FIRST QUARTER 2012 REPORT

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EDP - Energias de Portugal

Consolidated Income Statement
for the three months period ended 31 March 2012 and 2011

Thousands of Euros	Notes	2012	2011 *
Turnover	6	4,412,159	4,014,972
Cost of electricity	6	-2,284,342	-2,031,991
Cost of gas	6	-390,620	-334,917
Changes in inventories and cost of raw materials and consumables used	6	-299,554	-216,691
		1,437,643	1,431,373
Revenue from assets assigned to concessions	7	94,271	86,263
Expenditure with assets assigned to concessions	7	-94,271	-86,263
		-	-
Other operating income / (expenses)			
Other operating income	8	83,109	106,795
Supplies and services	9	-216,280	-208,265
Personnel costs and employee benefits	10	-169,513	-156,300
Other operating expenses	11	-131,485	-142,789
		-434,169	-400,559
		1,003,474	1,030,814
Provisions	12	-2,999	-2,387
Depreciation, amortisation expense and impairment	13	-357,419	-365,301
Compensation of amortisation and depreciation	13	7,096	7,259
		650,152	670,385
Gains / (losses) on the sale of financial assets		-	233
Financial income	14	192,444	206,943
Financial expenses	14	-359,272	-363,079
Share of profit in associates		3,642	5,834
Profit before income tax		486,966	520,316
Income tax expense	15	-78,999	-123,385
Net profit for the period		407,967	396,931
Attributable to:			
Equity holders of EDP		337,243	342,389
Non-controlling Interests	32	70,724	54,542
Net profit for the period		407,967	396,931
Earnings per share (Basic and Diluted) - Euros	29	**0.09**	**0.09**

* Includes the reclassification due to the change in accounting policy as described in note 2 a)

LISBON, 10 MAY 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 March 2012 and 2011

	2012		2011	
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	337,243	70,724	342,389	54,542
Exchange differences arising on consolidation	1,476	-14,728	-55,411	-55,936
Fair value reserve (cash flow hedge)	-35,588	-2,056	17,518	1,689
Tax effect from the fair value reserve (cash flow hedge)	10,209	526	-5,785	-590
Fair value reserve (available for sale investments)	3,962	-362	-30,771	-1,646
Tax effect from the fair value reserve (available for sale investments)	-142	123	5,056	560
Other comprehensive income for the period, net of income tax	-20,083	-16,497	-69,393	-55,923
Total comprehensive income for the period	317,160	54,227	272,996	-1,381

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 31 March 2012 and 31 December 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	16	20,517,109	20,708,313
Intangible assets	17	6,864,164	6,800,478
Goodwill	18	3,303,883	3,327,257
Investments in associates	20	158,813	160,306
Available for sale investments	21	172,923	171,313
Deferred tax assets	22	475,063	511,414
Trade receivables	24	117,231	108,610
Debtors and other assets from commercial activities	25	2,260,933	2,108,393
Other debtors and other assets	26	412,180	402,025
Total Non-Current Assets		34,282,299	34,298,109
Inventories	23	321,541	346,060
Trade receivables	24	2,158,853	2,043,671
Debtors and other assets from commercial activities	25	1,626,252	1,495,616
Other debtors and other assets	26	403,280	505,694
Tax receivable	27	420,156	644,819
Financial assets at fair value through profit or loss		192	212
Cash and cash equivalents	28	1,908,229	1,731,524
Assets classified as held for sale	41	207,210	201,924
Total Current Assets		7,045,713	6,969,520
Total Assets		41,328,012	41,267,629
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-112,385	-111,430
Share premium	29	503,923	503,923
Reserves and retained earnings	31	4,039,930	2,935,840
Consolidated net profit attributable to equity holders of EDP		337,243	1,124,663
Total Equity attributable to equity holders of EDP		8,425,249	8,109,534
Non-controlling Interests	32	3,330,703	3,277,245
Total Equity		11,755,952	11,386,779
Liabilities			
Financial debt	34	15,777,662	15,786,411
Employee benefits	35	1,806,072	1,823,158
Provisions	36	408,720	415,149
Hydrological correction account	33	66,050	69,142
Deferred tax liabilities	22	949,011	954,002
Institutional partnerships in USA wind farms	37	1,705,990	1,783,861
Trade and other payables from commercial activities	38	1,342,508	1,289,436
Other liabilities and other payables	39	399,340	361,101
Total Non-Current Liabilities		22,455,353	22,482,260
Financial debt	34	3,092,757	2,998,698
Trade and other payables from commercial activities	38	3,008,980	3,296,680
Other liabilities and other payables	39	505,631	535,077
Tax payable	40	485,842	546,806
Liabilities classified as held for sale	41	23,497	21,329
Total Current Liabilities		7,116,707	7,398,590
Total Liabilities		29,572,060	29,880,850
Total Equity and Liabilities		41,328,012	41,267,629

LISBON, 10 MAY 2012

THE OFFICIAL ACCOUNTANT
N.° 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 31 March 2012 and 31 December 2011

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2010	**10,784,959**	**3,656,538**	**503,923**	**502,888**	**2,794,322**	**35,111**	**164,684**	**312,823**	**-115,731**	**7,854,558**	**2,930,401**
Comprehensive income:											
Net profit for the period	396,931	-	-	-	342,389	-	-	-	-	342,389	54,542
Changes in the fair value reserve (cash flow hedge) net of taxes	12,832	-	-	-	-	11,733	-	-	-	11,733	1,099
Changes in the fair value reserve (available for sale investments) net of taxes	-26,801	-	-	-	-	-	-25,715	-	-	-25,715	-1,086
Exchange differences arising on consolidation	-111,347	-	-	-	-	-	-	-55,411	-	-55,411	-55,936
Total comprehensive income for the period	271,615	-	-	-	342,389	11,733	-25,715	-55,411	-	272,996	-1,381
Dividends attributable to non-controlling interests	95	-	-	-	-	-	-	-	-	-	95
Purchase and sale of treasury stock	3,565	-	-	-	-2,107	-	-	-	5,672	3,565	-
Changes resulting from acquisitions/sales and equity increases	-20	-	-	-	-771	-	-	-	-	-771	751
Other reserves arising on consolidation	-2,231	-	-	-	-2,231	-	-	-	-	-2,231	-
Balance as at 31 March 2011	**11,057,983**	**3,656,538**	**503,923**	**502,888**	**3,131,602**	**46,844**	**138,969**	**257,412**	**-110,059**	**8,128,117**	**2,929,866**
Comprehensive income:											
Net profit for the period	935,048	-	-	-	782,274	-	-	-	-	782,274	152,774
Changes in the fair value reserve (cash flow hedge) net of taxes	-84,887	-	-	-	-	-75,611	-	-	-	-75,611	-9,276
Changes in the fair value reserve (available for sale investments) net of taxes	-97,493	-	-	-	-	-	-97,993	-	-	-97,993	500
Actuarial gains/(losses) net of taxes	20,946	-	-	-	35,588	-	-	-	-	35,588	-14,642
Exchange differences arising on consolidation	-142,698	-	-	-	-	-	-	-69,095	-	-69,095	-73,603
Total comprehensive income for the period	630,916	-	-	-	817,862	-75,611	-97,993	-69,095	-	575,163	55,753
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-123,536	-	-	-	-	-	-	-	-	-	-123,536
Purchase and sale of treasury stock	-2,424	-	-	-	993	-	-	-	-3,417	-2,424	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions/sales and equity increases	41,497	-	-	-	2,081	-	-	-	-	2,081	39,416
Sale without loss of control of EDP Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other reserves arising on consolidation	1,658	-	-	-	1,588	-	-	-	-	1,588	70
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the period	407,967	-	-	-	337,243	-	-	-	-	337,243	70,724
Changes in the fair value reserve (cash flow hedge) net of taxes	-26,909	-	-	-	-	-25,379	-	-	-	-25,379	-1,530
Changes in the fair value reserve (available for sale investments) net of taxes	3,581	-	-	-	-	-	3,820	-	-	3,820	-239
Exchange differences arising on consolidation	-13,252	-	-	-	-	-	-	1,476	-	1,476	-14,728
Total comprehensive income for the period	371,387	-	-	-	337,243	-25,379	3,820	1,476	-	317,160	54,227
Dividends attributable to non-controlling interests	-722	-	-	-	-	-	-	-	-	-	-722
Purchase and sale of treasury stock	-955	-	-	-	-	-	-	-	-955	-955	-
Other reserves arising on consolidation	-537	-	-	-	-476	-	-	-14	-	-490	-47
Balance as at 31 March 2012	**11,755,952**	**3,656,538**	**503,923**	**539,145**	**3,722,384**	**-52,467**	**45,180**	**122,931**	**-112,385**	**8,425,249**	**3,330,703**

EDP - Energias de Portugal

Consolidated and Non-Consolidated Statement of Cash Flows
as at 31 March 2012 and 2011

