead to an increase / (decrease) in the EDP Group results and/or equity as follows:

	Jun 2014			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	-11,108	13,577	-8,064	9,856
RON	499	-610	-	-
PLN	16,240	-19,849	-	-
	5,631	-6,882	-8,064	9,856

	Jun 2013			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	32,072	-39,199	-8,623	10,540
RON	879	-1,074	-	-
PLN	17,871	-21,843	-	-
	50,822	-62,116	-8,623	10,540

This analysis assumes that all other variables, namely interest rates, remain unchanged.

Interest rate risk management

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

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

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 14 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 at fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 30 June 2014 and 2013 would lead to the following increases / (decreases) in equity and/or results of the EDP Group:

	Jun 2014			
	Profit or loss		Equity	
Thousands of Euros	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
Cash flow effect:				
Hedged debt	-13,421	13,421	-	-
Unhedged debt	-30,331	30,331	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	24,063	-24,890
Trading derivatives (accounting perspective)	-1,375	886	-	-
	-45,127	44,638	24,063	-24,890

	Jun 2013			
	Profit or loss		Equity	
Thousands of Euros	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
Cash flow effect:				
Hedged debt	-10,061	10,061	-	-
Unhedged debt	-39,002	39,002	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	23,157	-27,798
Trading derivatives (accounting perspective)	-2,249	-5,356	-	-
	-51,312	43,707	23,157	-27,798

This analysis assumes that all other variables, namely exchange rates, remain unchanged.

Counterparty credit risk management

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

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

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

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

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 34).

Energy market risk management

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

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

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

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

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

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

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

	P@R Distribution by risk factor	
Thousands of Euros	**Jun 2014**	**Dec 2013**
Risk factor		
Negotiation	2,000	2,000
Fuel	16,000	21,000
CO2	13,000	15,000
Electricity	63,000	21,000
Hydrological	61,000	36,000
Diversification effect	-85,000	-51,000
	70,000	44,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements.The EDP Group's exposure to credit risk rating is as follows:

	Jun 2014	**Dec 2013**
Credit risk rating (S&P)		
AAA to AA-	4.79%	14.51%
A+ to A-	40.68%	59.60%
BBB+ to BBB-	41.38%	10.31%
BB+ to B-	0.85%	0.82%
No rating assigned	12.30%	14.76%
	100.00%	100.00%

Brazil - Interest rate and exchange rate risk management

The main tool used to monitor and control market risk in the Brazilian subsidiaries is Value at Risk (VaR).

VaR is the maximum expected loss on the operations portfolio over a specific period of time, resulting from an adverse movement in the market that has a specific confidence interval. The VaR model used is based on a confidence interval of 95% and assumes a 10 day time frame for settlement of positions, based essentially on historical data. Considering market data for the last 2 years and observation of the relationship between the different prices and markets, the model generates a series of scenarios for changes in market prices.

The VaR methodology used in Brazil considers a series of stress tests with the objective of monitoring the financial impact of the different market scenarios.

The summary of VaR on the operations of the Brazilian subsidiaries is as follows:

	VaR	
Thousands of Euros	Jun 2014	Dec 2013
Exchange rate risk	1,086	1,093
Interest rate risk	5,614	3,788
Covariation	-1,423	-1,340
	5,277	3,541

5. CONSOLIDATION PERIMETER

During the six-month period ended 30 June 2014, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:
- EDP Renewables Polska, S.P. ZO.O acquired 100% of the share capital of Radziejów Wind Farm Sp. ZO.O.;
- EDP Renewables Italia, S.R.L. acquired 100% of the share capital of Windcap, S.R.L.

Companies sold:
- EDPR-France S.A.S. sold 49% of its interests in the following companies:
  - Parc Eolien du Clos Bataille, S.A.S.;
  - C.E. Canet-Pont de Salars, S.A.S.;
  - C.E. Gueltas Noyal-Pontivy, S.A.S.;
  - C.E. Patay, S.A.S.;
  - C.E. Saint Barnabe, S.A.S.;
  - Eolienne de Saugueuse, S.A.R.L.;
  - C.E. Segur, S.A.S.;
  - Parc Eolien de Varimpre, S.A.S.;
  - Parc Eolien des Vatines, S.A.S.

  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 4,581 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- EDP Renewables Europe, S.L. sold 7% of its interests of the following companies:
  - Les Eoliennes en Mer de Dieppe - Le Tréport, S.A.S.;
  - Les Eoliennes en Mer de Vendée, S.A.S.
- EDP Brasil sold 50% share interest in Energia Cachoeira Caldeirão, S.A. and ECE Participações, S.A. by 133,508 thousands of Euros (corresponding to a sale price of 420,646 thousands of Reais deducted of transaction fees of 2,119 thousands of Reais), with a subsequent loss of share interest in Companhia Energética do Jari - Ceja that are booked under the equity method. This sale led to the loss of control of the companies, and to a gain of 129,498 thousands of Euros, which was booked in other income under the corresponding accounting policy (see note 7);
- EDP Cogeneración S.L. liquidated Renovamed, S.A;
- EDPR Renovables España, S.L. liquidated Sotromal, S.A.

Companies merged:
- The following companies were merged into EDP Renewables Canada LP, Holdings Ltd.:
  - 8067241 BC, Ltd.;
  - 0867242 BC, Ltd.;
  - South Branch Wind Farm, Inc.

Companies incorporated:
- Energia São Manoel S.A.;
- CHC Comercializador de Referencia, S.L.;
- EDPR Solar Ventures I;
- EDPR Wind Ventures XII *;
- Parc Eolien de Boqueho - Pouagat, S.A.S.;
- Parc Eolien de Preuseville, S.A.S.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally established without share capital and that as at 30 June 2014 do not have any assets, liabilities, or any operating activity.

Other changes:

- Increase of the financial interest in S.C. Ialomita Power, S.R.L. from 85% to 100% through a share capital increase fully subscribed by EDP Renewables Europe, S.L.;
- Due to the date of effectiveness of IFRS 10 - Consolidated Financial Statements, the EDP Group changed the method of consolidation from Integral Method to the Equity Method in the following companies:
  - Ceprastur A.I.E.;
  - Cogeración Bergara, A.I.E.;
  - HC Tudela Cogeneración;
- Due to the date of effectiveness of IFRS 11 - Joint Arrangements, the EDP Group changed the method of consolidation from Proportional Method to the Equity Method in the following companies:
  - Arquiled Brasil - Projectos de Iluminação Ltda;
  - Arquiled - Projectos de Iluminação, S.A.;
  - Arquiservice - Consultoria Serviços, S.A.;
  - Bioastur A.I.E.;
  - CIDE HC Energía, S.A.;
  - Cogeneración y Matenimiento A.I.E.;
  - Compañía Eólica Aragonesa, S.A.;
  - Desarrollos Energeticos Canarios S.A.;
  - EDP Produção Bioeléctrica, S.A.;
  - Evolución 2000, S.L.;
  - Flat Rock Windpower II, L.L.C.;
  - Flat Rock Windpower, L.L.C.;
  - Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.;
  - Pecém Transportadora de Minérios, S.A.;
  - Porto do Pecém Geração de Energia S.A.;
  - Ródão Power - Energia e Biomassa do Ródão, S.A.;
  - Tébar Eólica, S.A.

6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER

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

	Group		Company	
Thousands of Euros	Jun 2014	Jun 2013	Jun 2014	Jun 2013
Electricity and network access	6,846,825	7,060,031	943,259	931,297
Gas and network access	910,925	862,815	88,514	106,831
Sales of CO2 licences	14	67	14,679	7,322
Revenue from assets assigned to concessions	178,120	167,436	-	-
Other	83,539	92,353	70,861	67,212
	8,019,423	8,182,702	1,117,313	1,112,662

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

	Jun 2014					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	3,934,742	1,375,299	1,200,539	205,237	131,008	6,846,825
Gas and network access	135,105	775,820	-	-	-	910,925
Sales of CO2 licences	14	-	-	-	-	14
Revenue from assets assigned to concessions	132,074	-	46,046	-	-	178,120
Other	30,074	16,260	36,850	16	339	83,539
	4,232,009	2,167,379	1,283,435	205,253	131,347	8,019,423

	Jun 2013					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	4,029,391	1,462,960	1,260,622	197,958	109,100	7,060,031
Gas and network access	139,868	722,947	-	-	-	862,815
Sales of CO2 licences	67	-	-	-	-	67
Revenue from assets assigned to concessions	124,469	-	42,967	-	-	167,436
Other	43,398	21,351	27,387	1	216	92,353
	4,337,193	2,207,258	1,330,976	197,959	109,316	8,182,702

During the first semeter 2014, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,108,843 thousands of Euros (income in 30 June 2013: 1,073,293 thousands of Euros) regarding the tariff adjustments of the period (see notes 25 and 38), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 101,765 thousands of Euros (30 June 2013: 67,070 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

Following the revision of the Commercial Relations Code (RRC), from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production (PRE) acquired under the applicable legislation, also buying in the market all the electricity needed to supply its customers. Following this amendment, from 1 January 2012 onward, the electricity purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover at its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 30 June 2014, the electricity from special regime producers sold in the market amounts to 369,558 thousands of Euros (30 June 2013: 419,523 thousands of Euros).

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

Cost of energy sales and other are analysed as follows:

	Group		Company	
Thousands of Euros	**Jun 2014**	**Jun 2013**	**Jun 2014**	**Jun 2013**
Cost of electricity	4,112,587	4,037,915	910,878	890,060
Cost of gas	680,085	659,846	-	-
Expenditure with assets assigned to concessions	178,120	167,436	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	157,456	179,555	-	-
Gas	112,759	151,645	88,514	108,162
Cost of consumables used	8,390	12,790	-	-
CO2 licences	27,397	48,030	14,888	17,818
Own work capitalised	-40,699	-37,071	-	-
Other	84,546	72,139	3	10
	349,849	427,088	103,405	125,990
	5,320,641	5,292,285	1,014,283	1,016,050

On a company basis, Cost of electricity includes costs of 475,645 thousands of Euros (30 June 2013: 493,439 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

	Group	
Thousands of Euros	**Jun 2014**	**Jun 2013**
Revenue from assets assigned to concessions	178,120	167,436
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-134,591	-122,351
Personnel costs capitalised (see note 9)	-38,878	-41,203
Capitalised borrowing costs (see note 13)	-4,651	-3,882
	-178,120	-167,436
	-	-

7. OTHER INCOME

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

	Group	
Thousands of Euros	**Jun 2014**	**Jun 2013**
Gains on fixed assets	3,915	762
Customers contributions	5,165	5,904
Income arising from institutional partnerships - EDPR NA	66,066	70,897
Estimation of the revised selling price of EDPR PT	5,002	-
Gains on disposals - assets of gas and electricity business	129,498	58,303
Other	45,295	54,647
	254,941	190,513

Customers contributions include the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 5,115 thousands of Euros (30 June 2013: 5,471 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 37).

Gains on disposals - assets of gas and electricity business is related with the gain on the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects in the amount of 129,498 thousands of Euros which includes the fair value revaluation effect of the retained interest (50%) in the amount of 65,085 thousands of Euros (see note 41). In 2013, this caption was related with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros.

In 2007 and under the acquisition of EDPR NA, the power purchase agreements between EDPR NA and its customers which were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 38). This liability is depreciated over the period of the agreements against Other income. As at 30 June 2014, the amortisation for the period amounts to 4,333 thousands of Euros (30 June 2013: 4,227 thousands of Euros).

In 2013, this caption also includes 13,779 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Jun 2013	Jun 2014	Jun 2013
Consumables and communications	24,712	25,725	3,806	4,593
Rents and leases	52,122	57,304	19,964	22,602
Maintenance and repairs	144,495	154,001	12,346	8,783
Specialised works:				
- Commercial activity	84,861	78,163	2,210	1,877
- IT services, legal and advisory fees	37,890	41,532	10,452	9,822
- Other services	23,511	24,909	6,690	6,188
Provided personnel	-	-	26,004	24,061
Other supplies and services	54,816	59,693	7,827	8,061
	422,407	441,327	89,299	85,987

9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Jun 2013	Jun 2014	Jun 2013
Personnel costs				
Board of Directors remuneration	8,030	8,053	2,831	3,152
Employees' remuneration	247,794	255,455	1,173	883
Social charges on remuneration	61,445	63,514	625	237
Performance, assiduity and seniority bonus	40,046	37,376	3,267	3,318
Other costs	13,251	13,431	639	657
Own work capitalised:				
- Assigned to concessions (see note 6)	-38,878	-41,203	-	-
- Other	-29,566	-30,942	-	-
	302,122	305,684	8,535	8,247
Employee benefits				
Pension plans costs	13,620	13,278	140	141
Medical plans costs and other benefits	4,377	4,924	71	68
Past service cost (Curtailment / Plan amendments)	-129,020	-	-	-
Other	9,472	11,341	34	35
	-101,551	29,543	245	244
	200,571	335,227	8,780	8,491

Pension plans costs include 6,122 thousands of Euros (30 June 2013: 5,796 thousands of Euros) related to defined benefit plans (see note 35) and 7,498 thousands of Euros (30 June 2013: 7,482 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 4,377 thousands of Euros (30 June 2013: 4,924 thousands of Euros) related to the charge of the period. The Past service cost is related with plan ammendements resulting from the new Collective Labour Agreement (see note 35).

10. OTHER EXPENSES

Other expenses, for the Group, are analysed as follows:

Thousands of Euros	Group Jun 2014	Group Jun 2013
Concession rents paid to local authorities and others	137,477	136,973
Direct and indirect taxes	119,677	107,720
Donations	17,968	12,501
Impairment losses:		
- Trade receivables	17,856	25,267
- Debtors	1,794	3,461
Other	33,826	45,719
	328,598	331,641

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

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

Other expenses, for the Company, are analysed as follows:

Thousands of Euros	Company Jun 2014	Company Jun 2013
Direct and indirect taxes	409	504
Donations	10,421	7,495
Impairment losses:		
- Debtors	17	5
Other	1,131	1,108
	11,978	9,112

11. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group Mar 2014	Group Mar 2013	Company Mar 2014	Company Mar 2013
Charge for the period	25,762	62,718	358	7,344
Write-back for the period	-7,987	-25,868	-350	-4,569
	17,775	36,850	8	2,775

Provisions for the period, at 30 June 2014, include a net increase in provisions for labor, legal and other contingencies in Brazil in the amount of 4.9 millions of Euros, as well as provisions for contractual, legal and other liabilities and charges in Spain of 7.7 millions of Euros and in Portugal of 5.2 millions of Euros, which are classified as probable contingencies.

12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

Thousands of Euros	Group Jun 2014	Group Jun 2013	Company Jun 2014	Company Jun 2013
Property, plant and equipment				
Buildings and other constructions	6,001	7,102	1,346	1,422
Plant and machinery	427,088	438,863	14	13
Other	31,203	32,887	5,400	6,311
Impairment loss	12,544	10,405	-	-
	476,836	489,257	6,760	7,746
Intangible assets				
Concession rights and impairment	41,422	42,540	-	-
Intangible assets assigned to concessions - IFRIC 12	160,385	165,996	-	-
Other intangibles	1,191	1,146	1	5
Impairment loss	13,926	-	-	-
	216,924	209,682	1	5
Investment property	-	-	399	-
	693,760	698,939	7,160	7,751
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-13,505	-13,402	-	-
Impairment of Goodwill	278	-	-	-
	680,533	685,537	7,160	7,751

During the first semester of 2014, EDP Produção booked an impairment of 26,666 thousands of Euros (12,740 thousands of Euros in Property, plant and equipment and 13,926 thousands of Euros in Intangible assets), regarding with Alvito hydroelectric plant, due to market conditions there is some economic viability uncertainty, on this project, in short term.