Thousands of Euros	Group Mar 2012	Group Mar 2011	Company Mar 2012	Company Mar 2011
Operating activities				
Cash receipts from customers	3,955,006	3,984,421	539,323	555,266
Proceeds from tariff adjustments securitization	167,936	-	-	-
Payments to suppliers	-3,182,801	-2,958,183	-629,978	-525,685
Payments to personnel	-198,411	-197,512	-6,868	-9,084
Concession rents paid	-64,525	-66,529	-	-
Other receipts / (payments) relating to operating activities	106,813	165,651	25,580	-6,288
Net cash from operations	784,018	927,848	-71,943	14,209
Income tax received / (paid)	-1,762	-67,941	18,822	-2,931
Net cash from operating activities	782,256	859,907	-53,121	11,278
Investing activities				
Cash receipts relating to:				
Financial assets	119	10,290	-	-
Property, plant and equipment and intangible assets	8,981	39,122	1,329	-
Investment grants	12,582	805	-	-
Interest and similar income	27,777	42,135	37,591	70,797
Dividends	128	-	147,173	-
	49,587	92,352	186,093	70,797
Cash payments relating to:				
Financial assets	-22,943	-3,992	-1,518	-768
Changes in cash resulting from consolidation perimeter variations	-	42	-	-
Property, plant and equipment and intangible assets	-739,226	-819,814	-7,435	-3,731
	-762,169	-823,764	-8,953	-4,499
Net cash from investing activities	-712,582	-731,412	177,140	66,298
Financing activities				
Receipts / (payments) relating to loans	305,995	344,798	153,416	578,907
Interest and similar costs including hedge derivatives	-187,238	-148,616	-76,553	-111,025
Governmental grants received	3,176	-	-	-
Receipts / (payments) relating to derivative financial instruments	-4,879	-16,303	5,493	-16,604
Dividends paid to non-controlling interests	-3,553	-3,946	-	-
Treasury stock sold / (purchased)	-955	3,503	-955	3,503
Receipts / (payments) from wind activity institutional partnerships - USA	-3,066	-3,860	-	-
Net cash from financing activities	109,480	175,576	81,401	454,781
Changes in cash and cash equivalents	179,154	304,071	205,420	532,357
Effect of exchange rate fluctuations on cash held	-2,449	-31,251	-288	51
Cash and cash equivalents at the beginning of the period	1,731,524	1,588,163	661,609	142,675
Cash and cash equivalents at the end of the period (*)	1,908,229	1,860,983	866,741	675,083

(*) See details of "Cash and cash equivalents" in note 28 of the Financial Statements.

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three months period ended 31 March 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	561,150	627,784
Cost of electricity	6	-451,059	-484,679
Changes in inventories and cost of raw materials and consumables used	6	-89,799	-99,634
		20,292	43,471
Other operating income / (expenses)			
Other operating income	8	3,607	1,703
Supplies and services	9	-41,330	-40,689
Personnel costs and employee benefits	10	-3,100	-3,774
Other operating expenses	11	-818	-8,278
		-41,641	-51,038
		-21,349	-7,567
Provisions	12	-3,524	3,681
Depreciation, amortisation expense and impairment	13	-3,429	-2,144
		-28,302	-6,030
Financial income	14	216,371	227,477
Financial expenses	14	-186,532	-222,100
Profit before income tax		1,537	-653
Income tax expense	15	79,037	28,440
Net profit for the period		80,574	27,787

LISBON, 10 MAY 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at 31 March 2012 and 2011

Thousands of Euros	2012	2011
Net profit for the period	80,574	27,787
Fair value reserve (cash flow hedge)	-15,226	7,150
Tax effect from the fair value reserve (cash flow hedge)	4,461	-2,056
Fair value reserve (available for sale investments)	2,909	-27,726
Tax effect from the fair value reserve (available for sale investments)	25	4,020
Other comprehensive income for the period, net of income tax	-7,831	-18,612
Total comprehensive income for the period	72,743	9,175

EDP - Energias de Portugal, S.A.

Company Statement of Financial Position as at 31 March 2012 and 31 December 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	16	198,763	200,749
Intangible assets	17	14	16
Investments in subsidiaries	19	9,708,845	9,708,783
Available for sale investments	21	46,586	42,544
Investment property		11,456	11,468
Deferred tax assets	22	88,752	18,344
Debtors and other assets from commercial activities	25	13,263	179
Other debtors and other assets	26	5,154,047	4,848,129
Total Non-Current Assets		15,221,726	14,830,212
Inventories	23	653	807
Trade receivables	24	108,417	149,073
Debtors and other assets from commercial activities	25	240,875	260,829
Other debtors and other assets	26	3,248,147	2,645,774
Tax receivable	27	159,326	162,377
Cash and cash equivalents	28	866,741	661,609
Total Current Assets		4,624,159	3,880,469
Total Assets		19,845,885	18,710,681
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-106,290	-105,335
Share premium	29	503,923	503,923
Reserves and retained earnings	31	2,673,828	1,895,855
Net profit for the period		80,574	785,804
Total Equity		6,808,573	6,736,785
Liabilities			
Financial debt	34	1,598,903	1,777,527
Provisions	36	80,463	72,172
Hydrological correction account	33	66,050	69,142
Trade and other payables from commercial activities	38	3,760	3,410
Other liabilities and other payables	39	2,405,632	2,447,314
Total Non-Current Liabilities		4,154,808	4,369,565
Financial debt	34	6,747,640	5,700,385
Trade and other payables from commercial activities	38	402,778	508,693
Other liabilities and other payables	39	1,731,505	1,393,531
Tax payable	40	581	1,722
Total Current Liabilities		8,882,504	7,604,331
Total Liabilities		13,037,312	11,973,896
Total Equity and Liabilities		19,845,885	18,710,681

LISBON, 10 MAY 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at
31 March 2012 and 31 December 2011

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2010	**6,702,149**	**3,656,538**	**503,923**	**502,888**	**1,997,977**	**17,813**	**132,646**	**-109,636**
Comprehensive income:								
Net profit for the period	27,787	-	-	-	27,787	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	5,094	-	-	-	-	5,094	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-23,706	-	-	-	-	-	-23,706	-
Total comprehensive income for the period	9,175	-	-	-	27,787	5,094	-23,706	-
Purchase and sale of treasury stock	3,565	-	-	-	-2,107	-	-	5,672
Balance as at 31 March 2011	**6,714,889**	**3,656,538**	**503,923**	**502,888**	**2,023,657**	**22,907**	**108,940**	**-103,964**
Comprehensive income:								
Net profit for the period	758,017	-	-	-	758,017	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-20,439	-	-	-	-	-20,439	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-98,723	-	-	-	-	-	-98,723	-
Total comprehensive income for the period	638,855	-	-	-	758,017	-20,439	-98,723	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	-2,424	-	-	-	993	-	-	-3,417
Share-based payments	2,046	-	-	-	-	-	-	2,046
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the period	80,574	-	-	-	80,574	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-10,765	-	-	-	-	-10,765	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,934	-	-	-	-	-	2,934	-
Total comprehensive income for the period	72,743	-	-	-	80,574	-10,765	2,934	-
Purchase and sale of treasury stock	-955	-	-	-	-	-	-	-955
Balance as at 31 March 2012	**6,808,573**	**3,656,538**	**503,923**	**539,145**	**2,210,403**	**-8,297**	**13,151**	**-106,290**

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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 and France) and American (Brazil and the United States of America) energy sectors.

During the three months period ended 31 March 2012 no significant changes occurred in the economic activity of EDP Group.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the period of three months ended 31 March 2012 and consolidated and company statement of financial position as at 31 March 2012.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 10 May 2012. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the three months period ended 31 March 2012 were prepared in accordance with IFRS as adopted by the E.U. until 31 March 2012 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2011.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 48.

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

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

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

In order to improve the presentation of Institutional partnerships in USA wind farms, as at 31 March 2012 and December 2011, the deferred tax equity costs related to institutional partnerships were deducted to this liability caption instead of being included in the caption of Other debtors and other assets - non current.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, there was a change in accounting policy on employee benefits - pensions.

Change in accounting policy

According to IAS 19, the costs of the year related to benefit plans may be booked in the income statement, as one of the following:

(i) Interest cost and expected return on plan assets presented in financial results and the current service cost in employee benefits costs; or
(ii) The total net cost presented in employee and benefits costs caption.

Since the IFRS adoption, EDP Group has consistently presented these costs in accordance with the second option, presenting the net effect of its defined benefits in the employee benefits costs caption.

However, during the third quarter of 2011, EDP Group decided to change the previously adopted accounting policy. Therefore, EDP Group began to present only the amount corresponding to the current service cost and the effect of early retirements in employee benefits costs and the interest cost and the return on plan assets fund in financial results.

As at 31 March 2012, the effect of this change results in an impact of 22.9 million of Euros in financial results against a decrease on employee benefits costs. As at 31 March 2011, EDP Group restated its employee benefits costs for comparative purposes, resulting in a decrease of approximately 22.6 millions of Euros against a negative increase of financial results in the same amount (see notes 10 and 14).

b) Basis of consolidation

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

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

Subsidiaries

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

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

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

Associates

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

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

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

Until 31 December 2009, when an interest in a subsidiary was disposed of, without a loss 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 a subsidiary following a sale or capital increase in the income statement.

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition.

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

Borrowing costs and other directly attributable costs

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

Government grants

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

Transfers of assets from customers

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

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

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

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

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

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

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

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

As described in note 2 a), the Group recognises as operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognized as financial results.

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. Also includes the specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

w) Segment reporting

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

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

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

x) Tariff adjustments

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

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

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

y) CO_2 licenses and greenhouse effect gas emission

The Group holds CO_2 licenses in order to deal with gas emissions resulting from its operational activity and licenses acquired for trading. The CO_2 and gas emissions licenses held for own use and attributed free of charge are booked as intangible assets against Deferred Income - Subsidies and are valued at the quoted price in the Bluenext market on the grant date, usually at the beginning of each year. The use of the licenses is based on actual gas emissions in the period, valued at the quoted price on the date of attribution.

Amortisation of Deferred Income - Subsidies is made in the year in which the subsidy is granted. When the emissions of the year exceed the CO_2 licenses attributed for free, a provision is booked to cover for the costs of acquiring the necessary additional licenses at the balance sheet date.

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

z) Cash Flow Statement

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

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

aa) Group concession activities

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

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

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

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

Financial Asset Model

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

Intangible Asset Model

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

Mixed Model

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

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

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

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

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

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

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

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

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

Contractual Stability Compensation — Revisable mechanism

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

Review of the useful life of the assets allocated to concessions

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

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

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

Tariff adjustments

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

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

Tariff deficit

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

Spanish Royal Decree Law 6/2009, published on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provides for the passage of some costs currently included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed.