During the first semester of 2013 an impairment losses of 6,647 thousands of Euros and 3,758 were booked on plant and machinery related to wind generation assets in Spain and in United States of America, respectively. These impairment losses resulted from regulatory changes in Spain, following the publication of Royal Decree-Law 2/2013, and from the write-off of assets under contruction in United States of America (see note 16).

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.

13. FINANCIAL INCOME AND EXPENSES

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

Thousands of Euros	Group Jun 2014	Group Jun 2013
Financial income		
Interest income from bank deposits and other applications	26,550	21,880
Interest income from loans to joint ventures and associates	13,724	10,442
Interest from derivative financial instruments	69,817	63,067
Derivative financial instruments	177,826	246,184
Other interest income	28,494	24,876
Foreign exchange gains	17,246	16,814
CMEC	23,710	25,647
Other financial income	133,776	109,349
	491,143	518,259
Financial expenses		
Interest expense on financial debt	480,209	416,353
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-4,651	-3,882
- Other	-78,840	-59,571
Interest from derivative financial instruments	52,933	50,570
Derivative financial instruments	147,187	254,864
Other interest expense	13,714	19,091
Foreign exchange losses	14,681	29,316
CMEC	9,009	9,551
Unwinding of liabilities	46,772	53,155
Net interest on the net pensions plan liability (see note 35)	13,427	15,454
Net interest on the medical liabilities and other benefits (see note 35)	21,131	20,378
Other financial expenses	20,830	30,156
	736,402	835,435
Financial income / (expenses)	-245,259	-317,176

The caption Financial income - CMEC totalling 23,710 thousands of Euros includes 7,645 thousands of Euros related to interest on the initial CMEC (30 June 2013: 8,323 thousands of Euros) included in the annuity for 2014 and 16,065 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 June 2013: 17,324 thousands of Euros).

The caption Other financial income includes essentially 45,095 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 June 2013: 53,364 thousands of Euros), 2,542 thousands of Euros (30 June 2013: 4,916 thousands of Euros) related with interest income on tariff deficit in Spain and 66,688 thousands of Euros related to gains, on sale of part of the electricity tariff deficit related to the 2013 and 2014 over cost with the aquisition of electricity from Special Regime Generators in Portugal (see note 25).

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

Financial expenses - CMEC, in the amount of 9,009 thousands of Euros (30 June 2013: 9,551 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 38).

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets, (ii) the implied financial return in institutional partnership in USA wind farms, and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe.

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

Thousands of Euros	Company	
	Jun 2014	Jun 2013
Financial income		
Interest income from loans to subsidiaries and related parties	252,103	240,129
Interest from derivative financial instruments	39,897	18,578
Derivative financial instruments	314,191	345,083
Income from equity investments	484,022	590,026
Other financial income	8,785	11,437
	1,098,998	1,205,253
Financial expenses		
Interest expense on financial debt	234,266	175,540
Interest from derivative financial instruments	36,575	11,900
Derivative financial instruments	285,478	361,125
Other financial expenses	10,396	18,465
	566,715	567,030
Financial income / (expenses)	532,283	638,223

14. INCOME TAX

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

Tax losses generated in each fiscal year, which are also subject to inspection and adjustment, can be deducted to the taxable income assessed in the subsequent periods (12 years in Portugal, 18 in Spain, 20 years in the USA and Canada, 5 in Poland, 7 in Romania, 9 in the Netherlands and without an expiry date in Brazil, France, Italy, United Kingdom and Belgium). Moreover, in the Netherlands and United Kingdom the tax losses may be carried back to the previous tax year and in the USA and Canada to the 2 and 3 previous years, respectively. However, the deduction of tax losses in Portugal, Spain, Brazil, France, Italy and Poland may be limited to a percentage of the taxable income of each period. The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

The changes in the Law which had more impact in the EDP Group were the following:

- In Spain, the Royal Decree-Law 12/2012, published on 31 March 2012, established a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% limit of the adjusted operational profit. The amount of financial expenses incurred which exceed the above mentioned 30% limit may be deducted in the 18 following years, provided that this limit is not exceeded in each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013, being this limit extended until 2015 by the Law 16/2013.

- The Royal Decree-Law 20/2012, which was approved in July 2012, introduced a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carried forward for the years 2012 and 2013, that was later extended also to fiscal years 2014 and 2015 by the Law 16/2013, published on 29 October:
(i) Companies whose last year turnover are between 20 and 60 millions of Euros, can only deduct tax losses up to 50% of the taxable income compared to the former limit of 75%; and
(ii) Companies whose last year turnover exceed 60 millions of Euros, can only deduct tax losses up to 25% of the taxable income compared to the former limit of 50%.

- Law 16/2012 was published on 28 December, introducing a set of tax measures aiming at the reduction of the public deficit and the expansion of the economic activity in Spain. The main measures with impact on the Group subsidiaries located in Spain are the following:
(i) Limit of 70% of the deductibility for tax purposes of the amortisation and depreciation of intangible and tangible assets and investment properties, on the tax years of 2013 and 2014. Therefore, the amortisation and depreciation which is not deductible for tax purposes in 2013 and 2014, may be deducted on a straight basis over a 10-year period or over the remaining useful life of the corresponding assets from the tax year of 2015 onwards; and
(ii) Possibility of companies revaluate their tangible assets and investment properties, based on pre defined coefficients. According to the law, the effect of the reevaluation was taxed in 2013 at a single rate of 5% over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (revaluation) was tax deductible for the revaluated assets remaining useful life.

- In Portugal, the Law 64-A/2011 of 30 December, determines that the state surcharge would be calculated as follows (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. Accordingly, during 2012 and 2013, the maximum corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 and 7.5 millions of Euros, respectively, is 31.5%.

- The Law 2/2014, published on 16 January 2014, which approved the Reform of the CIT, introducing a set of new tax measures. The main measures are related to the reduction of CIT rate, the increase of state surcharge and the extended of the period to carry forward tax losses:
(i) The CIT rate is reduced from 25% to 23% in 2014 to which is added at the municipal and state tax. Additionally is established a new tier of state surcharge over taxable income exceeding 35 millions of Euros at a rate of 7%. Whereas these tax rates were already substantially approved at the the balance sheet date, they had been considered in the calculation of deferred tax assets and liabilities as at 31 December 2013;
(ii) The period to carry forward prior years' tax losses was extended from 5 to 12 years (for tax losses generated on or after 1 January 2014). Additionally, the deduction cap is reduced from 75% to 70% of the taxable income of the year.

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

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 millions of Euros in 2011. On 24 April 2012, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2010 in the amount of 12.7 millions of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 millions of Euros in 2012. On 20 May 2013, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2009 paid in excess in the amount of 1.6 millions of Euros, which was recorded as an income in the second quarter of 2013.

On 30 June 2014, the total amount of 2011 municipal surcharge paid in excess, for which EDP Group is still awaiting for a formal decision on the legal procedures, amounts to 11 millions of Euros.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	**Jun 2014**	**Jun 2013**	**Jun 2014**	**Jun 2013**
Current tax	-243,903	-285,644	-10,592	-27,301
Deferred tax	1,535	77,514	19,098	-35,882
	-242,368	-208,130	8,506	-63,183

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 June 2014, is analysed as follows:

	Jun 2014		
Thousands of Euros	**Rate %**	**Tax basis**	**Tax**
Nominal rate and income tax	24.5%	1,066,713	261,345
Different tax rates (includes state surcharge)	6.4%	279,976	68,594
Tax losses and tax credits	-2.3%	-100,951	-24,733
Tax benefits	-5.2%	-226,020	-55,375
Non deductible provisions and amortisations for tax purposes	-0.4%	-15,437	-3,782
Financial investments in join ventures, associates and subsidiaries	-0.1%	-4,322	-1,059
Other adjustments and changes in estimates	-0.2%	-10,702	-2,622
Effective tax rate and total income tax	22.7%	989,257	242,368

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 June 2013, is analysed as follows:

	Jun 2013		
Thousands of Euros	**Rate %**	**Tax basis**	**Tax**
Nominal rate and income tax	26.5%	918,312	243,353
Different tax rates (includes state surcharge)	5.4%	185,483	49,153
Tax losses and tax credits	4.7%	161,358	42,760
Tax benefits	-1.7%	-59,366	-15,732
Non deductible provisions and amortisations for tax purposes	1.1%	37,475	9,931
Accounting revaluations	-14.4%	-498,268	-132,041
Other adjustments and changes in estimates	1.1%	40,400	10,706
Effective tax rate and total income tax	22.7%	785,394	208,130

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 June 2014, is analysed as follows:

	Jun 2014		
Thousands of Euros	**Rate %**	**Tax basis**	**Tax**
Nominal rate and income tax	31.5%	524,514	165,222
Tax losses and tax credits	-4.1%	-68,165	-21,472
Dividends	-28.9%	-480,825	-151,460
Other adjustments and changes in estimates	-0.1%	-2,528	-796
Effective tax rate and total income tax	-1.6%	-27,004	-8,506

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 June 2013, is analysed as follows:

	Jun 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	29.0%	626,592	181,712
Tax losses and tax credits	6.6%	141,890	41,148
Dividends	-25.9%	-560,652	-162,589
Other adjustments and changes in estimates	0.4%	10,042	2,912
Effective tax rate and total income tax	10.1%	217,872	63,183

As a result of the change in the economic, regulatory and tax environment in Spain, the caption Tax losses and tax credits in 30 June 2013 includes the reversal of deferred tax assets in the amount of 27 millions of Euros and the recognition of deferred tax liabilities in the amount of 26 millions of Euros related to contingencies on tax losses carry forward in Spain.

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

	Group		Company	
Thousands of Euros	Jun 2014	Jun 2013	Jun 2014	Jun 2013
Profit before tax	1,066,713	918,312	524,514	626,592
Income tax	-242,368	-208,130	8,506	-63,183
Effective income tax rate	22.7%	22.7%	-1.6%	10.1%

15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013 31 December (General State Budget for 2014), established the Extraordinary contribution to the energy sector (CESE). This contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector.

CESE focuses on the assets value with reference to the first day of financial year 2014 (1 January 2014) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognized by ERSE for the calculation of allowed revenues as at 1 January 2014) if it is higher than the value of those assets. Given its legal framework, CESE is not considered a deductible expense in determining taxable income.

Therefore, the Group booked under the caption Current tax liabilities - Other taxes, with reference to 1 January 2014, the responsibility concerning to CESE for the year 2014, in the amount of 61,258 thousands of Euros (see note 40). Since this contribution regards the whole year 2014, the financial statements as at 30 June 2014 includes, under the caption Extraordinary contribution to the energy sector (CESE) of the income statement, the cost corresponding to the first semester in the amount of 30,629 thousands of Euros. The cost related to remaining period of the year 2014 were deferred under the caption Sundry debtors and other operations from commercial activities – Current in the amount of 30,629 thousands of Euros (see note 25).

This contribution is also applicable to EDP Producão power plants that are subject to the legal law that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount will be recognised according to the Decree-Law No. 240/2004 of 27 December.

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Cost				
Land and natural resources	154,929	149,857	60,148	60,148
Buildings and other constructions	487,425	471,276	85,182	85,393
Plant and machinery:				
- Hydroelectric generation	8,568,608	8,458,713	254	254
- Thermoelectric generation	7,584,841	7,580,154	-	-
- Renewable generation	11,685,903	11,387,426	-	-
- Electricity distribution	1,425,033	1,410,664	-	-
- Gas distribution	1,175,448	1,151,465	-	-
- Other plant and machinery	131,097	128,557	913	182
Other	839,244	808,591	120,604	117,256
Assets under construction	2,945,597	2,789,402	60,912	45,402
	34,998,125	34,336,105	328,013	308,635
Accumulated depreciation and impairment losses				
Depreciation charge	-464,292	-964,844	-6,760	-15,570
Accumulated depreciation in previous years	-14,803,712	-13,825,406	-105,615	-89,680
Impairment losses	-12,544	-49,205	-	-4,782
Impairment losses in previous years	-82,808	-42,551	-4,782	-
	-15,363,356	-14,882,006	-117,157	-110,032
Carrying amount	19,634,769	19,454,099	210,856	198,603

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

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 June
Cost							
Land and natural resources	149,857	409	-253	-	4,916	-	154,929
Buildings and other constructions	471,276	108	-5,995	1,124	20,800	112	487,425
Plant and machinery	30,116,979	11,154	-28,052	293,272	177,589	-12	30,570,930
Other	808,591	9,194	-6,034	27,192	723	-422	839,244
Assets under construction	2,789,402	463,709	-3,198	-321,588	15,539	1,733	2,945,597
	34,336,105	484,574	-43,532	-	219,567	1,411	34,998,125

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 June
Accumulated depreciation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	153,937	6,001	-4,935	-	5,160	53	160,216
Plant and machinery	14,073,226	439,625	-26,815	-	35,339	317	14,521,692
Other	650,811	31,210	-5,081	-	435	41	677,416
	14,882,006	476,836	-36,831	-	40,934	411	15,363,356

Additions include the investment in wind farms by the subgroups EDPR EU and EDPR NA. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Ribeiradio-Ermida, Venda Nova III and Salamonde II).

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

Transfer from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, Romania and Canada.

Perimeter Variations/Regularisations includes the impact of the aquisition of Wincap, S.R.L. (see note 5)

The movement in Exchange differences in the year results mainly from the appreciation of Brazilian Real (BRL) and of American Dollar (USD) against the Euro during the first semester of 2014.

The movements in Property, plant and equipment, for the Group, for the six-month period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari-sations	Balance at 30 June
Cost							
Land and natural resources	175,796	1,372	-156	1,270	-4,186	209	174,305
Buildings and other constructions	654,384	64	-83	1,150	-18,821	-124,466	512,228
Plant and machinery	30,722,609	6,786	-2,671	310,466	-78,823	-717,015	30,241,352
Other	809,611	5,857	-18,035	8,396	47	-9,187	796,689
Assets under construction	2,784,191	496,110	-31,790	-321,282	-36,923	-323,115	2,567,191
	35,146,591	510,189	-52,735	-	-138,706	-1,173,574	34,291,765

Thousands of Euros	Balance at 1 January	Charge / losses	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari-sations	Balance at 30 June
Accumulated depreciation and impairment losses							
Buildings and other constructions	160,069	7,102	-83	-	-4,462	-362	162,264
Plant and machinery	13,461,264	449,268	-2,590	-	-14,540	-171,959	13,721,443
Other	619,918	32,887	-16,556	-	89	-3,584	632,754
	14,241,251	489,257	-19,229	-	-18,913	-175,905	14,516,461

Charge / Impairment losses includes 10,405 thousands of Euros on wind generation assets in Spain and in United States of America (see note 12).

The movement in Exchange differences in the period results mainly from the appreciation of the American Dollar (USD), and the depreciation of the Zloty (PLN) and Brazilian Real (BRL) against the Euro in the first semester of 2013.

Perimeter Variations / Regularisations includes the impact of the adoption of IFRS 10 and 11, related with the opening balance, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 47).

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 43 - Commitments.

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

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Cost						
Land and natural resources	60,148	-	-	-	-	60,148
Buildings and other constructions	85,393	-	-248	-	37	85,182
Other	117,692	3,571	-534	49	993	121,771
Assets under construction	45,402	15,559	-	-49	-	60,912
	308,635	19,130	-782	-	1,030	328,013

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Accumulated depreciation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	22,445	1,346	-196	-	40	23,635
Other	83,555	5,414	-423	-	944	89,490
	110,032	6,760	-619	-	984	117,157

Additions include the investment in the new building of EDP Group in Lisbon in the amount of 12,557 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the six-month period ended 30 June 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Cost						
Land and natural resources	74,569	-	-	-	-	74,569
Buildings and other constructions	93,556	-	-	-	-	93,556
Other	117,591	2,117	-712	1,807	-	120,803
Assets under construction	26,747	9,148	-	-1,807	-7	34,081
	312,463	11,265	-712	-	-7	323,009

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 30 June
Accumulated depreciation and impairment losses						
Buildings and other constructions	23,303	1,422	-	-	-	24,725
Other	80,591	6,324	-563	-	-	86,352
	103,894	7,746	-563	-	-	111,077

17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013
Cost		
Concession rights	15,283,318	15,006,697
CO2 licences	149,868	235,435
Other intangibles	178,547	158,218
Intangible assets in progress	608,073	580,193
	16,219,806	15,980,543
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-201,807	-433,697
Depreciation of other intangibles	-1,191	-2,450
Accumulated depreciation in previous years	-10,060,327	-9,526,594
Impairment losses	-13,926	-
	-10,277,251	-9,962,741
Carrying amount	5,942,555	6,017,802

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

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

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

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,079,171	50	-	-	31,728	-	1,110,949
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,418,998	296	-	-	-	-	1,419,294
CO2 licences	235,435	33,943	-119,509	-	-	-1	149,868
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,370,174	129	-33,818	111,576	166,660	-	12,614,721
- Intangible assets in progress	175,055	177,991	-2,726	-158,838	3,411	-	194,893
Other intangibles	158,218	18,094	-13	285	1,838	125	178,547
Other intangible in progress	405,138	6,801	-4	-285	1,514	16	413,180
	15,980,543	237,304	-156,070	-47,262	205,151	140	16,219,806

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Accumulated depreciation and impairment losses							
Concession rights	801,081	41,422	-	-	9,609	-	852,112
Assigned to concessions (IFRIC 12)	9,129,664	160,385	-29,884	-	117,411	-	9,377,576
Other intangibles	31,996	15,117	-2	-	432	20	47,563
	9,962,741	216,924	-29,886	-	127,452	20	10,277,251

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

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

Transfers include the net transfers of intangible assets assigned to concessions of 47,262 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 25).

The movements in Intangible assets during the six-month period ended 30 June 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	-	-	-	-42,581	-	1,327,323
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	12,060	-	-	-	-	1,412,479
- Other concession rights	10,827	-	-	-	-	-10,827	-
CO2 licences	320,164	29,823	-145,003	-	-	-752	204,232
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	998	-33,993	96,567	-147,749	-	12,439,856
- Intangible assets in progress	160,408	166,438	-82	-136,416	-1,833	312	188,827
Other intangibles	101,616	35	-1	133	-260	-4,216	97,307
Other intangible in progress	390,630	14,235	-86	-133	-1,459	1,596	404,783
	16,416,355	223,589	-179,165	-39,849	-193,882	-13,887	16,213,161

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
Accumulated depreciation and impairment losses							
Concession rights	740,426	42,540	-	-	-7,951	-2,104	772,911
Assigned to concessions (IFRIC 12)	9,102,486	165,996	-28,397	-	-101,849	-1	9,138,235
Other intangibles	31,581	1,146	-	-	-217	-1,076	31,434
	9,874,493	209,682	-28,397	-	-110,017	-3,181	9,942,580

The net transfers of intangible assets under construction assigned to concessions in the amount of 39,849 thousands of Euros are 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 .

Additions of CO2 Licences is related essentially to licences purchased in the market for own consumption. The disposals / write-off of CO2 licences correspond to the licences consumed during 2012 and delivered to regulatory authorities in the amount of 144,595 thousands of Euros.

Perimeter Variations / Regularisations includes the impact of the adoption of IFRS 10 and 11, related with the opening balance, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 47).

18. GOODWILL

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

	Group	
Thousands of Euros	Jun 2014	Dec 2013
HC Energia Group	1,948,303	1,946,935
EDP Renováveis Group	1,216,497	1,212,787
EDP Brasil Group	54,018	52,904
Other	40,518	40,518
	3,259,336	3,253,144

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

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
HC Energia Group	1,946,935	1,368	-	-	-	-	1,948,303
EDP Renováveis Group	1,212,787	823	-2,587	-278	5,752	-	1,216,497
EDP Brasil Group	52,904	-	-	-	1,114	-	54,018
Other	40,518	-	-	-	-	-	40,518
	3,253,144	2,191	-2,587	-278	6,866	-	3,259,336

The movements in Goodwill the six-month period ended at 30 June 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 June
HC Energia Group	1,919,526	10,384	-	-	-	-	1,929,910
EDP Renováveis Group	1,301,218	344	-19,173	-	4,251	-42,226	1,244,414
EDP Brasil Group	55,564	-	-	-	-1,008	-	54,556
Other	42,149	-	-	-	-	-504	41,645
	3,318,457	10,728	-19,173	-	3,243	-42,730	3,270,525

HC Energia Group

During the first semester of 2013, the goodwill from Hidrocantabrico Group increased by 10,384 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank (ex-Cajastur), through the put option held by this entity over 3.13% of the share capital of HC Energia. In December 2013, this put option held by Liberbank was partially exercised in 3%, remaining present the 0.13% of the share capital of HC Energia, to be exercised until 31 December 2017.

During the first semester of 2014, the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank, through the put option held over 0.13% of the share capital of HC Energia, led to an increased of 1.368 thousands of Euros, as described under accounting policies - note 2b).

EDP Renováveis Group

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

The goodwill movement in EDPR Europe Group in the first semester of 2013 includes a decrease in the amount of 19,173 thousands of Euros related to the contingent prices revision of some purchase agreements signed before 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b)).

The adoption of IFRS 10 and 11 in 2014 implied the comparative adoption of these IFRS's, for comparative purposes, as at 1 January 2013. This adoption has generated a negative variation of 42,730 thousands of Euros related to the change in the consolidation method of Arquiled - Projectos de Iluminação, S.A., Compañía Eólica Aragonesa, S.A. and Evolución 2000, S.L. Since these companies being consolidated by equity, their goodwill was reclassified to the caption Investments in joint ventures and associates.

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Jun 2014	Dec 2013
Acquisition cost	11,189,870	11,189,870
Effect of equity method (transition to IFRS)	-902,524	-902,524
Equity investments in subsidiaries	10,287,346	10,287,346
Impairment losses on equity investments in subsidiaries	-200,943	-200,943
	10,086,403	10,086,403

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

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Interests in joint ventures	602,196	462,859	6,595	6,595
Interests in associates	187,277	182,562	-	-
	789,473	645,421	6,595	6,595

As at 30 June 2014, for the Group, Interests in joint ventures include goodwill of 42,730 thousands of Euros (31 December 2013: 42,730 thousands of Euros) and Interests in associates include goodwill of 45,291 thousands of Euros (31 December 2013: 44,603 thousands of Euros).

The following table resumes the companies' financial information of joint ventures included in the Group consolidated accounts, as at 30 June 2014:

Thousands of Euros	Porto do Pecém	Companhia Energ. Do Jari	ECE Participações	Flat Rock Windpower II	Flat Rock Windpower
Non-Current Assets	1,310,574	272,555	376,220	105,056	265,682
Current Assets	101,805	268	17,670	1,188	5,591
Cash and cash equivalents	11,638	188	16,313	917	4,257
Total Equity	363,244	144,551	154,472	105,191	265,873
Long term Financial debt	618,690	116,145	223,157	-	-
Non-Current Liabilities	792,639	118,561	225,937	1,053	2,734
Short term Financial debt	55,509	9,462	3,177	-	-
Current Liabilities	256,496	9,712	13,481	-	2,665
Group's share of net assets	181,622	62,823	77,236	52,596	132,937
Goodwill (included in Group's share of net assets)	-	-	-	-	-
Dividends received by the Group	-	-	-	2,463	9,289
Revenues	183,131	-	-	4,888	19,579
Fixed and intangible assets amortisations	-22,052	-5	-	-2,078	-8,773
Other financial expenses	-54,075	-5,760	-428	-27	-71
Income tax expense	12,603	-210	385	-	-
Net profit for the period	-24,465	-6,845	-748	961	5,692

Thousands of Euros	Energia Cachoeira Caldeirão	Compañía Eólica Aragonesa	EDP Produção Bioeléctrica	CIDE HC Energía	Others
Non-Current Assets	133,054	163,754	132,481	1,789	98,913
Current Assets	118,832	13,747	10,728	52,303	28,893
Cash and cash equivalents	117,912	10,986	4,766	-	17,251
Total Equity	-840	130,677	14,874	3,545	31,492
Long term Financial debt	-	-	76,810	-	48,666
Non-Current Liabilities	2,544	33,019	80,709	184	58,524
Short term Financial debt	231,311	-	9,836	-	25,588
Current Liabilities	250,182	13,805	47,627	50,363	37,790
Group's share of net assets	147	65,339	7,437	1,768	20,291
Goodwill (included in Group's share of net assets)	-	39,558	-	-	3,172
Dividends received by the Group	-	2,500	-	-	-
Revenues	-	5,835	24,063	117,676	12,365
Fixed and intangible assets amortisations	-	-4,321	-4,469	-12	-3,435
Other financial expenses	-410	-7	-1,002	-352	-992
Income tax expense	181	505	-578	-2,535	285
Net profit for the period	-351	-1,179	1,282	5,755	-2,899

The commitments relating to short and medium-long term financial debt, finance lease commitments, other long term commitments and other liabilities relating to purchases and future lease payments under operating leases of joint ventures included in the Group consolidated accounts under the equity method are disclosed, as at 30 June 2014, as follows:

	Jun 2014				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (inc. falling due interest)	969,890	203,351	162,978	184,543	419,018
Finance lease commitments	-	-	-	-	-
Operating lease commitments	12,470	723	1,246	1,299	9,202
Purchase obligations	372,744	110,139	35,163	27,992	199,450
Other long term commitments	-	-	-	-	-
	1,355,104	314,213	199,387	213,834	627,670

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Banco Comercial Português, S.A.	75,437	65,790	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	50,052	41,828	50,052	41,828
Tejo Energia, S.A.	21,500	21,500	-	-
Zephyr Fund (Energia RE portfolio)	55,762	53,751	-	-
Others	29,387	29,614	1,722	1,716
	232,138	212,483	51,774	43,544

During the first semester of 2014, the financial investment held in Banco Comercial Português, S.A., increased by 9,647 thousands of Euros being the increase booked against fair value reserves (see note 31).

During the first semester of 2014, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 8,224 thousands of Euros being the increase booked against fair value reserves (see note 31).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During the first semester of 2014, this investment increased by 2,011 thousands of Euros being the increase booked against fair value reserves (see note 31).

Under IFRS 13 (note 46), available for sale investments are classified into three levels of fair value, Level 1 includes financial investment held in Banco Comercial Português, S.A., REN - Redes Energéticas Nacionais, SGPS, S.A. and Rede Energia, S.A. since they are indexed to market price, Level 2 includes the fund of stocks and bonds held by Energia RE and, finally Level 3 covers all other available for sale investments. These include mainly Tejo Energia, S.A., whose fair value in the amount of 21.5 millions of Euros, was calculated according to Dividend Discount Model methodology, based on the discount rate of 7.1%. The sensitivity analysis considering an increase or decrease of 100 basis points in the discount rate determined a fair value of 20.2 millions of Euros and 22.8 millions of Euros, respectively.

Available-for-sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 31). The fair value reserve attributable to the Group as at 30 June 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	Jun 2014	Dec 2013
Banco Comercial Português, S.A.	51,236	41,589
REN - Redes Energéticas Nacionais, SGPS, S.A.	24,232	16,008
Tejo Energia, S.A.	15,145	15,145
Zephyr Fund (Energia RE portfolio)	5,392	3,381
Others	4,728	4,496
	100,733	80,619

22. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2014	Jun 2013	Jun 2014	Jun 2013
Balance as at 1 January	320,590	340,816	-759,092	-852,054
Tariff adjustment for the period	7,959	18,997	34,920	-56,946
Provisions	-6,117	-28,382	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-38,832	155,756	-50,205	-30,191
Deferred tax over CMECs in the period	-	-	49,557	29,064
Tax losses and tax credits	51,328	2,860	-	-
Financial and available-for-sale investments	-7,165	1,417	5,517	-3,080
Other temporary differences	10,568	-39,208	-46,418	-31,480
Netting of deferred tax assets and liabilities	-95,297	-101,579	95,297	101,579
Balance as at 30 June	243,034	350,677	-670,424	-843,108

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2014	Jun 2013	Jun 2014	Jun 2013
Balance as at 1 January	25,097	69,799	-	-
Tax losses and tax credits	-4,244	-22,239	-	-
Financial and available-for-sale investments	-4,801	2,149	-	-
Fair value of derivative financial instruments	-6,615	-4,245	5,237	3,145
Other temporary differences	396	-695	10	-25,641
Netting of deferred tax assets and liabilities	5,247	-22,496	-5,247	22,496
Balance as at 30 June	15,080	22,273	-	-

23. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Jun 2014	Dec 2013
Merchandise	29,170	65,743
Finished, intermediate products and sub-products	13,258	8,152
Raw and subsidiary materials and consumables (coal and other fuels)	73,719	92,302
Nuclear fuel	16,336	18,491
Others	78,590	80,100
	211,073	264,788

The caption Others include CO2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 18,788 thousands of Euros (31 December 2013: 16,745 thousands of Euros).

24. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Spain	20,562	-	-	-
- Brazil	8,779	9,447	-	-
Public Sector:				
- Portugal	118,238	121,227	-	-
- Brazil	8,950	9,948	-	-
	156,529	140,622	-	-
Impairment losses	-38,390	-41,628	-	-
	118,139	98,994	-	-
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	1,066,328	1,293,916	224,842	193,432
- Spain	532,576	555,161	-	-
- Brazil	449,044	373,056	-	-
- U.S.A.	36,595	39,590	-	-
- Other	44,323	78,007	-	-
Public Sector:				
- Portugal	89,012	102,903	-	-
- Brazil	22,726	22,433	-	-
- Spain	24,801	30,438	-	-
	2,265,405	2,495,504	224,842	193,432
Impairment losses	-329,674	-313,601	-9,954	-9,954
	1,935,731	2,181,903	214,888	183,478
	2,053,870	2,280,897	214,888	183,478

Trade receivables - Non-Current in Spain is related with the establishment of the pool limits adjustments in EDPR EU, as a result of the publication of Royal Decree-Law 413/2014 and order IET/1045/2014 (see note 1).

25. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

Thousands of Euros	Group Jun 2014	Group Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	183,163	188,314
Amounts receivable from tariff adjustments - Electricity - Portugal	1,279,511	1,237,623
Amounts receivable relating to CMEC	738,241	898,500
Amounts receivable from concessions - IFRIC 12	839,830	768,963
Sundry debtors and other operations	86,909	98,089
	3,127,654	3,191,489
Impairment losses on debtors	-3,341	-3,310
	3,124,313	3,188,179

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

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	1,050	75,803	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	830,467	1,056,572	-	-
Receivables relating to other goods and services	66,922	46,622	2,469	7,394
Amounts receivable relating to CMEC	158,419	167,982	-	-
Accrued income relating to energy sales and purchase activity	116,454	169,984	199,393	265,778
Sundry debtors and other operations	306,509	322,589	62,079	58,053
	1,479,821	1,839,552	263,941	331,225
Impairment losses on debtors	-20,583	-18,652	-967	-950
	1,459,238	1,820,900	262,974	330,275

The Amounts receivable from tariff expenses - Electricity - Spain correspond essentially to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 June 2014, according to the applicable legal framework (see note 3). Given the provisions of the electric sector Law of 27 December 2013, the cumulative amount as at 30 June 2014 does not include any estimation of the receivable deficit related to the three-month period ending on that date. Additionally, during 2014, the Spanish Electricity Deficit Amortisation Fund (FADE), has not launched any bond issuances.

The caption Amounts receivable relating to CMEC totalize 896,660 thousands of Euros, and includes 738,241 thousands of Euros as non-current and 158,419 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 626,654 thousands of Euros as non-current and 40,334 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2014. The remaining 111,587 thousands of Euros as non-current and 118,085 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2013 to 2014.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 839,830 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa)). The variation in the period includes mainly the effect of the appreciation of Brazilian Real against Euro in the amount of 22,042 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 47,262 thousands of Euros (see note 17).

The caption Sundry debtors and other operations - Current includes the amount of 30,629 thousands of Euros, related with the Energetic Sector Contribution, approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget Law for 2014). The contribution is due by EDP companies that operate in the production, distribution and commercialization of electricity and in the distribution and commercialization of natural gas and it is calculated on the value of the companies' assets as provided under the law and the deferred amount will be recognized in results during the year 2014.

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

Thousands of Euros	**Current**	**Non-Current**
Balance as at 1 January 2013	668,965	980,225
Receipts through the electric energy tariff	-339,960	-
Partial securitisations of 2012 over costs for the special regime generators	-713,642	-
Tariff adjustment of 2012	901	-
Tariff adjustment for the period	417,350	799,811
Transfer to tariff adjustment payable	-8,699	-842
Interest income	47,709	5,655
Transfer from Non-Current to Current	730,714	-730,714
Balance as at 30 June 2013	803,338	1,054,135
Receipts through the electric energy tariff	-264,106	-
Partial securitisations of 2012 over costs for the special regime generators	-149,588	-
Tariff adjustment of 2012	-2,297	-
Tariff adjustment for the period	544,243	424,657
Transfer from tariff adjustments payable	1,195	-
Interest income	35,831	-
Securitisation adjustment of 2011 CMEC	-153,213	-
Transfer from Non-Current to Current	241,169	-241,169
Balance as at 31 December 2013	1,056,572	1,237,623
Receipts through the electric energy tariff	-465,572	-
Partial securitisations of 2013 and 2014 over costs for the special regime generators	-1,032,857	-
Tariff adjustment of 2013	8,232	8,232
Tariff adjustment for the period	411,464	840,351
Transfer to tariff adjustment payable	838	-
Interest income	42,819	2,276
Transfer from Non-Current to Current	808,971	-808,971
Balance as at 30 June 2014	830,467	1,279,511

During the first semester of 2014, EDP – Serviço Universal, S.A. (EDP SU), sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2014 and 2013 overcost with the acquisition of electricity activity from special regime generators, in the amount of 1,032,857 thousands of Euros (832,857 thousands of Euros in 2013 and 200,000 thousands of Euros in 2014). In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 1,113,313 thousands of Euros and generated gains net of transaction costs, as at 30 June 2014, of 66,688 thousands of Euros (see note 13). From the three transactions, two of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 363,613 thousands of Euros and the other was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 750,000 thousands of Euros (see note 51).

During the year 2013, EDP – Serviço Universal, S.A. (EDP SU), sold, in four independent operations, the rights to receive part of the electricity adjustment related to the 2012 overcost with the acquisition of electricity activity from special regime generators, in the amount of 863,230 thousands of Euros. In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 918,100 thousands of Euros and generated gains net of transaction costs, as at 31 December 2013, of 49,572 thousands of Euros (see note 13). From the four transactions, three of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 468,100 thousands of Euros and the other was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 450,000 thousands of Euros.

On 19 December 2013, EDP Distribuição - Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the right to recover the correction portion of the compensation mechanism to maintain the contractual balance (CMEC), referring to 2011 in the amount of 153,213 thousands of Euros, in accordance with the terms of Decree-Law n.º 256/2012 of 29 November. The operation consisted in a direct sale of the asset to BCP in the amount of 154,598 thousands of Euros, generating a gain of 885 thousands of Euros net of transaction expenses.

26. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	5,997,997	6,382,524
Loans to related parties	398,993	361,789	90	90
Guarantees rendered to third parties	66,765	61,505	5	5
Derivative financial instruments	110,410	62,812	76,996	62,882
Sundry debtors and other operations	68,938	65,926	250	-
	645,106	552,032	6,075,338	6,445,501
Debtors and other assets - Current				
Loans to subsidiaries	-	-	924,041	445,877
Dividends attributed by subsidiaries	-	-	-	89,880
Loans to related parties	82,068	54,270	16,016	17,148
Receivables from the State and concessors	43,146	44,820	-	-
Derivative financial instruments	129,037	143,695	181,152	116,848
Subsidiary Companies	-	-	1,052,579	1,302,940
Guarantees rendered to third parties	9,409	6,341	-	-
Sundry debtors and other operations	45,276	57,453	1,638	2,134
	308,936	306,579	2,175,426	1,974,827
	954,042	858,611	8,250,764	8,420,328

27. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Income tax	176,019	196,594	101,356	120,503
Value added tax (VAT)	122,325	214,581	5,400	7,942
Turnover tax (Brazil)	5,006	4,409	-	-
Other taxes	19,786	17,468	4,223	3,608
	323,136	433,052	110,979	132,053

On EDP Group, the caption Other taxes includes the amount of 10,806 thousands of Euros (31 December 2013: 8,132 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Cash	257	84	13	-
Bank deposits				
Current deposits	446,731	473,923	11,123	12,286
Term deposits	937,395	1,337,703	310,834	891,119
Other deposits	183,778	306,057	-	-
	1,567,904	2,117,683	321,957	903,405
Operations pending cash settlement				
Current deposits	15,000	-	95,000	280,000
Other short term investments	38,299	38,940	-	-
	1,621,460	2,156,707	416,970	1,183,405

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

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at the trade date of each emission. This caption includes: (i) 80,000 thousands of Euros, issued on 27 June 2014, acquired by EDP Finance B.V., and which settlement date occured on 1 July 2014; and (ii) 15,000 thousands of Euros, issued on 26 June 2014 and which settlement date occured on 1 July 2014.

29. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company that was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process.

On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to CWEI (Europe), S.A. (former - China Three Gorges International (Europe), S.A.), through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4.14% of EDP share capital. The decrease of the shareholding resulted from a private offer via an "accelerated bookbuilding" process, in which Caixa – Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

Share capital and Share premium are analysed as follows:

Thousands of Euros	Group and Company Share capital	 Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 June	3,656,538	503,923

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

	Group		Company	
	Jun 2014	**Jun 2013**	**Jun 2014**	**Jun 2013**
Net profit attributable to the equity holders of EDP (in Euros)	673,163,263	603,219,381	533,020,481	563,408,599
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	673,163,263	603,219,381		
Weighted average number of ordinary shares outstanding	3,631,215,762	3,626,139,106	3,632,728,762	3,627,652,106
Weighted average number of diluted ordinary shares outstanding	3,631,316,222	3,626,567,470	3,632,829,222	3,628,080,470
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.19	0.17		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.19	0.17		
Basic earnings per share from continuing operations (in Euros)	0.19	0.17		
Diluted earnings per share from continuing operations (in Euros)	0.19	0.17		

EDP Group calculates basic and diluted earnings per share attributable to equity holders of EDP using the weighted average number of ordinary shares outstanding during the period, net of changes in treasury stock during the period.

The average number of shares was determined as follows:

	Group		Company	
	Jun 2014	**Jun 2013**	**Jun 2014**	**Jun 2013**
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	-25,321,953	-30,398,609	-23,808,953	-28,885,609
Average number of shares during the period	3,631,215,762	3,626,139,106	3,632,728,762	3,627,652,106
Effect of stock options	100,460	428,364	100,460	428,364
Diluted average number of shares during the period	3,631,316,222	3,626,567,470	3,632,829,222	3,628,080,470

30. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Jun 2014	**Dec 2013**	**Jun 2014**	**Dec 2013**
Book value of EDP, S.A. treasury stock (thousands of Euros)	69,100	85,573	63,005	79,478
Number of shares	23,201,564	27,597,268	21,688,564	26,084,268
Market value per share (in Euros)	3.664	2.670	3.664	2.670
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	85,011	73,685	79,467	69,645

Operations performed from 1 January to 30 June 2014:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	110,000	-
Average purchase price (in Euros)	2.894	-
Total purchase value (thousands of Euros)	318	-
Volume sold (number of shares)	-4,505,704	-
Selling price average (in Euros)	3.248	-
Total sale value (thousands of Euros)	14,635	-
Final position (number of shares)	21,688,564	1,513,000
Highest market price (in Euros)	3.748	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	3.261	-

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

31. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Legal reserve	659,613	620,069	659,613	620,069
Fair value reserve (cash flow hedge)	-60,261	-74,003	4,755	-1,125
Tax effect of fair value reserve (cash flow hedge)	16,437	20,987	-1,574	257
Fair value reserve (available for sale investments)	100,733	80,619	19,878	11,648
Tax effect of fair value reserve (available for sale investments)	-12,977	-7,684	2,042	4,632
Exchange differences arising on consolidation	-58,849	-128,291	-	-
Treasury stock reserve (EDP, S.A.)	63,005	79,478	63,005	79,478
Other reserves and retained earnings	3,004,198	2,774,602	1,539,788	1,446,267
	3,711,899	3,365,777	2,287,507	2,161,226

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 1 January 2013	494,463	-449,113
Changes in fair value	10,035	-3,444
Transfer of impairment to profit or loss	-	2,030
Balance as at 30 June 2013	504,498	-450,527
Changes in fair value	31,774	-6,217
Transfer of impairment to profit or loss	-	1,091
Balance as at 31 December 2013	536,272	-455,653
Changes in fair value	20,843	-1,121
Transfer of impairment to profit or loss	-	392
Balance as at 30 June 2014	557,115	-456,382

Changes in fair value reserve attributable to the EDP Group during the period ended 30 June 2014 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	9,647	-
Fundo Zephyr (Energia RE Portfolio)	2,011	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	8,224	-
Others	961	-1,121
	20,843	-1,121

Exchange differences on consolidation

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

		Exchange rates at Jun 2014		Exchange rates at Dec 2013		Exchange rates at Jun 2013	
Currency		**Closing rates**	**Average exchange rate**	**Closing rates**	**Average exchange rate**	**Closing rates**	**Average exchange rate**
Dollar	USD	1.366	1.370	1.379	1.328	1.308	1.313
Brazilian Real	BRL	3.000	3.151	3.258	2.868	2.890	2.669
Macao Pataca	MOP	10.903	10.950	11.014	10.609	10.452	10.493
Canadian Dollar	CAD	1.459	1.503	1.467	1.368	1.371	1.334
Zloty	PLN	4.157	4.175	4.154	4.197	4.338	4.176
Romanian Leu	RON	4.383	4.464	4.471	4.419	4.460	4.392
Pound Sterling	GBP	0.802	0.821	0.834	0.849	0.857	0.851
Rand	ZAR	14.460	14.675	14.566	12.827	13.070	12.108

Treasury stock reserve (EDP, S.A.)

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

Dividends

On 12 May 2014, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2013 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 4,301 thousands of Euros). This distribution occurred on 29 May 2014.

32. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	**Jun 2014**	**Dec 2013**
Non-controlling interests in income statement	120,553	188,553
Non-controlling interests in equity and reserves	3,082,965	2,893,593
	3,203,518	3,082,146

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

	Group	
Thousands of Euros	**Jun 2014**	**Dec 2013**
EDP Renováveis Group	1,687,010	1,662,735
EDP Brasil Group	1,387,135	1,289,891
Other	129,373	129,520
	3,203,518	3,082,146

During the first semeter of 2014, EDP Group generated profits of 120,553 thousands of Euros attributable to non-controlling interests (31 December 2013: 188,553 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 57,217 thousands of Euros, a decrease of 40,332 thousands of Euros related to dividends attributable and negative variations resulting from share capital decreases of 15,870 thousands of Euros. In the first semeter of 2014, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in a wind farm portfolio located in France to Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, and, as a result, the Group recognised non-controlling interests of 23,675 thousands of Euros and an positive impact in reserves attributable to EDP Group of 4,581 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 60,509 thousands of Euros of profits attributable to non-controlling interests, a decrease of 68,957 thousands of Euros related to dividends attributable and positive variation of 108,312 thousands of Euros resulting from exchange differences.

33. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company Jun 2014	Group and Company Jun 2013
Balance at the beginning of the period	35,641	56,476
Amounts received / (paid) during the period	-17,820	-11,416
Financial charges	642	1,101
Balance at the end of the period	18,463	46,161

34. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	1,001,780	1,050,369	1,001,780	1,050,369
- EDP Finance B.V.	3,497,450	3,404,831	-	-
- EDP Brasil Group	242,544	182,135	-	-
- EDP Renováveis Group	766,536	696,759	-	-
- EDP Produção	94,302	96,470	-	-
- Others	27,595	29,685	-	-
	5,630,207	5,460,249	1,001,780	1,050,369
Non-convertible bond loans:				
- EDP, S.A.	443,301	689,011	5,793,301	6,039,011
- EDP Finance B.V.	8,458,685	8,743,467	-	-
- EDP Brasil Group	549,037	422,982	-	-
- EDP Renováveis Group	-	29,102	-	-
	9,451,023	9,884,562	5,793,301	6,039,011
Commercial paper:				
- EDP, S.A.	196,884	196,993	196,884	196,993
	196,884	196,993	196,884	196,993
Other loans:				
- Investco preference shares	16,612	15,127	-	-
- EDP Brasil Group	18,155	19,284	-	-
- EDP Renováveis Group	10,550	11,363	-	-
- Others	1,074	1,586	-	-
	46,391	47,360	-	-
	15,324,505	15,589,164	6,991,965	7,286,373
Accrued interest	6,510	14,257	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	45,791	-2,698	-	3,752
Total Debt and borrowings	15,376,806	15,600,723	6,991,965	7,290,125
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-323,999	-334,497	-323,999	-334,497
Other collateral deposits	-76,931	-85,584	-	-
Total Collateral Deposits	-400,930	-420,081	-323,999	-334,497
	14,975,876	15,180,642	6,667,966	6,955,628

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	61,207	46,827	61,207	46,827
- EDP Finance B.V.	223,827	1,636,171	-	-
- EDP Brasil Group	148,708	114,453	-	-
- EDP Renováveis Group	78,890	88,041	-	-
- Others	15,116	18,668	-	-
	527,748	1,904,160	61,207	46,827
Non-convertible bond loans:				
- EDP, S.A.	450,000	200,000	450,000	200,000
- EDP Finance B.V.	1,769,861	1,376,628	-	-
- EDP Brasil Group	162,980	187,489	-	-
- EDP Renováveis Group	31,627	-	-	-
	2,414,468	1,764,117	450,000	200,000
Commercial paper:				
- EDP, S.A.	206,000	106,500	2,184,500	2,881,000
- EDP Renováveis Group	-	6,139	-	-
- HC Energia Group	179,931	1,000	-	-
	385,931	113,639	2,184,500	2,881,000
Other loans	21,698	19,905	-	-
	3,349,845	3,801,821	2,695,707	3,127,827
Accrued interest	313,571	344,683	81,726	82,950
Other liabilities:				
- Fair value of the issued debt hedged risk	18,407	11,582	2,477	-
Total Debt and borrowings	3,681,823	4,158,086	2,779,910	3,210,777
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-20,995	-12,675	-20,995	-12,675
Other collateral deposits	-10,012	-6,054	-	-
Total Collateral Deposits	-31,007	-18,729	-20,995	-12,675
	3,650,816	4,139,357	2,758,915	3,198,102

(*) Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit which amount at 30 June 2014 is 344,994 thousands of Euros (323,999 thousands of Euros non-current and 20,995 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 86,943 thousands of Euros (76,931 thousands of Euros non-current and 10,012 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

The Group has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 June 2014 and 31 December 2013 these loans amounted to 943,257 thousands of Euros and 939,826 thousands of Euros, respectively (see note 43).