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

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

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

Impairment of long term assets and Goodwill

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

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

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

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

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

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

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

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Given the long term nature defined for the investments in the Brazilian subsidiaries, the Group has decided not to use financial instruments to hedge the exchange rate risk on the investment in these subsidiaries.

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

Interest rate risk management

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

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

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 17 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 49% of the Group's liabilities are fixed rate.

Counterparty credit risk management

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

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

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

Liquidity risk management

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

Energy market risk management

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

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

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

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

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

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

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements.

Brazil — Interest rate and exchange rate risk management

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

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

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

5. CONSOLIDATION PERIMETER

During the three months period ended 31 March 2012, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Inovação, S.A acquired 30% of the share capital of EIDT - Engenharia, Inovação e Desenvolvimento Tecnológico, S.A., through its subsidiary EDP Ventures, S.G.P.S., S.A.

Companies liquidated:

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

Companies incorporated:

- Central Eólica Feijao I, S.A.;
- Central Eólica Feijao II, S.A.;
- Central Eólica Feijao III, S.A.;
- Central Eólica Feijao IV, S.A.;
- MFW Gryf SP. ZO.O;
- MFW Neptun SP. ZO.O;
- MFW Pomorze SP. ZO.O.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Electricity and network access	3,904,486	3,558,371	472,894	542,618
Gas and network access	482,690	418,934	53,021	36,676
Other	24,983	37,667	35,235	48,490
	4,412,159	4,014,972	561,150	627,784

During the first quarter of 2012, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 452,337 thousands of Euros (income in 31 March 2011: 325,302 thousands of Euros) regarding the tariff adjustments of the period (see notes 25 and 38), as described under accounting policy - note 2 x).

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

	Mar 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	2,229,321	899,942	617,656	106,202	51,365	3,904,486
Gas and network access	77,954	404,736	-	-	-	482,690
Other	14,653	6,938	3,348	-	44	24,983
	2,321,928	1,311,616	621,004	106,202	51,409	4,412,159

	Mar 2011					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network accesses	2,040,334	811,975	603,294	81,545	21,223	3,558,371
Gas and network accesses	110,013	308,921	-	-	-	418,934
Other	30,368	7,254	-	-	45	37,667
	2,180,715	1,128,150	603,294	81,545	21,268	4,014,972

The breakdown of Revenue by segment is presented in the segmental reporting (see note 50).

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

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Cost of electricity	2,284,342	2,031,991	451,059	484,679
Cost of gas	390,620	334,917	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	139,675	60,954	-	-
Gas	134,327	140,875	89,317	95,411
Cost of consumables used	3,041	69,415	-	-
Own work capitalised	-21,570	-22,407	-	-
Other	44,081	-32,146	482	4,223
	299,554	216,691	89,799	99,634
	2,974,516	2,583,599	540,858	584,313

On a company basis, Cost of electricity includes costs of 231,593 thousands of Euros (31 March 2011: 282,805 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A..

7. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

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

	Group	
Thousands of Euros	Mar 2012	Mar 2011
Revenue from assets assigned to concessions	94,271	86,263
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-69,717	-59,823
Personnel costs capitalized (see note 10)	-21,667	-22,439
Capitalised interest expense from financial debt (see note 14)	-2,887	-4,001
	-94,271	-86,263
	-	-

The movements for the period from assets assigned to concessions are disclosed in note 17 - Intangible assets.

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

	Mar 2012			Mar 2011		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	65,297	28,974	94,271	54,492	31,771	86,263
Expenditure with assets assigned to concessions	-65,297	-28,974	-94,271	-54,492	-31,771	-86,263
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Gains on fixed assets	8,251	29,183	359	158
Reversal of adjustments	6,236	8,658	-	-
Customers contributions	7,993	9,664	-	-
Income arising from institutional partnerships - EDPR NA	36,535	30,165	-	-
Other operating income	24,094	29,125	3,248	1,545
	83,109	106,795	3,607	1,703

The caption Reversal of Adjustments includes 5,305 thousands of Euros (31 March 2011: 8,627 thousands of Euros) related to Doubtful debtors and 931 thousands of Euros (31 March 2011: 31 thousands of Euros) regarding Debtors and other assets

Customers contributions includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 7,691 thousands of Euros (31 March 2011: 9,664 thousands of Euros), as referred in accounting policy 2h).

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

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 38). This liability is depreciated over the period of the agreements against other operating income. As at 31 March 2012, the amortisation for the period amounts to 2,423 thousands of Euros (31 March 2011: 2,629 thousands of Euros).

As at 31 March 2011, Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity lines and powerstations owned by Hidrocantabrico to Rede Eléctrica de España ("REE").

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Supplies and services:				
Consumables and communications	13,862	12,948	2,854	2,798
Rents and leases	28,650	27,306	12,189	11,570
Maintenance and repairs	74,955	70,159	3,933	3,477
Specialised works:				
- Commercial activity	38,847	34,947	1,338	1,497
- IT services, legal and advisory fees	18,270	18,625	4,727	5,060
- Other services	11,211	8,713	2,709	3,664
Provided personnel	-	-	11,002	9,602
Other supplies and services	30,485	35,567	2,578	3,021
	216,280	208,265	41,330	40,689

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Personnel costs				
Board of Directors remuneration	3,938	3,562	1,335	1,313
Employees' remuneration	130,052	124,023	287	392
Social charges on remuneration	35,115	32,996	112	97
Performance, assiduity and seniority bonus	18,536	18,994	1,018	1,650
Other costs	7,581	7,822	226	258
Own work capitalised:				
- Assigned to concessions (see note 7)	-21,667	-22,439	-	-
- Other	-19,012	-17,729	-	-
	154,543	147,229	2,978	3,710
Employee benefits				
Pension plans costs	7,019	6,799	75	31
Medical plans costs and other benefits	2,271	1,869	31	31
Other	5,680	403	16	2
	14,970	9,071	122	64
	169,513	156,300	3,100	3,774

Pension plans costs include 3,228 thousands of Euros (31 March 2011: 3,246 thousands of Euros) related to defined benefit plans (see note 35) and 3,791 thousands of Euros (31 March 2011: 3,553 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 2,271 thousands of Euros (31 March 2011: 1,891 thousands of Euros net of the corresponding charge-off) related to the charge of the period.

Following the change in accounting policy, occurred in December 2011, for the booking of employee benefits costs, in March 2012 the financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 11,477 thousands of Euros and 11,412 thousands of Euros, respectively, are presented in the caption of financial expenses (see notes 14 and 35). Consistently, the comparative figures with reference to 31 March 2012, in the amount of 11,604 thousands of Euros and 11,044 thousands of Euros, respectively, were reclassified from personnel costs and employee benefits to financial expenses.

11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Concession rents paid to local authorities and others	72,683	63,725	-	-
Direct and indirect taxes	22,774	32,273	110	101
Impairment losses on doubtful debts and others	15,505	15,624	11	7
Donations	2,277	9,177	92	7,288
Other operating costs	18,246	21,990	605	882
	131,485	142,789	818	8,278

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

12. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Charge for the period	8,824	10,246	3,616	-
Write-back for the period	-5,825	-7,859	-92	-3,681
	2,999	2,387	3,524	-3,681

13. DEPRECIATION,AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Property, plant and equipment:				
Buildings and other constructions	3,752	3,151	729	106
Plant and machinery	229,077	237,924	6	6
Other	19,628	16,749	2,692	2,030
Impairment loss	8,971	-	-	-
	261,428	257,824	3,427	2,142
Intangible assets:				
Other rights	1,007	1,228	2	2
Concession rights and impairment	18,122	21,436	-	-
Intangible assets related to concessions - IFRIC 12	76,862	84,813	-	-
	95,991	107,477	2	2
	357,419	365,301	3,429	2,144
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-7,096	-7,259	-	-
	350,323	358,042	3,429	2,144

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

14. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Financial income				
Interest income from bank deposits and other applications	16,892	20,278	7,033	9,903
Interest income from loans to subsidiaries and related parties	2,746	1,347	102,205	76,473
Interest from derivative financial instruments	34,462	38,590	4,744	14,577
Derivative financial instruments	35,484	62,466	95,024	2,313
Other interest income	15,343	16,604	145	282
Foreign exchange gains	38,398	30,526	7,204	123,929
CMEC	18,707	19,177	-	-
Other financial income	30,412	17,955	16	-
	192,444	206,943	216,371	227,477
Financial expenses				
Interest expense from financial debt	196,251	185,841	77,299	77,168
Capitalised interest expense from financial debt:				
Assigned to concessions (see note 7)	-2,887	-4,001	-	-
Other	-29,832	-34,645	-	-
Interest from derivative financial instruments	29,919	26,510	6,012	8,843
Derivative financial instruments	66,573	95,206	91,593	127,530
Other interest expense	12,388	12,148	2,459	2,482
Foreign exchange losses	22,136	12,726	2,697	3,965
CMEC	4,560	4,493	-	-
Unwinding of discounted value liabilities	27,349	29,729	-	-
Unwinding of pensions liabilities	11,477	11,604	-	-
Unwinding of medical liabilities and other plans	11,412	11,044	-	-
Other financial expenses	9,926	12,424	6,472	2,112
	359,272	363,079	186,532	222,100
Financial income / (expenses)	-166,828	-156,136	29,839	5,377

The caption Other financial Income - CMEC totalling 18,707 thousands of Euros includes, 4,744 thousands of Euros related to interest of the initial CMEC (31 March 2011: 4,770 thousands of Euros) included in the annuity for 2012, and 13,963 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 March 2011: 14,407 thousands of Euros). Other financial expenses - CMEC, in the amount of 4,560 thousands of Euros (31 March 2011: 4,493 thousands of Euros), is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 38).

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

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

With reference to 31 March 2011, the financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 11,604 thousands of Euros and 11,044 thousands of Euros, respectively were reclassified from personnel costs and employee benefits to financial expenses (see notes 10 and 35).