EDP Group has short-term credit facilities of 159,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available, as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 30 June 2014. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150,000 thousands of EUR for liquidity management needs in USD and EUR, with a firm underwriting commitment and five years of maturity, which as at 30 June 2014 is totally available.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period up to one year in the amount of 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 3,116 thousands of Euros.

The nominal value of Bond loans issued with external counterparts and outstanding, as at 30 June 2014, 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 (iii)	n.a.	May/18	300,000	300,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
EDP, S.A.	Oct/13	Variable rate (iii)	n.a.	Oct/18	150,000	150,000
					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 (iii)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00%	Net Investment	Feb/18	732,172	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iii)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iii)	n.a.	Jun/19	76,563	-
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	732,172	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iii)	Net Investment	Feb/15	73,217	-
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.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.00%	Fair Value	Nov/18	103,922	-
EDP Finance B.V. (i)	Sep/13	Fixed Rate EUR 4.875%	Fair Value	Sep/20	750,000	-
EDP Finance B.V. (i)	Nov/13	Fixed Rate EUR 4.125%	Fair Value	Jan/21	600,000	-
EDP Finance B.V.	Dec/13	Variable rate (iii)	n.a.	Dec/14	200,000	-
EDP Finance B.V.	Jan/14	Fixed Rate USD 5.25%	n.a.	Jan/21	549,129	-
EDP Finance B.V. (i)	Apr/14	Fixed Rate EUR 2.625%	Fair Value	Apr/19	650,000	-
EDP Finance B.V.	Jun/14	Variable rate (iii)	n.a.	Jun/19	73,217	-
					10,324,063	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	27,781	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/16	129,991	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	39,997	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	166,656	-
Lajeado Energia	Nov/13	CDI + 1.20%	n.a.	Nov/19	149,990	-
Energias do Brasil	Feb/14	CDI + 0.72%	n.a.	Aug/15	99,993	-
Bandeirante	Apr/14	CDI + 1.39%	n.a.	Apr/19	99,993	-
					714,401	-
Issued by the EDP Renováveis Brasil in the Brazilian domestic market						
Central Eólica Baixa do Feijão	Aug/13	CDI + 1.1%	n.a.	Feb/15	11,666	-
Central Eólica Baixa do Feijão	Oct/13	CDI + 1.1%	n.a.	Feb/15	19,999	-
					31,665	-
					11,970,129	900,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) These issues correspond to private placements.

Financial Debt by maturity, is analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Bank loans				
Up to 1 year	595,673	1,960,659	62,761	48,681
From 1 to 5 years	4,821,408	4,645,418	686,398	686,399
More than 5 years	811,263	828,305	315,382	363,970
	6,228,344	7,434,382	1,064,541	1,099,050
Bond loans				
Up to 1 year	2,678,418	2,063,882	530,955	279,440
From 1 to 5 years	5,870,069	6,795,551	4,943,301	5,192,763
More than 5 years	3,630,791	3,087,095	850,000	850,000
	12,179,278	11,946,528	6,324,256	6,322,203
Commercial paper				
Up to 1 year	386,033	113,639	2,186,194	2,882,656
From 1 to 5 years	196,884	196,993	196,884	196,993
	582,917	310,632	2,383,078	3,079,649
Other loans				
Up to 1 year	21,699	19,906	-	-
From 1 to 5 years	26,652	29,123	-	-
More than 5 years	19,739	18,238	-	-
	68,090	67,267	-	-
	19,058,629	19,758,809	9,771,875	10,500,902

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

Thousands of Euros	Jun 2014 Carrying amount	Jun 2014 Market value	Dec 2013 Carrying amount	Dec 2013 Market value
Debt and borrowings - Non-Current	15,376,806	16,526,616	15,600,723	16,501,692
Debt and borrowings - Current	3,681,823	3,393,484	4,158,086	3,868,207
	19,058,629	19,920,100	19,758,809	20,369,899

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

As at 30 June 2014, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2014	2015	2016	2017	2018	Following years	Total
Debt and borrowings - Non-current	-	1,115,876	3,413,050	2,852,747	2,568,843	5,426,290	15,376,806
Debt and borrowings - Current	1,405,786	2,276,037	-	-	-	-	3,681,823
	1,405,786	3,391,913	3,413,050	2,852,747	2,568,843	5,426,290	19,058,629

Future payments of principal and interest and guarantees are detailed in note 43.

35. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013
Provisions for social liabilities and benefits	918,474	960,356
Provisions for medical liabilities and other benefits	964,640	974,179
	1,883,114	1,934,535

This caption is analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013
Non-Current	1,702,611	1,751,066
Current	180,503	183,469
	1,883,114	1,934,535

Provisions for social liabilities and benefits as at 30 June 2014 include 914,320 thousands of Euros relating to retirement pension defined benefit plans (31 December 2013: 955,199 thousands of Euros) and 4,154 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2013: 5,157 thousands of Euros).

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

Thousands of Euros	Group Jun 2014	Group Jun 2013
Balance at the beginning of the period	960,356	939,399
Charge for the period	19,549	21,250
Past service cost (Curtailment / Plan amendments)	-35,592	-
Actuarial (gains)/losses	49,749	-15,159
Charge-off	-75,590	-73,496
Transfers, reclassifications and exchange differences	2	-6,599
Balance at the end of the period	918,474	865,395

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

	Jun 2014			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	6,025	307	-210	6,122
Past service cost (Curtailment / Plan amendments)	-35,592	-	-	-35,592
Operational component (see note 9)	-29,567	307	-210	-29,470
Net interest on the net pensions plan liability	12,155	1,219	53	13,427
Financial component (see note 13)	12,155	1,219	53	13,427
	-17,412	1,526	-157	-16,043

	Jun 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	5,551	306	-61	5,796
Operational component (see note 9)	5,551	306	-61	5,796
Net interest on the net pensions plan liability	11,454	1,386	2,614	15,454
Financial component (see note 13)	11,454	1,386	2,614	15,454
	17,005	1,692	2,553	21,250

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

Thousands of Euros	Group Jun 2014	Group Jun 2013
Balance at the beginning of the period	974,179	994,026
Charge for the period	25,508	25,302
Past service cost (Curtailment / Plan amendments)	-93,428	-
Actuarial (gains)/losses	65,777	9,310
Charge-off	-21,508	-21,722
Transfers, reclassifications and exchange differences	14,112	-5,831
Balance at the end of the period	964,640	1,001,085

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

	Jun 2014			Jun 2013		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	3,959	418	4,377	4,250	674	4,924
Past service cost (Curtailment / / Plan amendments)	-93,428	-	-93,428	-	-	-
Operational component (see note 9)	-89,469	418	-89,051	4,250	674	4,924
Net interest on the medical liabilities and other benefits	12,379	8,752	21,131	13,683	6,695	20,378
Financial component (see note 13)	12,379	8,752	21,131	13,683	6,695	20,378
	-77,090	9,170	-67,920	17,933	7,369	25,302

As at 30 June 2014, the net movement for the period in Provisions for social liabilities and benefits amounts to 41,882 thousands of Euros, which 38,284 thousands of Euros correspond to the net movement occurred in Portugal and 3,598 thousands of Euros correspond to the net movement occurred in Spain and Brazil.

The net movement for the period in Provisions for medical liabilities and other benefits amounts to 9,539 thousands of Euros, which 35,012 thousands of Euros correspond to the decrease occurred in Portugal and 25,473 thousands of Euros correspond to the increase occurred in Brazil. The Brazil change relates essentially to 12,662 thousands of Euros of exchange differences, 9,170 thousands of Euros of charge for the period and 7,402 thousands of Euros of actuarial losses.

As at 30 June 2014, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 31 December 2013.

Portugal

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

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

i) Co-payment in the acquisition moment of 22,5% for the drugs not supportted by the SNS (National Healtcare Service) and 24% in the specialist medical consultations;
ii) 24 % of the costs not included in the first bullet through a monthly payment ("mútua");
iii) Possibility of access to early retirement if the employee has 61 years old and 37 years of service (was 60/36 years).

Given the new ACT and the market rates changes, the Group has prepared actuarial studies as at 30 June 2014, which were made by an independent external entity.

The changes in the post-employment benefits described above are in accordance with IAS 19, a plan amendment which determines a decrease in the present value of future liabilities. These changes were measured and recognised in the income statement.

Liabilities for pension plans and the related asset, as at 30 June 2014 and 2013 are analised as follows:

	Jun 2014		
Thousands of Euros	Liabilities	Assets	Provision
Balance at the beginning of the period	1,858,039	-993,424	864,615
Current service cost	6,025	-	6,025
Interest on the pensions plan	26,546	-14,391	12,155
Benefits paid	-92,999	26,688	-66,311
Past service cost (Curtailment / Plan amendments)	-35,592	-	-35,592
Actuarial losses and gains	67,187	-20,745	46,442
Balance at the end of the period	1,829,206	-1,001,872	827,334

	Jun 2013		
Thousands of Euros	Liabilities	Assets	Provision
Balance at the beginning of the period	1,727,211	-960,342	766,869
Current service cost	5,551	-	5,551
Interest on the pensions plan	26,536	-15,082	11,454
Benefits paid	-91,196	26,247	-64,949
Actuarial losses and gains	-2,603	-16,618	-19,221
Balance at the end of the period	1,665,499	-965,795	699,704

The breakdown of actuarial gains and losses in Portugal is analysed as follows:

	Portugal	
Thousands of Euros	Jun 2014	Jun 2013
Actuarial (gains)/losses arising from:		
- changes in financial assumptions	69,514	-
- experience adjustments	-2,327	-2,603
Actuarial (gains)/losses arising from return on plan assets	-20,745	-16,618
	46,442	-19,221

Except for the change of the age to access early retirement above mentioned and the decrease of discount rate from 3% to 2.5%, the remaining actuarial assumptions were kept unchanged compared to the actuarial study as at 31 December 2013. The actuarial losses result essentially from the effect of the discount rate decrease from 3% to 2.5% and consequently in an increase in the liability for pension plans in the amount of 46,442 thousands of Euros.

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available on the date for the high quality corporate bonds. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods that the benefits are expected to be paid.

The change of the consolidated past service liability for medical and other benefits for the Group in Portugal is as follows:

	Portugal	
Thousands of Euros	Jun 2014	Jun 2013
Evolution of the liability		
Liability at the beginning of the period	834,708	859,961
Current service cost	3,959	4,112
Net interest on the medical liabilities and other benefits	12,379	13,821
Benefits paid	-17,747	-18,477
Past service cost (Curtailment / Plan amendments)	-93,428	
Actuarial gains and losses	58,375	-850
Other and "mútua"	1,450	1,437
Liability at end of the period	799,696	860,004
Provision at end of the period	799,696	860,004

The breakdown of actuarial gains and losses in Portugal is analysed as follows:

	Portugal	
Thousands of Euros	Jun 2014	Jun 2013
Actuarial (gains)/losses arising from:		
- changes in financial assumptions	63,504	-
- experience adjustments	-5,129	850
	58,375	850

The actuarial losses result essentially from the effect of the discount rate decrease from 3% to 2.5% and consequently in an increase in the liability for medical and other benefits in the amount of 58,375 thousands of Euros.

36. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Provision for legal and labour matters and other contingencies	67,440	62,415	-	-
Provision for customer guarantees under current operations	10,470	12,679	-	-
Provisions for dismantling and decommissioning	168,717	164,141	-	-
Provision for other liabilities and charges	143,463	142,435	21,968	22,150
	390,090	381,670	21,968	22,150

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Non-Current	367,639	354,233	21,156	19,942
Current	22,451	27,437	812	2,208
	390,090	381,670	21,968	22,150

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

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 12,079 thousands of Euros (31 December 2013: 11,790 thousands of Euros). These requests result from the application of Administrative Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) Bandeirante is involved in several legal actions of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 7,459 thousands of Euros (31 December 2013: 6,609 thousands of Euros);

iii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 30 June 2014, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices. This process is in a foreclosure stage and an appeal was filled by EDP Produção;

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

As at 30 June 2014, Provision for dismantling and decommissioning includes the following situations:

I) The Group holds a provision of 19,834 thousands of Euros (31 December 2013: 19,188 thousands of Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling of wind farms of 65,502 thousands of Euros (31 December 2013: 62,461 thousands of Euros) to cover the costs of returning the sites to their original state, of which 37,468 thousands of Euros refer to the wind farms of the EDPR NA Group, 26,884 thousands of Euros to the wind farms of the EDPR EU Group, 899 thousands of Euros to the wind farms of the EDPR Brasil Group and 251 thousands of Euros to the wind farms of the EDPR Canada 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 decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 30 June 2014, the provision which amounts to 59,594 thousands of Euros (31 December 2013: 59,219 thousands of Euros) and 23,787 thousands of Euros (31 December 2013: 23,275 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 against an increase in property, plant and equipment) and are depreciated on a straight line basis over the average useful life of the assets.

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

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 June 2014, 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 32,923 thousands of Euros (31 December 2013: 27,769 thousands of Euros), on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 32,457 thousands of Euros (31 December 2013: 27,035 thousands of Euros);

iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 14,377 thousands of Euros (31 December 2013: 14,582 thousands of Euros).

iv) There is a public civil action filed against Bandeirante and Escelsa by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 30,805 thousands of Euros (31 December 2013: 25,644 thousands of Euros).

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 June 2014, the amount of this tax contingency totals 240 millions of Euros (31 December 2013: 235.2 millions of Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

Additionally, Bandeirante through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55,421/2010 and 55,867/2010. Both claims obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts. The estimated value at 30 June 2014 amounts to 63,963 thousands of Euros (31 December 2013: 51,124 thousands of Euros).

37. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

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

	Group	
Thousands of Euros	Jun 2014	Dec 2013
Deferred income related to benefits provided	655,552	672,154
Liabilities arising from institutional partnerships in USA wind farms	803,206	836,341
	1,458,758	1,508,495

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 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 13).

38. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group	
Thousands of Euros	Jun 2014	Dec 2013
Government grants for investment in fixed assets	568,535	567,559
Amounts payable for tariff adjustments - Electricity - Portugal	71,852	-
Energy sales contracts - EDPR NA	31,751	35,750
Deferred income - CMEC	356,489	351,822
Amounts payable for concessions	239,358	226,569
Other creditors and sundry operations	82,056	69,492
	1,350,041	1,251,192

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

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Suppliers	945,891	1,239,323	319,382	323,313
Accrued costs related with supplies	372,827	421,488	209,825	287,104
Property, plant and equipment suppliers and accruals	273,013	457,116	1,887	1,589
Holiday pay, bonus and other charges with employees	124,414	143,961	14,479	11,882
CO2 emission licences	38,053	109,233	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	215,486	285,274	-	-
Deferred income - CMEC	50,539	56,461	-	-
Advance payments EDPR Spain	98,121	25,885	-	-
Other creditors and sundry operations	448,009	481,195	29,210	48,983
	2,566,353	3,219,936	574,783	672,871

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2013	144,994	842
Payment through the electricity tariff	-69,015	-
Tariff adjustment of the period	71,934	71,934
Interest expense	877	730
Transfer of tariff adjustment to receive	-8,699	-842
Balance as at 30 June 2013	140,091	72,664
Payment through the electricity tariff	-69,014	-
Tariff adjustment of 2012	2,203	-
Tariff adjustment of the period	208,195	-71,934
Interest expense	1,874	-
Transfer of tariff adjustment to receive	1,925	-730
Balance as at 31 December 2013	285,274	-
Payment through the electricity tariff	-142,759	-
Tariff adjustment of the period	71,486	71,486
Interest expense	647	366
Transfer of tariff adjustment to receive	838	-
Balance as at 30 June 2014	215,486	71,852

The caption CO2 emission licenses includes the CO2 consumptions made during 2014 in Portugal and Spain, in the amount of 17,294 thousands of Euros and 20,759 thousands of Euros, respectively. The decrease relates to the delivery in 2014 of the 2013 licences consumptions, which are returned to regulatory authorities until April of the year following to its consumptions.

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12).

At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operating income (see note 7).

Deferred income - CMEC current and non-current in the amount of 407,028 thousands of Euros (31 December 2013: 408,283 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2014 and including unwinding (see note 13).

Amounts payable for concessions refer to the non-current amounts payable includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 153,817 thousands of Euros (31 December 2013: 150,116 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 84,800 thousands of Euros (31 December 2013: 77,238 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2013: 14,317 thousands of Euros).

39. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	174,861	168,325	-	-
Put options over non-controlling interest liabilities	6,132	8,138	-	-
Derivative financial instruments	126,971	115,773	-	-
Payables - Group companies	-	-	2,452,105	2,439,880
Amounts payable for acquisitions and success fees	12,471	14,720	-	-
Other creditors and sundry operations	44,475	19,614	6,627	11,062
	364,910	326,570	2,458,732	2,450,942
Other liabilities and other payables - Current				
Loans from non-controlling interests	99,400	91,424	-	-
Dividends attributed to related companies	104,780	36,145	-	-
Derivative financial instruments	25,820	53,683	111,296	80,128
Payables - Group companies	-	-	80,945	131,407
Put options over non-controlling interest liabilities	3,486	-	-	-
Amounts payable for acquisitions and success fees	13,599	16,863	-	-
Other creditors and sundry operations	9,420	11,536	16,873	37,403
	256,505	209,651	209,114	248,938
	621,415	536,221	2,667,846	2,699,880

The caption Loans from non-controlling interests Current and Non-Current includes the EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 June 2014, this loan amounts to 95,072 thousands of Euros (see note 45).

The caption Put options over non-controlling interest liabilities - Non-Current, includes the remaining 0,13% of the original written put option of Cajastur over EDP of HC Energia share capital in the amount of 6,008 thousands of Euros.

The Amounts payable for acquisitions and success fees Current and Non-Current includes mainly the amounts related to the contingent prices of several European (mainly in France and Poland), U.S.A and Brazilian projects.

The caption Payables - Group companies Non-Current on a company basis, of 2,452,105 thousands of Euros, corresponds to the financing obtained through EDP Finance BV and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

The caption Payables - Group companies Current on a company basis includes 80,724 thousands of Euros (31 December 2013: 131,407 thousands of Euros) related to debt financing obtained by EDP S.A. Sucursal in Spain through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively (see note 45).

40. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Income tax	227,184	156,591	24,381	18,728
Withholding tax	48,617	56,536	510	337
Value added tax (VAT)	76,469	161,657	257	857
Turnover tax (Brazil)	40,618	39,066	-	-
Social tax (Brazil)	10,490	15,904	-	-
Other taxes	188,857	144,326	137	57
	592,235	574,080	25,285	19,979

As at 30 June 2014, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 63,380 thousands of Euros, NG Energia Group of 21,068 thousands of Euros (31 December 2013: HC Energia Group of 78,341 thousands of Euros and NG Energia Group of 25,626 thousands of Euros) and EDP Brasil Group of 6,598 thousands of Euros (31 December 2013: 9,199 thousands of Euros). Additionally, includes the amount of 61,258 thousands of Euros, related with the Energetic Sector Contribution, approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget Law for 2014). The contribution is due by EDP companies that operate in the production, distribution and commercialization of electricity and in the distribution and commercialization of natural gas and it is calculated on the value of the companies' assets as provided under by Law.

41. ASSETS AND LIABILITIES HELD FOR SALE

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

This caption is analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013
Assets held for sale		
Assets of the business of electricity generation - Jari e Cachoeira	-	715,837
	-	715,837
Liabilities held for sale		
Liabilities of the business of electricity generation - Jari e Cachoeira	-	-577,964
	-	-577,964
	-	137,873

On 6 December 2013, EDP Energias do Brasil comunicated to the market the establishement of a partnership with CWE Investment Corporation (CWEI) and CWEI Brasil Participações (CWEI Brasil), subsidiaries controlled by China Three Gorges (CTG), for joint energy projects in Brazil. In the context of this partnership, was concluded on 27 June 2014, the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects. The total amount of the transaction, paid by CWEI to EDP Brasil was 420,646 thousands of Reais, 420,204 thousands of Reais on the sale of 50% stake in Jari hydro power plant project and 442 thousands of Reais on the sale of 50% stake in Cachoeira Caldeirão hydro power plant project, generating a gain in the amount of 408,011 thousands of Reais (129,498 thousands of Euros) as referred in note 7.

Under IFRS 10, with this sale, EDP Group lost control over these subsidiaries beginning to control them jointly with CWEI Brasil. Under IFRS 11, the new arrangement configures a joint venture therefore EDP Brasil started to valuate these financial interests at the equity method.

42. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial instruments portfolio as at 30 June 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	Group Jun 2014	Group Dec 2013	Company Jun 2014	Company Dec 2013
Derivatives held for trading	11,972	11,994	39,208	15,601
Fair value hedge	94,729	60,652	101,366	82,772
Cash flow hedge	-47,086	-50,813	6,278	1,229
Net Investment hedge	27,041	15,218	-	-
	86,656	37,051	146,852	99,602

Fair value of derivative financial instruments is based on quotes indicated by external entities, as such, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (see note 46) and no changes of leves were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

During the first semester of 2014 and the year 2013 the following market inputs were considered for the fair value calculation:

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

43. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 June 2014 and 31 December 2013, are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2014	Dec 2013	Jun 2014	Dec 2013
Financial guarantees				
EDP, S.A.	198,042	241,196	198,042	241,196
HC Energia Group	4,005	4,005	-	-
EDP Brasil Group	990,622	1,061,209	-	-
Other	3,295	6,022	-	-
	1,195,964	1,312,432	198,042	241,196
Operating guarantees				
EDP, S.A.	504,752	599,502	504,752	599,502
HC Energia Group	318,864	338,059	-	-
EDP Brasil Group	363,569	375,682	-	-
EDP Renováveis Group	996,015	867,846	-	-
Other	7,557	9,224	-	-
	2,190,757	2,190,313	504,752	599,502
Total	3,386,721	3,502,745	702,794	840,698
Real guarantees	11,230	21,693	-	-

The financial guarantees contracted include, at 30 June 2014 and 31 December 2013, 524,094 thousands of Euros and 926,759 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt.

These guarantees also include guarantees provided by Brazilian subsidiaries of EDP Group to EDP Brazil associates, which are booked under IFRS 11 according to the equity method. At 30 June 2014 and 31 December 2013 these guarantees amounts to 659,243 thousands of Euros and 338,187 thousands of Euros, respectively.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 30 June 2014 and 31 December 2013, 355,232 thousands of Euros and 299,470 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Operating guarantees contracted include, as at 30 June 2014 and 31 December 2013, 117,885 thousands of Euros and 303,182 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renewables relating to EDPR Renováveis Group commercial commitments already reflected in the balance sheet.

The operating guarantees presented include the amounts related to the companies that changed the consolidation method to equity under IFRS 10 and 11 (referred in note 5).

Regarding the information disclosed above:

i) The Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 June 2014 and 31 December 2013 these loans amounted to 943,257 thousands of Euros and 939,826 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 34);

ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 June 2014 and 31 December 2013, EDPR's obligations under the tax equity agreements, in the amount of 781,302 thousands of Euros and 803,006 thousands of Euros, are reflected in liabilities under the Institutional Partnerships in USA wind farms;

iii) EDP has constituted an escrow deposit in the amount of 344,994 thousands of Euros (323,999 thousands of Euros non-current and 20,995 thousands of Euros current), as presented in note 34, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

The commitments relating to short and medium-long term financial debt, finance lease commitments and other long term commitments (included in the 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 June 2014 and 31 December 2013, by maturity, as follows:

	Jun 2014				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	22,325,579	4,232,073	6,851,251	6,215,854	5,026,401
Finance lease commitments	7,179	3,192	3,648	339	-
Operating lease commitments	794,460	37,418	63,439	60,488	633,115
Purchase obligations	25,825,727	4,107,170	6,103,920	3,553,378	12,061,259
Other long term commitments	2,114,746	145,329	509,844	464,702	994,871
	51,067,691	8,525,182	13,532,102	10,294,761	18,715,646

	Dec 2013				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,642,571	4,903,020	7,985,496	6,039,361	4,714,694
Finance lease commitments	7,564	3,422	3,776	366	-
Operating lease commitments	759,098	45,428	60,092	57,771	595,807
Purchase obligations	21,994,828	4,102,631	4,926,894	3,123,721	9,841,582
Other long term commitments	2,285,923	265,599	513,292	476,716	1,030,316
	48,689,984	9,320,100	13,489,550	9,697,935	16,182,399

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

The commitments presented above do not include the amounts related to the companies that changed the consolidation method to equity under IFRS 10 and 11 (referred in note 5), that are presented in note 20.

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

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

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

Other long term commitments relate to Group's liabilities relating essentially to pension and Medical plans and other benefits, classified in the caption benefits to employees in the consolidated statement of financial position (see note 35).

As at 30 June 2014, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Liberbank (Ex-Cajastur) over EDP for 0.13% of the share capital of HC Energia, this option can be exercised until 31 December 2017;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Liberbank for "Quinze Mines" share capital (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Liberbank for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus or (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;

- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeiradio-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised up to 2 years after the maturity of the financial debt for the wind farm construction.

44. SHARE BASED PAYMENTS

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

Until April 2014, EDP Group had a stock option plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted could be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expired eight years after being granted (April 2014). The exercise price of the options was calculated based on the market price of the company's shares at the grant date. The options maximum term was eight years. The options were granted by the EDP Group's Remunerations Committee and could only be exercised after two years of service.

During the first semester of 2014, were exercised the remaining options of the last Plan for Members of the Board of Directors and Management of the Group subsidiaries.

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 30 June 2013	150,690	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
Balance as at 31 December 2013	150,690	2.21
Options exercised	150,690	
Options granted	-	
Options expired	-	
Balance as at 30 June 2014	-	-

During the first semester of 2014 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In first semester of 2014, EDP Group granted treasury stocks to employees (416,113 shares) totalling 1,457 thousands of Euros.

45. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 June 2014 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Capital Group Companies, Inc.	370,584,953	10.13%	10.13%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
Senfora, SARL	148,431,999	4.06%	4.06%
Grupo Millennium BCP e Fundo de Pensões	89,167,974	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	76,488,229	2.09%	2.09%
José de Mello - SGPS, S.A.	73,293,356	2.00%	2.00%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	23,201,564	0.63%	
Remaining shareholders	1,588,544,631	43.46%	
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held or attributtable to company officers as at 30 June 2014 and 31 December 2013 are as follows:

	2014 Nr. of shares	2013 Nr. of shares
General and Supervisory Board		
Eduardo de Almeida Catroga	1,375	1,375
China Three Gorges Corporation (represented by Dingming Zhang)	780,633,782	780,633,782
CWEI (Europe) S.A. (represented by Shengliang Wu)	780,633,782	780,633,782
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	73,293,356	168,097,034
Luís Filipe da Conceição Pereira	4,233	1,459
Senfora SARL (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Sonatrach (represented by Harkat Abderezak)	87,007,443	87,007,443
Alberto João Coraceiro de Castro	6,917	4,578
Fernando Maria Masaveu Herrero	263,046,616	263,046,616
Vasco Joaquim Rocha Vieira	3,203	3,203
Rui Eduardo Ferreira Rodrigues Pena	4,541	4,541

	2013 Nr. of shares	2013 Nr. of shares
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	41,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	125,000
Miguel Stilwell de Andrade	111,576	111,576

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 June 2014, this loan amounts to 95,072 thousands of Euros from which 9,060 thousands of Euros as current and 86,012 thousands of Euros as non-current (see note 39).

On 27 June 2014, EDP Energias do Brasil concluded the sale to China Three Gorges of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects, with the consequent loss of control. The total amount of the transaction, paid by CWEI, subsidiary controlled by CTG, to EDP Brasil was 420,646 thousands of Reais, generating a gain in the amount of 129,498 thousands of Euros (408,011 thousands of Reais), recognised in the income statement, as referred in note 7.

Balances and transactions with subsidiaries, joint ventures and associates

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

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

Credits

	June 2014			
Thousands of Euros	Group Financial	Loans and Interests receivable	Other Credits	Total
Balwerk	13,401	203,925	63	217,389
EDP Comercial	74,161	10,070	158,197	242,428
EDP Distribuição	478,698	2,341,230	11,914	2,831,842
EDP Gás - SGPS	18,327	109,063	2,455	129,845
EDP Produção	297,856	4,147,442	114,584	4,559,882
EDP Imobiliária e Participações	-	83,712	374	84,086
EDP Renováveis	-	-	106,837	106,837
EDP Serviço Universal	5,684	-	99,064	104,748
HC Energia	-	-	33,762	33,762
Others	66,884	45,215	167,066	279,165
	955,011	6,940,657	694,316	8,589,984

Thousands of Euros	December 2013 Group Financial	Loans and Interests receivable	Other Credits	Total
Balwerk	844	210,066	1,261	212,171
EDP Comercial	39,909	10,070	165,536	215,515
EDP Distribuição	590,275	2,341,424	12,116	2,943,815
EDP Gás - SGPS	19,257	115,066	4,160	138,483
EDP Produção	508,466	4,042,803	223,011	4,774,280
EDP Imobiliária e Participações	-	83,720	186	83,906
EDP Renováveis	-	-	91,025	91,025
HC Energia	-	-	113,026	113,026
Others	71,350	45,002	171,071	287,423
	1,230,101	6,848,151	781,392	8,859,644

Debits

Thousands of Euros	June 2014 Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	9,747,435	61,590	9,809,025
EDP Servicios Financieros (España)	-	37,965	26	37,991
EDP Produção	-	-	276,933	276,933
Pebble Hydro	-	79,500	-	79,500
Others	16,214	70,000	134,739	220,953
	16,214	9,934,900	473,288	10,424,402

The amount of 9,747,435 thousands of Euros includes three intragroup bonds issuence by EDP Finance BV to EDP SA as at 30 June 2014, in the total amount of 5,350,000 thousands of Euros, at medium-long term (4 to 7 years).