15. INCOME TAX

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

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

In August 2011, the Royal Decree-Law 9/2011 was approved, providing for the implementation of a set of measures on the Spanish regime on income taxation. From 1 January 2012 onwards, the tax losses carry forward period is extended from 15 to 18 years.

The Royal Decree-Law 12/2012, published on March 31, 2012, provides for the implementation of a set of measures aimed at reducing the public deficit. Thus, the net financing expences will be deductible for tax purposes, but capped at 30% of adjusted operational result, in accordance with the law. The maximum annual rate of goodwill amortization is established at 1% for the tax years of 2012 and 2013.

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

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Current tax	-54,281	-110,351	-2,746	11,012
Deferred tax	-24,718	-13,034	81,783	17,428
	-78,999	-123,385	79,037	28,440

The reconciliation between the nominal and the effective income tax rate for the Group, as at 31 March 2012, is analysed as follows:

	Mar 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	486,966	129,046
Tax losses and tax credits	-0.4%	-7,713	-2,044
Dividends	2.4%	44,611	11,822
Tax benefits	-1.8%	-32,943	-8,730
Non deductible provisions and amortisations for tax purposes	-5.2%	-96,140	-25,477
Fair value of financial instruments and financial investments	2.7%	50,189	13,300
Financial investments in associates and subsidiaries	-14.0%	-257,891	-68,341
Autonomous taxation	0.1%	1,932	512
Other adjustments, tax differencial and changes in estimates	5.9%	109,098	28,911
Effective tax rate and total income tax	16.2%	298,109	78,999

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

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

The reconciliation between the nominal and the effective income tax rate for the Group, as at 31 March 2011, is analysed as follows:

	Mar 2011		
Thousands of Euros	Rate	Tax basis	Tax
Nominal rate and income tax	26.5%	520,316	137,884
Tax losses and tax credits	-2.8%	-55,577	-14,728
Tax benefits	-2.2%	-42,675	-11,309
Non deductible provisions and amortisations for tax purposes	0.2%	4,313	1,143
Fair value of financial instruments and financial investments	0.8%	15,128	4,009
Financial investments in associates and subsidiaries	-0.3%	-5,642	-1,495
Autonomous taxation	0.3%	5,358	1,420
Change in tax rate	0.4%	8,649	2,292
State surcharge	-0.1%	-1,132	-300
Other adjustments and changes in estimates	0.9%	16,864	4,469
Effective tax rate and total income tax	23.7%	465,602	123,385

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

Thousands of Euros	Group Mar 2012	Group Mar 2011	Company Mar 2012	Company Mar 2011
Profit before tax	486,966	520,316	1,537	-653
Income tax	-78,999	-123,385	79,037	28,440
Effective tax rate	16.2%	23.7%	-	-

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group Mar 2012	Group Dec 2011	Company Mar 2012	Company Dec 2011
Cost:				
Land and natural resources	177,405	176,310	74,860	75,026
Buildings and other constructions	551,153	551,944	94,600	95,906
Plant and machinery:				
Hydroelectric generation	8,728,889	8,036,060	254	254
Thermoelectric generation	7,753,991	7,752,912	-	-
Renewable generation	10,830,381	10,899,201	-	-
Electricity distribution	1,300,741	1,990,302	-	-
Gas distribution	1,104,977	1,100,039	-	-
Other plant and machinery	115,197	114,955	165	165
Other	778,814	775,526	109,552	109,323
Assets under construction	2,820,361	2,731,386	14,124	12,432
	34,161,909	34,128,635	293,555	293,106
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-252,457	-1,019,320	-3,427	-11,154
Accumulated depreciation in previous years	-13,372,798	-12,390,019	-91,365	-81,203
Impairment for the year	-8,971	-5,058	-	-
Impairment losses in previous years	-10,574	-5,925	-	-
	-13,644,800	-13,420,322	-94,792	-92,357
Carrying amount	20,517,109	20,708,313	198,763	200,749

The movements in Property, plant and equipment, for the Group, for the three months period ended 31 March 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
Cost:							
Land and natural resources	176,310	2,439	-166	-114	-824	-240	177,405
Buildings and other constructions	551,944	75	-1,393	3,011	-2,544	60	551,153
Plant and machinery	29,893,469	2,249	-3,620	108,487	-166,338	-71	29,834,176
Other	775,526	1,790	-4,970	7,480	-1,013	1	778,814
Assets under construction	2,731,386	221,718	-375	-122,102	-15,251	4,985	2,820,361
	34,128,635	228,271	-10,524	-3,238	-185,970	4,735	34,161,909

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Exchange Differences	Variations/ Regularisations	Balance at 31 March
Accumulated depreciation and impairment losses:							
Buildings and other constructions	155,315	3,752	-893	-	-637	11	157,548
Plant and machinery	12,699,358	237,640	-3,145	-1,712	-25,062	-306	12,906,773
Other	565,649	20,036	-4,634	-18	-553	-1	580,479
	13,420,322	261,428	-8,672	-1,730	-26,252	-296	13,644,800

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

During the first quarter of 2012, the EDP Group started the selling process of the mini-hydrics detained in Spain, which assets were transferred to non-current assets held for sale (see note 41).

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL), American Dollar (USD) and the appreciation of the Zloty (PLN) against the Euro, during the three months period ended at 31 March 2012.

The movements in Property, plant and equipment, for the Group, for the three months period ended 31 March 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
Cost:							
Land and natural resources	163,184	1,711	-	-	-2,795	55	162,155
Buildings and other constructions	502,184	20	-182	355	-13,790	128	488,715
Plant and machinery	28,201,221	969	-1,980	355,691	-364,400	1,314	28,192,815
Other	805,664	5,546	-6,101	9,974	-2,633	-1,341	811,109
Assets under construction	3,210,711	303,798	-1,551	-366,020	-39,368	683	3,108,253
	32,882,964	312,044	-9,814	-	-422,986	839	32,763,047

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	3,151	-180	-	-2,620	85	144,702
Plant and machinery	11,818,193	237,924	-1,212	-	-42,089	543	12,013,359
Other	596,922	16,749	-2,534	-	-1,830	-804	608,503
	12,559,381	257,824	-3,926	-	-46,539	-176	12,766,564

Perimeter Variations / Regularisations includes the effect of the acquisitions made by EDP Group in the first quarter of 2011, namely Home Energy S.A., which has been consolidated under the full consolidated method.

The movement in Exchange differences in the period results mainly from the appreciation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the period of three months period ended 31 March 2011.

The movements in Property, plant and equipment, for the Company, for the three months period ended 31 March 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
Cost:						
Land and natural resources	75,026	-	-166	-	-	74,860
Buildings and other constructions	95,906	-	-1,306	-	-	94,600
Plant and machinery	419	-	-	-	-	419
Other	109,323	339	-141	31	-	109,552
Assets under construction	12,432	1,723	-	-31	-	14,124
	293,106	2,062	-1,613	-	-	293,555

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
Accumulated depreciation and impairment losses:						
Buildings and other constructions	22,473	729	-878	-	-	22,324
Plant and machinery	169	6	-	-	-	175
Other	69,715	2,692	-114	-	-	72,293
	92,357	3,427	-992	-	-	94,792

The movements in Property, plant and equipment, for the Company, for the three months period ended 31 March 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
Cost:						
Land and natural resources	46,498	-	-	-	-	46,498
Buildings and other constructions	24,569	-	-180	276	232	24,897
Plant and machinery	402	-	-	-	-	402
Other	122,278	833	-356	45	19	122,819
Assets under construction	82,951	2,075	-	-321	-	84,705
	276,698	2,908	-536	-	251	279,321

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	106	-179	-	232	17,553
Plant and machinery	145	6	-	-	-	151
Other	94,054	2,030	-212	-	3	95,875
	111,593	2,142	-391	-	235	113,579

17. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Cost:				
Concession rights	15,470,440	15,463,265	-	-
CO2 licenses	469,825	359,058	-	-
Other intangibles	96,473	97,157	100	100
Intangible assets in progress	588,870	563,295	-	-
	16,625,608	16,482,775	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-94,984	-453,887	-	-
Amortisation of industrial property and other intangibles during the period	-1,007	-3,406	-2	-8
Accumulated amortisation in previous years	-9,665,453	-9,225,004	-84	-76
	-9,761,444	-9,682,297	-86	-84
Carrying amount	6,864,164	6,800,478	14	16

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

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

The movements in Intangible assets during the three months period ended 31 March 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 March
Cost:							
Concession rights:							
Distribution and generation Brazil	1,448,562	-	-	-	-4,984	-	1,443,578
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,371,528	5,844	-	-	-	25	1,377,397
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	359,058	110,767	-	-	-	-	469,825
Assigned to concessions (IFRIC 12):							
Intangible assets	12,493,994	2	-6,317	29,350	-16,745	-	12,500,284
Intangible assets in progress	191,760	94,269	-582	-71,419	-497	-	213,531
Other intangibles	97,157	77	-	10	-771	-	96,473
Other intangible assets in progress	371,535	5,871	-30	-120	-56	-1,861	375,339
	16,482,775	216,830	-6,929	-42,179	-23,053	-1,836	16,625,608

Thousands of Euros	Balance at 1 January	Charge for the Year	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 March
Accumulated amortisation and impairment losses:							
Concession rights	675,011	18,122	-	-	-867	-	692,266
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	76,862	-3,657	-	-12,053	-	9,039,394
Other rights	29,044	1,007	-	-42	-240	15	29,784
	9,682,297	95,991	-3,657	-42	-13,160	15	9,761,444

Transfers of intangible assets assigned to concessions includes the amount of 42,069 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the useful lives extention of exploration assets allocated to concessions, determined by the aplication of the new depreciation rates on the electric sector in Brazil by "Agência de Energia Eléctrica" (ANEEL), in the amount of 14,058 thousands of Euros, during the first quarter of 2012. The remaining amount concerns to assets of mini-hydrics in Spain, which were classified as non-current assets held for sale (see note 41).