Thousands of Euros	December 2013 Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	10,500,930	16,630	10,517,560
EDP Servicios Financieros (España)	-	88,977	-	88,977
EDP Produção	-	-	362,515	362,515
EDP Serviço Universal	-	-	146,692	146,692
Others	9,138	180,500	130,728	320,366
	9,138	10,770,407	656,565	11,436,110

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

Expenses

Thousands of Euros	June 2014 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-190,971	-47,499	-238,470
EDP Produção	-303	-	-537,178	-537,481
Naturgas Comercializadora	-	-	-34,798	-34,798
Others	-65	-1,372	-74,630	-76,067
	-368	-192,343	-694,105	-886,816

Thousands of Euros	June 2013 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-130,499	-4,687	-135,186
EDP Produção	-	-	-521,519	-521,519
Empresa Hidroeléctrica do Guadiana	-	-	-26,025	-26,025
EDP Renewables Europe	-	-	-23,356	-23,356
Others	-211	-5,299	-82,028	-87,538
	-211	-135,798	-657,615	-793,624

Income

Thousands of Euros	June 2014 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	629	204	404,663	405,496
EDP Distribuição	8,223	80,824	172,894	261,941
EDP Gás.Com	196	-	77,348	77,544
EDP Produção	1,347	146,735	345,507	493,589
Others	2,283	11,662	157,741	171,686
	12,678	239,425	1,158,153	1,410,256

Thousands of Euros	June 2013 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	410	204	348,967	349,581
EDP Distribuição	8,327	77,858	209,309	295,494
EDP Gás.Com	121	-	93,944	94,065
EDP Produção	2,575	135,895	371,246	509,716
Others	972	13,709	213,143	227,824
	12,405	227,666	1,236,609	1,476,680

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

Assets and Liabilities

Thousands of Euros	June 2014 Assets	Liabilities	Net Value
Associates	406,300	919	405,381
Joint Ventures	143,964	17,145	126,819
	550,264	18,064	532,200

Thousands of Euros	December 2013 Assets	Liabilities	Net Value
Associates	350,214	766	349,448
Joint Ventures	112,789	18,525	94,264
	463,003	19,291	443,712

Transactions

Thousands of Euros	June 2014 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	4,313	10,769	-648	-1
Joint Ventures	70,231	2,955	-30,830	-1
	74,544	13,724	-31,478	-2

Thousands of Euros	June 2013 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	8,340	8,192	-973	-86
Joint Ventures	124,460	2,258	-42,763	-1
	132,800	10,450	-43,736	-87

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities as at 30 June 2014 and 31 December 2013 is analysed as follows:

	Group Jun 2014			Group Dec 2013		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	232,138	232,138	-	212,483	212,483	-
Trade receivables	2,053,870	2,053,870	-	2,280,897	2,280,897	-
Debtors / other assets from commercial activities	4,583,551	4,583,551	-	5,009,079	5,009,079	-
Other debtors and other assets	714,595	714,595	-	652,104	652,104	-
Derivative financial instruments	239,447	239,447	-	206,507	206,507	-
Financial assets at fair value through profit or loss	9,089	9,089	-	4,217	4,217	-
Collateral deposits / financial debt	431,937	431,937	-	438,810	438,810	-
Cash and cash equivalents	1,621,460	1,621,460	-	2,156,707	2,156,707	-
	9,886,087	9,886,087	-	10,960,804	10,960,804	-
Financial liabilities						
Financial debt	19,058,629	19,920,100	861,471	19,758,809	20,369,899	611,090
Suppliers and accruals	1,218,904	1,218,904	-	1,696,439	1,696,439	-
Institutional partnerships in USA wind farms	1,458,758	1,458,758	-	1,508,495	1,508,495	-
Trade / other payables from commercial activities	2,128,955	2,128,955	-	2,207,130	2,207,130	-
Other liabilities and other payables	468,624	468,624	-	366,765	366,765	-
Derivative financial instruments	152,791	152,791	-	169,456	169,456	-
	24,486,661	25,348,132	861,471	25,707,094	26,318,184	611,090

Considering that EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature and level 2, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

According to IFRS 13 requirements, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 – Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 – Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	30 June 2014			31 December 2013		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	127,183	55,762	49,193	111,003	53,751	47,729
Derivative financial instruments	-	239,447	-	-	206,507	-
Financial assets at fair value through profit or loss	9,089	-	-	4,217	-	-
	136,272	295,209	49,193	115,220	260,258	47,729
Financial liabilities						
Derivative financial instruments	-	152,791	-	-	169,456	-
	-	152,791	-	-	169,456	-

As at 30 June 2014 and 2013, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

	Available for sale investments	
Thousands of Euros	Jun 2014	Jun 2013
Balance at beginning of period	47,729	57,682
Change in fair value	1,420	-459
Acquisitions	586	357
Impairment	-679	-323
Transfers and other changes	137	-654
Balance at the end of the period	49,193	56,603

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

47. ADOPTION OF STANDARDS IFRS 10 - CONSOLIDATED FINANCIAL STATEMENTS AND IFRS 11 - JOINT ARRANGEMENTS

As referred in the note 2 b), the EDP Group adopted the standards IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements with an effective date of mandatory application for periodos beginning on or after 1 January 2014, and restated the comparative periods beginning at 1 January 2013.

The impacts of the adoption of these standards as at 30 June and 31 December 2013 are presented as follows:

Condensed Consolidated Income Statement

Thousands of Euros	Jun 2013	IFRS 10 and 11 impacts	Jun 2013 restated
Revenues from energy sales and services and other	8,288,191	-105,489	8,182,702
Cost of energy sales and other	-5,373,638	81,353	-5,292,285
	2,914,553	-24,136	2,890,417
Other income	190,963	-450	190,513
Supplies and services	-451,178	9,851	-441,327
Personnel costs and employee benefits	-337,747	2,520	-335,227
Other expenses	-359,883	28,242	-331,641
	-957,845	40,163	-917,682
	1,956,708	16,027	1,972,735
Provisions	-36,850	-	-36,850
Amortisation and impairment	-705,524	19,987	-685,537
	1,214,334	36,014	1,250,348
Financial income	529,468	-11,209	518,259
Financial expenses	-862,345	26,910	-835,435
Share of net profit in joint ventures and associates	18,793	-33,653	-14,860
Profit before income tax	900,250	18,062	918,312
Income tax expense	-190,060	-18,070	-208,130
Net profit for the period	710,190	-8	710,182
Attributable to:			
Equity holders of EDP	**603,219**	**-**	**603,219**
Non-controlling Interests	**106,971**	**-8**	**106,963**
Net profit for the period	**710,190**	**-8**	**710,182**
Earnings per share (Basic and Diluted) - Euros	0.17	-	0.17

Condensed Consolidated Statement of Comprehensive Income

	Jun 2013		IFRS 10 and 11 impacts		Jun 2013 Restated	
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	603,219	106,971	-	-8	603,219	106,963
Items that will never be reclassified to profit or loss						
Actuarial gains / (losses)	12,848	-6,999	-	-	12,848	-6,999
Tax effect from the actuarial gains / (losses)	-1,819	2,380	-	-	-1,819	2,380
	11,029	-4,619	-	-	11,029	-4,619
Items that are or may be reclassified to profit or loss						
Exchange differences arising on consolidation	-59,118	-90,211	-3,960	-4,040	-63,078	-94,251
Fair value reserve (cash flow hedge)	29,019	8,595	-2,452	-2,098	26,567	6,497
Tax effect from the fair value reserve (cash flow hedge)	-8,276	-2,499	818	708	-7,458	-1,791
Fair value reserve (available for sale investments)	8,621	-772	-	-	8,621	-772
Tax effect from the fair value reserve (available for sale investments)	-316	263	-	-	-316	263
Share of other comprehensive income of associates, net of taxes	3,052	790	5,594	5,430	8,646	6,220
	-27,018	-83,834	-	-	-27,018	-83,834
Other comprehensive income for the period, net of income tax	-15,989	-88,453	-	-	-15,989	-88,453
Total comprehensive income for the period	587,230	18,518	-	-8	587,230	18,510

Condensed Consolidated Statement of Financial Position

Thousands of Euros	Dec 2013	IFRS 10 and 11 impacts	Dec 2013 restated
Assets			
Property, plant and equipment	20,316,306	-862,207	19,454,099
Intangible assets	6,028,307	-10,505	6,017,802
Goodwill	3,295,874	-42,730	3,253,144
Investments in joint ventures and associates	182,562	462,859	645,421
Available for sale investments	212,483	-	212,483
Deferred tax assets	388,813	-68,223	320,590
Trade receivables	99,005	-11	98,994
Debtors and other assets from commercial activities	3,188,586	-407	3,188,179
Other debtors and other assets	525,077	26,955	552,032
Collateral deposits associated to financial debt	430,607	-10,526	420,081
Total Non-Current Assets	34,667,620	-504,795	34,162,825
Inventories	280,009	-15,221	264,788
Trade receivables	2,208,287	-26,384	2,181,903
Debtors and other assets from commercial activities	1,827,815	-6,915	1,820,900
Other debtors and other assets	308,155	-1,576	306,579
Current tax assets	439,109	-6,057	433,052
Financial assets at fair value through profit or loss	4,217	-	4,217
Collateral deposits associated to financial debt	18,729	-	18,729
Cash and cash equivalents	2,180,122	-23,415	2,156,707
Assets held for sale	715,837	-	715,837
Total Current Assets	7,982,280	-79,568	7,902,712
Total Assets	42,649,900	-584,363	42,065,537
Equity			
Share capital	3,656,538	-	3,656,538
Treasury stock	-85,573	-	-85,573
Share premium	503,923	-	503,923
Reserves and retained earnings	3,365,777	-	3,365,777
Consolidated net profit attributable to equity holders of EDP	1,005,091	-	1,005,091
Total Equity attributable to equity holders of EDP	8,445,756	-	8,445,756
Non-controlling Interests	3,082,805	-659	3,082,146
Total Equity	11,528,561	-659	11,527,902
Liabilities			
Financial debt	15,968,756	-368,033	15,600,723
Employee benefits	1,751,066	-	1,751,066
Provisions	360,203	-5,970	354,233
Deferred tax liabilities	775,269	-16,177	759,092
Institutional partnerships in USA wind farms	1,508,495	-	1,508,495
Trade and other payables from commercial activities	1,252,337	-1,145	1,251,192
Other liabilities and other payables	375,846	-49,276	326,570
Total Non-Current Liabilities	21,991,972	-440,601	21,551,371
Financial debt	4,192,168	-34,082	4,158,086
Employee benefits	183,469	-	183,469
Provisions	28,003	-566	27,437
Hydrological correction account	35,641	-	35,641
Trade and other payables from commercial activities	3,289,002	-69,066	3,219,936
Other liabilities and other payables	238,086	-28,435	209,651
Current tax liabilities	585,034	-10,954	574,080
Liabilities held for sale	577,964	-	577,964
Total Current Liabilities	9,129,367	-143,103	8,986,264
Total Liabilities	31,121,339	-583,704	30,537,635
Total Equity and Liabilities	42,649,900	-584,363	42,065,537

Condensed Consolidated and Company Statement of Cash Flows

Thousands of Euros	Jun 2013	IFRS 10 and 11 impacts	Jun 2013 restated
Operating activities			
Cash receipts from customers	7,580,020	-146,881	7,433,139
Proceeds from tariff adjustments securitization	1,007,823	-	1,007,823
Payments to suppliers	-5,690,709	106,880	-5,583,829
Payments to personnel	-423,028	2,539	-420,489
Concession rents paid	-142,784	81	-142,703
Other receipts / (payments) relating to operating activities	-171,951	21,313	-150,638
Net cash from operations	2,159,371	-16,068	2,143,303
Income tax received / (paid)	-72,674	-	-72,674
Net cash from operating activities	2,086,697	-16,068	2,070,629
Investing activities			
Cash receipts relating to:			
Sale of assets / subsidiaries with loss of control	255,556	-	255,556
Other financial assets and investments	349	-	349
Property, plant and equipment and intangible assets	27,053	-	27,053
Investment grants	2,569	-	2,569
Interest and similar income	30,622	979	31,601
Dividends	11,648	7,763	19,411
	327,797	8,742	336,539
Cash payments relating to:			
Acquisition of assets / subsidiaries	-134,265	-31,343	-165,608
Other financial assets and investments	-5,672	-	-5,672
Changes in cash resulting from consolidation perimeter variations	-	-21,754	-21,754
Property, plant and equipment and intangible assets	-1,122,214	34,394	-1,087,820
	-1,262,151	-18,703	-1,280,854
Net cash from investing activities	-934,354	-9,961	-944,315
Financing activities			
Receipts / (payments) relating to loans	-312,575	17,902	-294,673
Interest and similar costs including hedge derivatives	-396,421	16,145	-380,276
Governmental grants received	91,549	-	91,549
Share capital increases / (decreases) by non-controlling interests	-15,869	-	-15,869
Receipts / (payments) relating to derivative financial instruments	16,350	-31,166	-14,816
Dividends paid to equity holders of EDP	-670,932	-	-670,932
Dividends paid to non-controlling interests	-44,586	-	-44,586
Treasury stock sold / (purchased)	5,911	-	5,911
Sale of assets / subsidiaries without loss of control	257,371	-	257,371
Receipts / (payments) from wind activity institutional partnerships - USA	-22,622	-	-22,622
Net cash from financing activities	-1,091,824	2,881	-1,088,943
Changes in cash and cash equivalents	60,519	-23,148	37,371
Effect of exchange rate fluctuations on cash held	-25,598	15	-25,583
Cash and cash equivalents at the beginning of the period	1,695,336	-	1,695,336
Cash and cash equivalents at the end of the period	1,730,257	-23,133	1,707,124

48. RELEVANT OR SUBSEQUENT EVENTS

Fitch affirms EDP at "BBB-" and revises outlook to stable

On 2 July 2014, Fitch Ratings (Fitch) has affirmed EDP and EDP Finance B.V.'s "BBB-" Long-term Issuer Default Ratings (IDR) and senior unsecured ratings and "F3" Short-term IDR, revising its outlook from Rating Watch Negative (RWN) to stable.

The rating actions follow further disclosure on regulatory changes and their impact on EDP's Spanish operations held directly and through its subsidiaries HC and EDP Renováveis, as well as the delivery of the business plan for 2014-2017 including the management strategy to meet the de-leveraging target by 2017 when the generation contracted revenues in Portugal will be exposed to price and volume volatility.