Acquisitions / Increases of CO2 Licences as at 31 March 2012 includes 109,026 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 1,741 thousands of Euros of licences purchased at market. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012.

The movements in Intangible assets during thethree months period ended 31 March 2011, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 March
Cost:							
Concession rights:							
Distribution and generation Brazil	1,254,421	-	-	-	-20,825	-	1,233,596
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,320,346	4,653	-	-	-	-	1,324,999
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	221,059	-11,314	-	-	-	421,975
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	2,450	-6,878	42,931	-98,055	-	12,249,331
Intangible assets in progress	257,298	83,813	-319	-48,187	-5,833	-	286,772
Other intangibles	93,411	175	-2	-	-1,709	48	91,923
Other Intangible assets in progress	340,098	4,956	-1	-	-77	-	344,976
	15,935,868	317,106	-18,514	-5,256	-126,499	48	16,102,753

Thousands of Euros	Balance at 1 January	Charge for the Year	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 March
Accumulated amortisation and impairment losses:							
Concession rights	597,280	21,436	-	-	-3,711	-	615,005
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	84,813	-3,907	-	-58,603	-	8,721,123
Other rights	25,629	1,228	-2	-	-344	23	26,534
	9,321,729	107,477	-3,909	-	-62,658	23	9,362,662

Transfers in the amount of 5,256 thousands of Euros is related with the transfer to Debtors and Other assets from commercial activities regarding to financial assets associated with IFRIC 12.

Acquisitions of CO2 Licenses as at 31 March 2011 includes 214,782 thousands of Euros of CO2 licenses granted free of charge to the EDP Group plants operating in Portugal and in Spain.

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	Mar 2012	Dec 2011
HC Energia Group	1,910,630	1,916,548
EDP Renováveis Group	1,293,795	1,311,133
EDP Brasil Group	57,309	57,427
Other	42,149	42,149
	3,303,883	3,327,257

The movements in Goodwill during the three months period ended 31 March 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 March
HC Energia Group	1,916,548	-	-5,918	-	-	-	1,910,630
EDP Renováveis Group	1,311,133	-	-	-	-17,314	-24	1,293,795
EDP Brasil Group	57,427	-	-	-	-118	-	57,309
Other	42,149	-	-	-	-	-	42,149
	3,327,257	-	-5,918	-	-17,432	-24	3,303,883

The movements in Goodwill during the three months period ended 31 March 2011, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 March
HC Energia Group	1,908,476	7,280	-	-	-	-	1,915,756
EDP Renováveis Group	1,343,294	-	-3,754	-	-34,460	-	1,305,080
EDP Brasil Group	58,991	-	-	-	-728	-	58,263
Other	38,418	3,732	-	-	-	-	42,150
	3,349,179	11,012	-3,754	-	-35,188	-	3,321,249

HC Energia Group

During the first quarter of 2012, the goodwill from HC Energia Group decreased by 5,918 thousands of Euros (31 March 2011: increase of 7,280 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 31 March 2012 and 31 December 2011, is analysed as follows:

	EDP Renováveis Group	
Thousands of Euros	Mar 2012	Dec 2011
Goodwill in EDPR Europe Group	699,070	697,691
Goodwill in EDPR North America Group	593,176	611,882
Goodwill in EDPR Brazil Group	1,549	1,560
	1,293,795	1,311,133

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Mar 2012	Dec 2011
Acquisition cost	10,863,420	10,863,358
Effect of equity method (transition to IFRS)	-1,020,632	-1,020,632
Equity investments in subsidiaries	9,842,788	9,842,726
Impairment losses on equity investments in subsidiaries	-133,943	-133,943
	9,708,845	9,708,783

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

20. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Associated companies:				
Investments in associates	158,950	160,443	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	158,813	160,306	-	-

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Banco Comercial Português, S.A.	20,098	19,665	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	42,277	39,361	42,277	39,361
Tejo Energia, S.A.	29,507	29,507	-	-
Other	81,041	82,780	4,309	3,183
	172,923	171,313	46,586	42,544

The increase of the investment held in Banco Comercial Português, S.A. in the amount of 433 thousands of Euros, results of a positive evolution in the listed market price of these shares. This increase in fair value was booked against fair value reserves (see note 31).

During the three months period ending 31 March 2012, the financial investment held in REN - Redes Energéticas Nacionais, S.G.P.S, S.A., increased by 2,916 thousands of Euros and the increase was booked against fair value reserves (see note 31).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in a amount of 39,218 thousands of Euros (31 December 2011: 37,388 thousands of Euros), resulting from its reinsurance activity.

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

Thousands of Euros	Mar 2012	Dec 2011
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	16,457	13,541
Tejo Energia, S.A.	23,152	23,152
Other	7,365	6,319
	46,974	43,012

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	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Balance as at 1 January	511,414	515,332	-954,002	-856,072
Tariff adjustment for the period	-4,968	-32,626	-84,702	-65,285
Provisions	-452	-22,570	-	-
Property, plant and equipment, intagible assets and accounting revaluations	-10,094	-9,734	-9,771	-16,798
Deferred tax over CMEC´s in the period	-	-	10,602	80,516
Tax losses and tax credits	11,701	56,674	-	-
Financial and available for sale investments	-32	8,548	53,249	-318
Other temporary differences	-6,105	4,832	9,212	-17,118
Netting of deferrred tax assets and liabilities	-26,401	-35,100	26,401	35,100
Balance as at 31 March	475,063	485,356	-949,011	-839,975

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	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Balance as at 1 January	18,344	-	-	-67,926
Tax losses and tax credits	-3,591	22,660	-	-
Provisions	1,368	-798	-	-
Financial and available for sale investments	25	227	67,623	3,793
Fair value of derivative financial instruments	527	-341	4,575	-896
Other temporary differences	-125	-2,018	6	6
Netting of deferrred tax assets and liabilities	72,204	-19,730	-72,204	19,730
Balance as at 31 March	88,752	-	-	-45,293

23. INVENTORIES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Merchandise	74,345	90,673	-	-
Finished, intermediate products and sub-products	39,760	39,494	-	-
Raw and subsidiary materials and consumables (coal and fuel)	119,340	124,311	-	-
Nuclear fuel	15,136	15,140	-	-
Other consumables	72,960	76,442	653	807
	321,541	346,060	653	807

24. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	832,137	796,933	108,417	149,073
Spain	634,686	676,314	-	-
Brazil	400,873	374,868	-	-
U.S.A.	40,819	31,660	-	-
Other	38,144	33,312	-	-
Public Sector:				
Portugal	73,773	58,861	-	-
Brazil	27,660	30,178	-	-
Spain	110,761	41,545	-	-
	2,158,853	2,043,671	108,417	149,073
Doubtful debts	278,616	267,172	9,960	9,960
Impairment losses	-278,616	-267,172	-9,960	-9,960
	2,158,853	2,043,671	108,417	149,073
Trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	25,772	19,577	-	-
Public Sector:				
Portugal	130,951	132,258	-	-
Brazil	26,129	30,948	-	-
	182,852	182,783	-	-
Impairment losses	-65,621	-74,173	-	-
	117,231	108,610	-	-
	2,276,084	2,152,281	108,417	149,073

25. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Debtors and other assets from commercial assets - Current:				
Amounts receivable from Spanish tariff expenses	405,876	553,268	-	-
Amounts receivable from Portuguese tariff adjustments - Electricity- Portugal	585,861	374,859	-	-
Receivables relating to other goods and services	131,897	98,871	10,906	61,458
Amounts receivable relating to CMEC	158,385	122,080	-	-
Accrued income relating to energy sales and purchase activity in the market	120,702	117,227	190,250	165,968
Sundry debtors and other operations	239,096	245,189	40,668	34,341
	1,641,817	1,511,494	241,824	261,767
Impairment losses on debtors - Current	-15,565	-15,878	-949	-938
	1,626,252	1,495,616	240,875	260,829
Debtors and other assets - Non-Current:				
Amounts receivable from Portuguese tariff adjustments - Electricity - Portugal	519,364	424,787	-	-
Amounts receivable relating to CMEC	1,042,194	1,012,330	-	-
Amounts receivable from concessions - IFRIC 12	619,406	581,012	-	-
Sundry debtors and other operations	88,968	93,140	13,263	179
	2,269,932	2,111,269	13,263	179
Impairment losses on debtors - Non current	-8,999	-2,876	-	-
	2,260,933	2,108,393	13,263	179
	3,887,185	3,604,009	254,138	261,008

The amounts receivable from Spanish tariff expenses correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 March 2012, according to the applicable legal framework (see note 3). During the first quarter of 2012, the Spanish Electricity Deficit Amortisation Fund (FADE), launched eleven bond issuances explicity guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 167,936 thousands of Euros related with tariff adjustments from previous years (nominal value).

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	394,057	29,726
Receipts through the electric energy tariff	-100,463	-
Tariff adjustment of 2010	26,378	-
Tariff adjustment for the period	27,450	297,852
Interest expense	2,066	504
Transfer from tariff adjustments payable	-354	-
Transfer from Non-Current to Current	7,432	-7,432
Balance as at 31 March 2011	356,566	320,650
Receipts through the electric energy tariff	-305,672	-
Tariff adjustment of 2010	161,654	131,858
Tariff adjustment for the period	198,971	98,619
Interest expense	12,128	6,880
Securitisation adjustment of cogeneration	-73,951	-110,926
Transfer from tariff adjustments payable	2,869	-
Transfer from Non-Current to Current	22,294	-22,294
Balance as at 31 December 2011	374,859	424,787
Receipts through the electric energy tariff	-166,554	-
Tariff adjustment for the period	74,866	378,847
Interest expense	8,550	9,870
Transfer from Non-Current to Current	294,140	-294,140
Balance as at 31 March 2012	585,861	519,364

The amounts receivable relating to CMEC totalize 1,200,579 thousands of Euros, which include 1,042,194 thousands of Euros as non-current and 158,385 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 707,600 thousands of Euros as non-current and 30,023 thousands of Euros as current, corresponds t the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2012. The remaining 334,594 thousands of Euros a non-current and 128,362 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation in 2011 and 2012.

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 619,406 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa)). The variation in the period, includes the effect of the depreciation of Brazilian Real against Euro in the amount of 2,817 thousands of Euros, disposals in the amount of 858 thousands of Euros, as well as transfers from intangible assets assigned to concessions in the amount of 42,069 thousands of Euros (see note 17).

The caption Sundry debtors and other operations - Non current, on a company basis, includes the amount of 13,094 thousands of Euros related to Guarantees paid within the future acquition of CO2 licenses emission.

26. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Debtors and other assets from commercial assets - Current:				
Loans to subsidiaries	-	-	2,641,521	1,802,680
Dividends	-	-	5,185	152,358
Loans to related parties	127,801	122,903	20,273	20,235
Receivables from the State and concessors	41,536	30,565	-	-
Derivative financial instruments	112,286	216,817	186,247	246,766
Subsidiary Companies	-	-	391,998	421,855
Guarantees and linked deposits	7,832	8,181	-	-
Sundry debtors and other operations	113,825	127,228	2,923	1,880
	403,280	505,694	3,248,147	2,645,774
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	5,098,899	4,765,436
Loans to related parties	133,747	133,180	90	90
Guarantees and linked deposits	130,064	142,722	5	3,419
Derivative financial instruments	99,464	104,697	55,053	79,184
Sundry debtors and other operations	48,905	21,426	-	-
	412,180	402,025	5,154,047	4,848,129
	815,460	907,719	8,402,194	7,493,903

27. TAX RECEIVABLE

Tax receivable is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
State and other public entities:				
Income tax	166,656	271,353	59,909	77,246
Value added tax (VAT)	199,987	307,087	96,163	81,876
Turnover tax (Brazil)	21,055	30,598	-	-
Other taxes	32,458	35,781	3,254	3,255
	420,156	644,819	159,326	162,377

The caption Other taxes includes the amount of 14,089 thousands of Euros (31 December 2011: 27,700 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Cash:				
Cash in hand	231	40	8	-
Bank deposits:				
Current deposits	446,497	475,206	13,871	170,629
Term deposits	1,445,483	1,219,813	852,862	490,980
Specific demand deposits in relation to institutional partnerships - EDPR NA	15,034	24,636	-	-
Other deposits	694	5,152	-	-
	1,907,708	1,724,807	866,733	661,609
Other short term investments:				
Banks (Euros)	290	6,677	-	-
Banks (Other currencies)	-	-	-	-
	290	6,677	-	-
Cash and cash equivalents	1,908,229	1,731,524	866,741	661,609

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

29. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have non-controlling interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. On 23 December 2011, within the context of the implementation of EDP's octave reprivatisation phase the Portuguese State anounced the intention to sell 21.35% of the EDP, S.A. share capital to China Three Gorges, Co. This transaction is pending of the regulatory authorities approval whereby on 31 March 2012, the Portuguese State holds directly and indirectly approximately 25.73% of the share capital of EDP, S.A.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each. Of this amount, 2,936,222,980 are class A shares and 720,314,735 are class B shares. The class B shares are held by Portuguese public entities.

Share capital and Share premium are analysed as follows:

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

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

	Group		Company	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Net profit attributable to the equity holders of EDP (in Euros)	337,242,669	342,388,791	80,574,082	27,786,932
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	337,242,669	342,388,791		
Weighted average number of ordinary shares outstanding	3,623,839,361	3,624,144,147	3,625,352,361	3,625,657,147
Weighted average number of diluted ordinary shares outstanding	3,624,444,838	3,624,749,624	3,625,957,838	3,626,262,624
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.09	0.09		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.09	0.09		
Basic earnings per share from continuing operations (in Euros)	0.09	0.09		
Diluted earnings per share from continuing operations (in Euros)	0.09	0.09		

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

The average number of shares was determined as follows:

	Group		Company	
	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,698, 354	-32,393, 568	-31,185, 354	-30,880, 568
Average number of shares during the period	3,623,839,361	3,624,144,147	3,625,352,361	3,625,657,147
Effect of stock options	605,477	605,477	605,477	605,477
Diluted average number of shares during the period	3,624,444,838	3,624,749,624	3,625,957,838	3,626,262,624

30. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Book value of EDP, S.A. treasury stock (thousands of Euros)	112,385	111,430	106,290	105,335
Number of shares	32,785,021	32,359,146	31,272,021	30,846,146
Market value per share (in Euros)	2.181	2.391	2.181	2.391
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	71,504	77,371	68,204	73,753

Operations performed from 1 January 2012 to 31 March 2012:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	455,875	-
Purchase price average (in Euros)	2.256	-
Purchase total value (thousands of Euros)	1,028	-
Volume sold (number of shares)	-30,000	-
Selling price average (in Euros)	2.476	-
Sold total value (thousands of Euros)	74	-
Final position (number of shares)	31,272,021	1,513,000
Highest market price (in Euros)	2.480	-
Lowest market price (in Euros)	2.148	-
Average market price (in Euros)	2.272	-

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	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Legal reserve	539,145	539,145	539,145	539,145
Fair value reserve (cash flow hedge)	-76,213	-40,625	-10,356	4,870
Tax effect of fair value reserve (cash flow hedge)	23,746	13,537	2,059	-2,402
Fair value reserve (available for sale investments)	46,974	43,012	12,075	9,166
Tax effect of fair value reserve (available for sale investments)	-1,794	-1,652	1,076	1,051
Exchange differences arising on consolidation	122,931	121,469	-	-
Treasury stock reserve (EDP, S.A.)	106,290	105,335	106,290	105,335
Other reserves and retained earnings	3,278,851	2,155,619	2,023,539	1,238,690
	4,039,930	2,935,840	2,673,828	1,895,855

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 31 December 2010	495,872	-313,343
Changes in fair value	20	-30,791
Balance as at 31 March 2011	495,892	-344,134
Changes in fair value	7,640	-159,307
Transfer of impairment to profit or loss	-	60,664
Transfer to the income statement relating to assets sold	-17,743	-
Balance as at 31 December 2011	485,789	-442,777
Changes in fair value	4,347	-662
Transfer of impairment to profit or loss	-	277
Transfer to the income statement relating to assets sold	-	-
Balance as at 31 March 2012	490,136	-443,162

Changes in fair value reserve attributable to the EDP Group during the three months period ended 31 March 2012 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	433	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	2,916	-
Other	998	-662
	4,347	-662

Exchange differences on consolidation

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

		Exchange rates at Mar 2012		Exchange rates at Dec 2011		Exchange rates at Mar 2011	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.336	1.311	1.294	1.392	1.421	1.368
Brazilian Real	BRL	2.432	2.317	2.416	2.327	2.306	2.280
Macao Pataca	MOP	10.682	10.315	10.353	10.985	11.388	10.799
Canadian Dollar	CAD	1.331	1.313	1.322	1.376	1.379	1.348
Zloty	PLN	4.152	4.233	4.458	4.121	4.011	3.946
Lei	RON	4.382	4.353	4.323	4.239	4.122	4.221
Pound Sterling	GBP	0.834	0.834	0.835	0.868	0.884	0.854

Treasury stock reserve (EDP, S.A.)

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

Dividends

On 17 April 2012, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders over the net profit for the year 2011 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend). Considering the resolution date, the correspondent accounting of this decision was made during the second quarter of 2012.

32. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Mar 2012	Dec 2011
Non-controlling interests in income statement	70,724	207,316
Non-controlling interests in equity and reserves	3,259,979	3,069,929
	3,330,703	3,277,245

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

	Group	
Thousands of Euros	Mar 2012	Dec 2011
EDP Renováveis Group	1,336,367	1,319,812
Energias do Brasil Group	1,878,893	1,844,400
Other	115,443	113,033
	3,330,703	3,277,245

During the three months period ending 31 March 2012 EDP Group generated profits of 70,724 thousands of Euros attributable to non-controlling interest (31 December 2011: 207,316 thousands of Euros).

The movement booked in non-controlling interests of Brasil Group includes 50,168 thousands of Euros of profits attributable to non-controlling interests and 15,051 thousands of Euros from the negative exchange differences.

33. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

	Group and Company	
Thousands of Euros	Mar 2012	Mar 2011
Balance at the beginning of the period	69,142	75,098
Amounts received / (paid) during the period	-3,788	-
Financial charges	696	794
Balance at the end of the period	66,050	75,892

34. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	39,593	45,161	39,593	45,161
EDP Finance B.V.	354,806	358,445	-	-
' EDP Servicios Financieros España, S.A.	33,285	-	-	-
EDP Brasil Group	126,885	147,014	-	-
HC Energia Group	907	907	-	-
EDP Renováveis Group	171,108	126,041	-	-
EDP Generation - Portugal	10,387	12,745	-	-
Portgás	30,825	33,803	-	-
	767,796	724,116	39,593	45,161
Non-convertible bond loans:				
EDP, S.A.	150,000	-	150,000	-
EDP Finance B.V.	1,597,780	1,621,314	-	-
EDP Brasil Group	33,954	34,175	-	-
	1,781,734	1,655,489	150,000	-
Commercial paper:				
EDP, S.A.	305,000	311,400	6,545,000	5,641,400
HC Energia Group	13,526	498	-	-
	318,526	311,898	6,545,000	5,641,400
Other loans:				
Investco preference shares	1,050	1,058	-	-
EDP Brasil Group	8,793	9,176	-	-
EDP Renováveis Group	3,101	3,111	-	-
EDP Generation - Portugal	1,231	1,231	-	-
	14,175	14,576	-	-
Accrued interest	210,526	292,619	13,047	13,824
	3,092,757	2,998,698	6,747,640	5,700,385