The Stable Outlook reflects a projected reduction of leverage thanks to a significant downsize of the capital expenditure plan for the next four years, a steady execution of yearly monetization of outstanding tariff deficit receivables, the completion of selective minorities disposals to EDP's equity partner China Three Gorges and an increase of EBITDA supported by new capacity additions.

EDP Renováveis established new institutional partnership structure for 200 MW in the USA

On 17 July 2014, EDP Renováveis, S.A. (EDPR), through its fully owned subsidiary EDP Renewables North America LLC, has secured a 190 millions of USD commitment of institutional equity financing from Bank of America Merrill Lynch (BofA Merrill), in exchange for an interest in the 200 MW Headwaters wind project, located in the State of Indiana.

Under the agreement, BofA Merrill will invest its funds close to the project's start of operations, which is scheduled for the fourth quarter of 2014.

The Headwaters wind project will sell its output through a 20-year Power Purchase Agreement (PPA) with Indiana Michigan Power Company, a fully owned subsidiary of American Electric Power.

The institutional partnership structure established with BofA Merrill enables an efficient utilization of the fiscal benefits generated by the project and improves the project's economics.

Moody's affirms EDP at "Ba1" and revises outlook to Positive

On 30 July 2014, Moody's Investors Service ("Moody's) affirmed its "Ba1" senior unsecured and non-prime short-term ratings on EDP, its finance subsidiary EDP Finance BV and its spanish subsidiary, Hidroelectrica del Cantabrico, revising its outlook from "negative" to "positive".

The change in outlook reflects an improving operating and macroeconomic environment for EDP, as reflected in the recent Portuguese sovereign update, and Moody's view that EDP will gradually deleverage, as outlined in the company's recent strategic plan update.

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 10 - Consolidated Financial Statements;

The Group presents the impact from the adoption of this standard on note 47.

• IFRS 11 - Joint Arrangements

The Group presents the impact from the adoption of this standard on note 47.

• IFRS 12 - Disclosure of Interests in Other Entities

The disclosures resulted from the adoption of this standard were made in the notes 5 and 20.

• IAS 27 (Amended) - Separate Financial Statements

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

• IAS 28 (Amended) - Investments in Associates and Joint Ventures

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

• IAS 32 (Amended) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

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

• IAS 36 (Amended) - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

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

• IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting

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

• Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

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

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

• IFRS 9 - Financial Instruments;
• IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations;
• IFRS 14 - Regulatory Deferral Accounts;
• IFRS 15 - Revenue from Contracts with Costumers;
• IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contribution;
• IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
• IFRIC 21 - Levies;
• Annual Improvement Project (2010-2012);
• Annual Improvement Project (2011-2013).

50. EDP BRANCH IN SPAIN

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

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

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

The Executive Committee is composed essentially of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch as at 30 June 2014 and 31 December 2013 is analysed as follows:

	EDP Branch	
Thousands of Euros	**Jun 2014**	**Dec 2013**
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,087,871	2,087,871
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
Deferred tax assets	5,236	9,481
Other debtors and others assets	77,571	63,467
Total Non-Current Assets	5,875,116	5,865,257
Trade receivables	6,726	9,168
Debtors and other assets	139,951	197,514
Tax receivable	65,456	92,169
Cash and cash equivalents	1,343	1,407
Total Current Assets	213,476	300,258
Total Assets	6,088,592	6,165,515
Equity	3,503,394	3,529,730
Trade and other payables	2,452,104	2,439,880
Provisions	4,804	3,518
Total Non-Current Liabilities	2,456,908	2,443,398
Trade and other payables	110,930	191,461
Tax payable	17,360	926
Total Current Liabilities	128,290	192,387
Total Liabilities	2,585,198	2,635,785
Total Equity and Liabilities	6,088,592	6,165,515

51. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

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

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

• In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);

• In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;

• In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, generating a gain of 22,510 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,448 thousands of Euros, as at 30 June 2014;

• In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousands of Euros. The transaction was performed by the amount of 750,000 thousands of Euros, net of expenses, generating a gain of 49,822 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 5.588 thousands of Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 5,628 thousands of Euros, as at 30 June 2014.

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

52. OPERATING SEGMENTS REPORT

In accordance with IFRS 8, an operating segment is a Group component:

(i) that engages in business activities from which it may earn revenues and incur expenses;
(ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
(iii) for which discrete financial information is available.

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

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);
• Fisigen - Empresa de Cogeração, S.A.

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

• EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
• Empresa Hidroeléctrica do Guadiana, S.A.;
• Hidroeléctrica Del Cantábrico, S.L.;
• Central Térmica Ciclo Combinado Grupo 4, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• Hidrocantábrico Energia, S.A.U.;
• Naturgás Comercializadora, S.A.

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

• EDP Distribuição - Energia, S.A.;
• EDP Serviço Universal, S.A.;
• Electra de Llobregat Energía, S.L.;
• Hidrocantábrico Distribucion Eléctrica, S.A.U.;
• Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
• EDP Gás Serviço Universal, S.A.;
• Naturgás Energia Distribución, S.A.U.

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

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 in this segment.

Segment Definition

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

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

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

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

During 2013, the Group analysed the nature of each asset, liability and operating investment reported in each business segment, which resulted in the revision of its allocation to each segment. The same criteria was adopted in the presentation of comparative information.

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

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

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

In the last quarter of 2013, the EDP Group changed the information disclosed by Operating Segment, according to the mentioned above criteria. To be comparable, the information as of 30 June 2013 has been restated.

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

53. EXPLANATION ADDED FOR TRANSLATION

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

ANNEX I

EDP Group Operating Segment Report
30 June 2014

Thousands of Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Revenues from energy sales and services and other	554,847	4,144,029	3,168,601	635,794	1,272,331	9,775,602
Gross Profit	399,338	510,632	875,107	627,390	287,098	2,699,565
Other income	4,848	16,091	22,094	81,273	134,455	258,761
Supplies and services	-31,730	-94,325	-194,640	-120,500	-70,683	-511,878
Personnel costs and employee benefits	-8,860	-27,489	3,155	-33,876	-62,460	-129,530
Other costs	-7,826	-89,558	-146,975	-47,817	-22,535	-314,711
Gross Operating Profit	355,769	315,351	558,741	506,470	265,875	2,002,206
Provisions	-7,230	-1,110	-934	-	-4,899	-14,173
Amortisation and impairment	-76,916	-124,355	-168,383	-222,150	-56,473	-648,277
Operating Profit	271,623	189,886	389,424	284,320	204,501	1,339,754
Share of net profit in joint ventures and associates	232	2,877	80	10,963	-11,126	3,026
Assets	4,059,315	7,301,479	8,971,601	11,634,648	3,091,913	35,058,956
Liabilities	862,586	1,158,705	2,530,625	697,088	670,582	5,919,586
Operating Investment	10,187	295,160	158,348	113,205	53,961	630,861

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

Thousands of Euros	
Total Revenues from energy sales and services and other of Reported Segments	**9,775,602**
Revenues from energy sales and services and other from Other Segments	250,525
Adjustments and Inter-segments eliminations	-2,006,704
Total Revenues from energy sales and services and other of EDP Group	**8,019,423**
Total Gross Profit of Reported Segments	**2,699,565**
Gross Profit from Other Segments	232,599
Adjustments and Inter-segments eliminations	-233,382
Total Gross Profit of EDP Group	**2,698,782**
Total Gross Operating Profit of Reported Segments	**2,002,206**
Gross Operating Profit from Other Segments	2,128
Adjustments and Inter-segments eliminations	-2,187
Total Gross Operating Profit of EDP Group	**2,002,147**
Total Operating Profit of Reported Segments	**1,339,754**
Operating Profit from Other Segments	-11,711
Adjustments and Inter-segments eliminations	-24,204
Total Operating Profit of EDP Group	**1,303,839**
Total Assets of Reported Segments	**35,058,956**
Assets Not Allocated	4,918,629
Financial Assets	3,084,098
Taxes Assets	566,171
Other Assets	1,268,360
Assets from Other Segments	863,863
Inter-segments assets eliminations	-551,985
Total Assets of EDP Group	**40,289,463**
Total Liabilities of Reported Segments	**5,919,586**
Liabilities Not Allocated	22,865,229
Financial Liabilities	19,058,629
Institutional partnership in USA wind farms	1,458,758
Taxes Liabilities	1,262,659
Other payables	1,066,720
Hydrological correction account	18,463
Liabilities from Other Segments	1,009,503
Inter-segments Liabilities eliminations	-1,184,796
Total Liabilities of EDP Group	**28,609,522**
Total Operating Investment of Reported Segments	**630,861**
Operating Investment from Other Segments	28,171
Total Operating Investment of EDP Group	**659,032**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	**258,761**	17,099	-20,919	**254,941**
Supplies and services	**-511,878**	-149,411	238,882	**-422,407**
Personnel costs and employee benefits	**-129,530**	-81,898	10,857	**-200,571**
Other costs	**-314,711**	-16,260	2,373	**-328,598**
Provisions	**-14,173**	-3,592	-10	**-17,775**
Amortisation and impairment	**-648,277**	-10,248	-22,008	**-680,533**
Share of net profit in joint ventures and associates	**3,026**	5,721	-614	**8,133**

EDP Group Operating Segment Report
30 June 2013*

Thousands of Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Revenues from energy sales and services and other	661,288	3,904,856	3,367,997	668,180	1,319,321	9,921,642
Gross Profit	441,198	408,161	895,101	661,116	476,084	2,881,660
Other income	6,586	3,251	78,543	95,878	10,398	194,656
Supplies and services	-34,290	-81,326	-210,391	-122,037	-84,885	-532,929
Personnel costs and employee benefits	-32,453	-36,041	-87,660	-35,144	-62,683	-253,981
Other costs	-13,172	-68,976	-153,452	-56,973	-27,773	-320,346
Gross Operating Profit	367,868	225,070	522,140	542,841	311,140	1,969,059
Provisions	-900	-17,466	5,282	-228	-15,372	-28,684
Amortisation and impairment	-83,422	-113,216	-166,022	-223,922	-66,544	-653,126
Operating Profit	283,547	94,387	361,400	318,691	229,225	1,287,250
Share of net profit in joint ventures and associates	1,346	825	66	15,031	-39,850	-22,582
Assets	4,746,221	7,361,342	9,283,904	11,613,424	2,807,322	35,812,213
Liabilities	927,061	1,374,856	2,937,279	858,569	599,401	6,697,166
Operating Investment	19,251	264,072	160,951	11,759	128,049	584,082

* Restated for IFRS 10 and 11 purposes

Reconciliation of information between Operating Segments and Financial Statements for June 2013*

Thousands of Euros

Total Revenues from energy sales and services and other of Reported Segments	**9,921,642**
Revenues from energy sales and services and other from Other Segments	246,034
Adjustments and Inter-segments eliminations	-1,984,974
Total Revenues from energy sales and services and other of EDP Group	**8,182,702**
Total Gross Profit of Reported Segments	**2,881,660**
Gross Profit from Other Segments	233,723
Adjustments and Inter-segments eliminations	-224,966
Total Gross Profit of EDP Group	**2,890,417**
Total Gross Operating Profit of Reported Segments	**1,969,059**
Gross Operating Profit from Other Segments	671
Adjustments and Inter-segments eliminations	3,005
Total Gross Operating Profit of EDP Group	**1,972,735**
Total Operating Profit of Reported Segments	**1,287,250**
Operating Profit from Other Segments	-20,927
Adjustments and Inter-segments eliminations	-15,975
Total Operating Profit of EDP Group	**1,250,348**
Total Assets of Reported Segments	**35,812,213**
Assets Not Allocated	6,081,151
Financial Assets	4,173,474
Taxes Assets	753,642
Other Assets	1,154,035
Assets from Other Segments	889,218
Inter-segments assets eliminations	-717,045
Total Assets of EDP Group	**42,065,537**
Total Liabilities of Reported Segments	**6,697,166**
Liabilities Not Allocated	24,126,951
Financial Liabilities	20,336,773
Institutional partnership in USA wind farms	1,508,495
Taxes Liabilities	1,333,172
Other payables	912,870
Hydrological correction account	35,641
Liabilities from Other Segments	889,361
Inter-segments Liabilities eliminations	-1,175,842
Total Liabilities of EDP Group	**30,537,635**
Total Operating Investment of Reported Segments	**584,082**
Operating Investment from Other Segments	16,669
Total Operating Investment of EDP Group	**600,751**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	**194,656**	21,738	-25,881	**190,513**
Supplies and services	**-532,929**	-147,290	238,892	**-441,327**
Personnel costs and employee benefits	**-253,981**	-93,745	12,499	**-335,227**
Other costs	**-320,346**	-13,755	2,460	**-331,641**
Provisions	**-28,684**	-8,166	0	**-36,850**
Amortisation and impairment	**-653,126**	-13,433	-18,978	**-685,537**
Share of net profit in joint ventures and associates	**-22,582**	7,316	406	**-14,860**

* Restated for IFRS 10 and 11 purposes

04

Annexes

External Checks
Contacts

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 Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial information for the six month period ended 30 June 2014, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 40,289,463 thousand and total equity attributable to the shareholders of Euros 8,476,423 thousand including a consolidated net profit of Euros 673,163 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed consolidated financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

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

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned consolidated financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 3.916.000 Euros - Pessoa Colectiva N° PT 502 161 078 - Inscrito na O.R.O.C. N° 189 - Inscrito na C.M.V.M. N° 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o PT 502 161 078

KPMG

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim consolidated financial information;
- if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on non usual significant transactions.

6 Our review also included the verification that the consolidated financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2014, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 31 July 2014

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

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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial information for the six month period ended 30 June 2014, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 20,000,187 thousand and total equity of Euros 6,917,983 thousand including a net profit of Euros 533,020 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the six month period then ended and the corresponding notes to the financial statements.

2 The amounts included in the condensed financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

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

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the above mentioned financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim financial information;
- if the interim financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on non usual significant transactions.

6 Our review also included the verification that the financial information included in the Management Report is consistent with the documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2014, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 31 July 2014

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

EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 1st half of 2014 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP –Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 31st of July 2014

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António Luís Guerra Nunes Mexia, Chairman

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Nuno Maria Pestana de Almeida Alves

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João Manuel Manso Neto

____
António Manuel Barreto Pita de Abreu

____
António Fernando Melo Martins da Costa

____
João Manuel Veríssimo Marques da Cruz

____
Miguel Stilwell de Andrade

EDP – Energias de Portugal, S.A.

Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Senior Accounting Officer

Corporate Centre

STATEMENT

With reference to the first half of 2014 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 31st of July 2014

Conselho Geral e de Supervisão

STATEMENT

Pursuant article 246º of Securities Code (CVM), to the best knowledge of each of the signatories, the information referred in article 246º, n.º 1, paragraph a) of CVM, on **2014 first semester**, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP – Energias de Portugal, S.A.** and subsidiaries included in the consolidation perimeter, and that the interim management report includes a fair review of the information required pursuant to article 246º, n.º 2 of CVM, including an indication of important events that have occurred during **2014 first semester**, and the impact on the respective financial statements, together with a description of the principal risks and uncertainties for the **remaining six months of 2014.**

Lisbon, 31th July 2014

Eduardo de Almeida Catroga – *Chairman*

Alberto João Coraceiro de Castro

Augusto Carlos Serra Ventura Mateus

Fernando Maria Masaveu Herrero

Guojun Lu *(as representative of China International Water&Electric Co.)*

Ilídio da Costa Leite de Pinho

Manuel Fernando de Macedo Alves Monteiro

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