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,108,801	1,137,824	1,108,801	1,137,824
EDP Finance B.V.	4,037,130	3,972,309	-	-
EDP Brasil Group	813,225	794,732	-	-
HC Energia Group	2,675	3,126	-	-
EDP Renováveis Group	824,207	680,350	-	-
EDP Generation - Portugal	159,737	159,738	-	-
Portgás	42,509	43,278	-	-
	6,988,284	6,791,357	1,108,801	1,137,824
Non-convertible bond loans:				
EDP, S.A.	481,832	630,782	481,832	630,782
EDP Finance B.V.	7,777,842	7,831,887	-	-
EDP Brasil Group	351,622	353,924	-	-
	8,611,296	8,816,593	481,832	630,782
Other loans:				
Investco preference shares	19,790	19,719	-	-
EDP Brasil Group	47,057	46,313	-	-
EDP Renováveis Group	24,233	24,284	-	-
EDP Generation - Portugal	4,142	4,022	-	-
	95,222	94,338	-	-
	15,694,802	15,702,288	1,590,633	1,768,606
Accrued interest	14,782	11,802	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	68,078	72,321	8,270	8,921
	15,777,662	15,786,411	1,598,903	1,777,527
	18,870,419	18,785,109	8,346,543	7,477,912

EDP Group, at EDP, S.A. level, has short-term credit facilities of 205,410 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 190,410 thousands of Euros have a firm underwriting commitment, being 151,000 thousands of Euros available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being fully available as at 31 March 2012. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,500,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 March 2012 is totally drawn down.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 March 2012 and 31 December 2011 these loans amounted to 1,040,441 thousands of Euros and 888,947 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of Bond loans issued and outstanding, as at 31 March 2012, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
					650,000	650,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.25%	n.a.	Jun/12	500,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Oct/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	748,727	-
EDP Finance B.V.	Oct/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	748,727	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii) (i)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	91,274	-
EDP Finance B.V.	Jun/09	Fixed rate EUR 4.75%	n.a.	Sep/16	1,000,000	-
EDP Finance B.V.	Sep/09	Fixed rate USD 4.90 %	Net Investment	Oct/19	748,727	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,873	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.5%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Aug/11	Variable Rate (iv)	n.a.	Aug/12	350,000	-
					9,473,910	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110,5% do CDI	n.a.	Oct/13	123,340	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	160,342	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	102,783	-
					386,465	-
					10,510,375	650,000

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

Financial Debt by maturity, is analysed as follows:

Thousands of Euros	Group Mar 2012	Group Dec 2011	Company Mar 2012	Company Dec 2011
Bank loans and overdrafts:				
Up to 1 year	790,660	740,584	41,109	48,146
From 1 to 5 years	5,503,213	5,422,511	625,750	625,655
More than 5 years	1,498,919	1,380,647	483,051	512,169
	7,792,792	7,543,742	1,149,910	1,185,970
Bond loans:				
Up to 1 year	1,966,681	1,924,756	158,816	4,065
From 1 to 5 years	5,614,465	5,753,834	190,102	339,703
More than 5 years	3,065,843	3,135,080	300,000	300,000
	10,646,989	10,813,670	648,918	643,768
Commercial paper:				
Up to 1 year	321,241	318,672	6,547,715	5,648,174
Other loans:				
Up to 1 year	14,175	14,686	-	-
From 1 to 5 years	80,497	61,859	-	-
More than 5 years	14,725	32,480	-	-
	109,397	109,025	-	-
	18,870,419	18,785,109	8,346,543	7,477,912

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

Thousands of Euros	Mar 2012 Carrying amount	Mar 2012 Market value	Dec 2011 Carrying amount	Dec 2011 Market value
Debt and borrowings - Current	3,092,757	2,848,708	2,998,698	2,650,355
Debt and borrowings - Non current	15,777,662	14,481,026	15,786,411	13,939,717
	18,870,419	17,329,734	18,785,109	16,590,072

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

As at 31 March 2012, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Debt and borrowings - Non current	-	2,545,251	3,180,780	2,504,850	2,938,095	4,608,686	15,777,662
Debt and borrowings - Current	2,866,259	226,498	-	-	-	-	3,092,757
	2,866,259	2,771,749	3,180,780	2,504,850	2,938,095	4,608,686	18,870,419

Future payments of capital in debt and interests and guarantees are detailed in note 43.

35. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group Mar 2012	Group Dec 2011	Company Mar 2012	Company Dec 2011
Provisions for social liabilities and benefits	983,512	1,003,943	-	-
Provisions for medical liabilities and other benefits	822,560	819,215	-	-
	1,806,072	1,823,158	-	-

Provisions for social liabilities and benefits as at 31 March 2012 include 974,749 thousands of Euros relating to retirement pension defined benefit plans (31 December 2011: 994,661 thousands of Euros) and 8,763 thousands of Euros (31 December 2011: 9,282 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

Thousands of Euros	Group Mar 2012	Group Mar 2011	Company Mar 2012	Company Mar 2011
Balance at the beginning of the period	1,003,943	1,104,406	-	-
Charge for the period	14,705	14,850	-	-
Charge-off	-34,956	-42,822	-	-
Transfers, reclassifications and exchange differences	-180	163	-	-
Balance at the end of the year	983,512	1,076,597	-	-

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

Thousands of Euros	Mar 2012 Portugal	Mar 2012 Spain	Mar 2012 Brazil	Mar 2012 Group
Cost for the period				
Current service cost	3,106	141	-19	3,228
Operacional component (see note 10)	3,106	141	-19	3,228
Interest cost	21,382	940	8,135	30,457
Expected return on plan assets	-11,388	-	-7,592	-18,980
Financial component (see note 14)	9,994	940	543	11,477
Net cost for the period	13,100	1,081	524	14,705

Thousands of Euros	Mar 2011 Portugal	Mar 2011 Spain	Mar 2011 Brazil	Mar 2011 Group
Cost for the period				
Current service cost	3,339	-	-93	3,246
Operacional component (see note 10)	3,339	-	-93	3,246
Interest cost	24,550	927	5,655	31,132
Expected return on plan assets	-14,763	-	-4,765	-19,528
Financial component (see note 14)	9,787	927	890	11,604
Net cost for the period	13,126	927	797	14,850

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

	Group		Company	
Thousands of Euros	Mar 2012	Mar 2011	Mar 2012	Mar 2011
Balance at the beginning of the period	819,215	800,473	-	-
Charge for the period	13,683	12,935	-	-
Charge-off	-9,777	-8,175	-	-
Transfers and exchange differences	-561	-1,622	-	-
Balance at the end of the period	822,560	803,611	-	-

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

	Mar 2012			Mar 2011		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the period						
Current service cost	1,727	544	2,271	1,741	150	1,891
Operacional component (see note 10)	1,727	544	2,271	1,741	150	1,891
Interest cost	9,040	2,372	11,412	9,294	1,750	11,044
Financial component (see note 14)	9,040	2,372	11,412	9,294	1,750	11,044
Net cost for the period	10,767	2,916	13,683	11,035	1,900	12,935

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

With reference to 31 March 2011, the financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 11,604 thousands of Euros and 11,044 thousands of Euros, respectively were reclassified from personnel costs and employee benefits to financial expenses (see notes 10 and 35).

36. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	88,255	87,143	-	-
Provision for customer guarantees under current operations	28,042	37,867	-	-
Provision for other liabilities and charges	292,423	290,139	80,463	72,172
	408,720	415,149	80,463	72,172

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

Provision for legal and labour matters and other contingencies, includes provisions for litigation in progress and other labour contingencies of 80,370 thousands of Euros (31 December 2011: 79,529 thousands of Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 19,985 thousands of Euros (31 December 2011: 19,498 thousands of Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;

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

iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2004 to 2008, in a total amount of 10,170 thousands of Euros;

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

As at 31 March 2012, Provision for other liabilities and charges on a consolidated basis includes the following situations:

i) The Group holds a provision of 23,068 thousands of Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it;

ii) Provisions for dismantling of wind farms of 57,636 thousands of Euros (31 December 2011: 57,694 thousands of Euros) to cover the costs of returning the sites to their original state, from which 33,894 thousands of Euros referring to the wind farms of the EDPR North America Group, 22,832 thousands of Euros to the wind farms of the EDPR Europe Group and 910 thousands of Euros to the wind farms of the EDPR Brazil Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 31 March 2012, the provision which amounts to 43,875 thousands of Euros (31 December 2011: 43,215 thousands of Euros) and 15,863 thousands of Euros (31 December 2011: 15,608 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

As at 31 March 2012, "Provision for other liabilities and charges" on a company basis of 80,463 thousands of Euros (31 December 2011: 72,172 thousands of Euros), includes 45,550 thousands of Euros related to a provision to cover for the negative equity of subsidiary companies.

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

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 31 March 2012, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 26,771 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tarrif charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible;

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

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

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional S.G.P.S., related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 March 2012, the amount of this tax contingency totals 215 millions of Euros.

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

Consequently, EDP Group is currently using all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and tax perspective, being at this moment in the final phase. On the last 11 January 2012, EDP Group was notified by the portuguese tax authorities of the final decision regarding this litigation, and therefore decided to present an administrative appeal.

37. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

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

	Group	
Thousands of Euros	Mar 2012	Dec 2011
Deferred income related to benefits provided	743,109	773,252
Liabilities arising from institutional partnerships in USA wind farms	962,881	1,010,609
	1,705,990	1,783,861

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 14).

On 31 March 2012, as referred in the note 2 a), EDP Group change the presentation of Deferred tax equity costs to be deducted to the caption Institutional partnerships in US wind farms. Prior to 2012, amounts included in Deferred tax equity costs were previously included in Other debtors and other assets — Non-current - Sundry debtors and other operations (see note 26). In accordance with IAS 1, the Group has retrospectively reclassified amounts within 2011 comparative figures to conform to this change in presentation. The Group reclassified 12,948 thousands of Euros as at 31 December 2011 from Other debtors and other assets — Non-current - Sundry debtors and other operations to Institutional partnerships in US wind farms.

38. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Trade and other payables from commercial activities - Current:				
Suppliers	1,008,194	1,110,659	169,110	250,114
Accrued costs related with supplies	373,363	371,858	183,161	180,632
Property, plant and equipment suppliers and accruals	427,376	788,496	310	5,342
Holiday pay, bonus and other charges with employees	181,390	154,622	15,908	14,861
CO_2 emission licenses	299,108	185,154	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	53,729	67,473	-	-
Amounts payable for tariff adjustments - Spain	59,472	39,624	-	-
Other creditors and sundry operations	606,348	578,794	34,289	57,744
	3,008,980	3,296,680	402,778	508,693
Trade and other payables from commercial activities - Non-Current				
Government grants for investment in fixed assets	533,193	541,850	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	10,756	12,376	-	-
Energy sales contracts - EDPR NA	57,341	61,664	-	-
Deferred income - CMEC	444,249	377,508	-	-
Amounts payable for concessions	249,406	247,933	-	-
Other creditors and sundry operations	47,563	48,105	3,760	3,410
	1,342,508	1,289,436	3,760	3,410
	4,351,488	4,586,116	406,538	512,103

Amounts payable for tariff adjustments - Electricity- Portugal current and non-current, relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2009 and 2010 for the regulated companies in Portugal. The movement in this caption (Current and Non-Current) is analysed as follows:

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	173,831	61,557
Payment through the electricity tariff	-96,006	-
Interest expense	832	118
Transfer to tariff adjustments receivable	-354	-
Transfer from Non-Current to Current	15,389	-15,389
Balance as at 31 March 2011	93,692	46,286
Payment through the electricity tariff	-79,946	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the period	-	12,135
Interest expense	2,936	123
Transfer to tariff adjustments receivable	2,869	-
Transfer from Non-Current to Current	47,922	-47,922
Balance as at 31 December 2011	67,473	12,376
Payment through the electricity tariff	-17,544	-
Tariff adjustment of the period	-	1,376
Interest expense	706	98
Transfer from Non-Current to Current	3,094	-3,094
Balance as at 31 March 2012	53,729	10,756

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

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

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

Deferred income - CMEC non current includes 444,249 thousands of Euros (31 December 2011: 377,508 thousands of Euros) which refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2012 and including financial expenses (31 March 2012: 4,560 thousands of Euros) according with note 14.

39. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Other liabilities and other payables - Current:				
Payables - related companies	118,980	128,587	-	-
Derivative financial instruments	101,981	111,857	69,484	75,745
Payables - Group companies	-	-	1,631,035	1,288,583
Amounts payable for the acquisition of companies	217,215	215,524	-	-
Other creditors and sundry operations	67,455	79,109	30,986	29,203
	505,631	535,077	1,731,505	1,393,531
Other liabilities and other payables - Non-Current:				
Payables to associates	109,997	94,259	-	-
Put options over non-controlling interest liabilities	83,864	89,651	-	-
Derivative financial instruments	126,068	95,719	-	-
Payables - Group companies	-	-	2,394,571	2,436,252
Amounts payable for the acquisition and success fees	46,054	48,675	-	-
Other creditors and sundry operations	33,357	32,797	11,061	11,062
	399,340	361,101	2,405,632	2,447,314
	904,971	896,178	4,137,137	3,840,845

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 31 March 2012 the captions Amounts payable for the acquisition of companies (current) includes the amount of 216,457 thousands of Euros (31 December 2011: 214,767 thousands of Euros).

The caption Put options over non-controlling interest liabilities non-current includes the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 77,326 thousands of Euros (31 December 2011: 83,244 thousands of Euros) and the put option of Energia in Natura to EDPR Europe for 6.48% of EDPR Italia share capital of 3,318 thousands of Euros (31 December 2011: 3,266 thousands of Euros).

The Amounts payable for the acquisition and success fees related with the acquisitions of companies refers to the contingent price to be paid for the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy, SeaEnergy Renewables InchCape Limited and Elebrás. As at 31 December 2011, this caption includes the decrease resulting from of the contigent price reduction associated with the exercise of the put option of Energia in Natura to EDPR Europe in the

40. TAX PAYABLE

Tax payable is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
State and other public entities:				
Income tax	124,763	167,316	60	1,158
Withholding tax	32,865	65,999	237	213
Value added tax (VAT)	119,967	97,835	227	307
Turnover tax (Brazil)	59,027	59,596	-	-
Social tax (Brazil)	32,706	36,952	-	-
Other taxes	116,514	119,108	57	44
	485,842	546,806	581	1,722

As at 31 March 2012, Other taxes include essentially to foreign taxes regarding HC Energia Group of 42,589 thousands of Euros, Naturgas Group of 35,018 thousands of Euros (31 December 2011: HC Energia Group 53,539 thousands of Euros and Naturgás Group of 34,656 thousands of Euros) and Energias do Brazil Group of 13,752 thousands of Euros (31 December 2011: 13,437 thousands of Euros).

41. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Assets classified as held for sale				
Assets of the business of gas transmission - Naturgas	202,133	201,924	-	-
Assets of the Mini-hydrics EDP Renováveis Group	5,077	-	-	-
	207,210	201,924	-	-
Liabilities classified as held for sale				
Liabilities of the business of gas transmission - Naturgas	-21,855	-21,329	-	-
Liabilities of the Mini-hydrics EDP Renováveis Group	-1,642	-	-	-
	-23,497	-21,329	-	-
	183,713	180,595	-	-

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

During the first quarter of 2012, the EDP Group started the selling process of the mini-hydrics held in Spain, which assets and liabilities were reclassified to non-current assets held for sale.

42. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Group		Company	
Thousands of Euros	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Derivatives held for trading	40,173	77,033	32,928	30,040
Fair value hedge	52,887	97,330	144,934	208,460
Cash-flow hedge	-112,831	-68,232	-6,046	11,705
Net Investment hedge	3,472	7,807	-	-
	-16,299	113,938	171,816	250,205

43. COMMITMENTS

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

Thousands of Euros	Group		Company	
Type	Mar 2012	Dec 2011	Mar 2012	Dec 2011
Guarantees of a financial nature				
EDP, S.A.	249,338	268,890	249,338	268,890
HC Energia Group	22,961	33,083	-	-
EDP Brasil Group	74,488	8,653	-	-
EDP Renováveis Group	3,369	5,656	-	-
Other	3,711	3,711	-	-
	353,867	319,993	249,338	268,890
Guarantees of an operating nature				
EDP, S.A.	899,860	770,668	899,860	770,668
HC Energia Group	394,169	357,709	-	-
EDP Brasil Group	203,894	123,507	-	-
EDP Renováveis Group	1,968,876	2,434,720	-	-
Other	9,961	10,094	-	-
	3,476,760	3,696,698	899,860	770,668
Total	3,830,627	4,016,691	1,149,198	1,039,558
Real guarantees	5,326	13,338	-	-

The financial guarantees contracted include, at 31 March 2012 and 31 December 2011, 211,302 thousands of Euros and 231,525 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 193,050 thousands of Euros at 31 March 2012 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 75,450 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 March 2012 and 31 December 2011, 420,630 thousands of Euros and 470,161 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 March 2012 and 31 December 2011 these loans amounted to 1,040,441 thousands of Euros and 888,947 thousands of Euros, respectively, and are included in the Group's consolidated debt.

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

	Mar 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including interest)	22,031,561	3,549,318	8,032,381	4,984,365	5,465,497
Finance lease commitments	6,964	3,228	3,473	263	-
Operating lease commitments	1,762,919	126,651	264,147	198,190	1,173,931
Purchase obligations	30,832,782	5,074,352	7,598,330	5,119,493	13,040,607
Other long term commitments	2,434,180	271,916	532,095	485,216	1,144,953
	57,068,406	9,025,465	16,430,426	10,787,527	20,824,988

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

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

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

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

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

Other long term commitments relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated statement of financial position (note 35).

As at 31 March 2012, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option 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 Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 6.48% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 6.48% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
- Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
- When EDP Renewables Italy build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the begining of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. 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.

44. SHARE BASED PAYMENTS

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

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

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

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

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 March 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 March 2012	605,477	2.22

Information regarding stock options as at 31 March 2012, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
605,477	2.22	1.69	605,477	400,947

During the three months period ending 31 March 2012 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In the first quarter of 2012, was not granted treasury stocks to employees.

45. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 March 2012 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	932,150,782	25.49%	24.77%
Caixa Geral de Depósitos Group	8,752,109	0.24%	0.23%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	176,322,036	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,995,561	3.36%	3.36%
Sonatrach	81,713,076	2.23%	2.23%
Banco Espírito Santo Group	80,110,820	2.19%	2.19%
Qatar Holding LLC	73,800,000	2.02%	2.02%
EDP Group (Treasury stock)	32,785,021	0.90%	-
Remaining shareholders	1,567,781,282	42.89%	-
	3,656,537,715	**100.00%**	

Balances and transactions with subsidiaries and associates

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

Credits

	March 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	20,762	250,000	7,517	278,279
EDP Comercial	79,590	40,000	105,350	224,940
EDP Distribuição	308,001	2,028,125	56,887	2,393,013
EDP Finance BV	-	501,706	571,827	1,073,533
EDP Gás -SGPS	12,886	107,400	4,380	124,666
EDP Gestão da Produção	-	3,852,044	301,454	4,153,498
EDP Imobiliária e Participações	-	177,700	2,450	180,150
EDP Renováveis	-	62,538	184,120	246,658
Other	16,608	45,583	147,237	209,428
	437,847	7,065,096	1,381,222	8,884,165

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

Debits

	March 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,345,315	42,961	3,388,276
EDP Servicios Financieros España	-	481,588	632	482,220
EDP Gestão da Produção	176,360	-	190,650	367,010
EDP Renováveis	-	122,617	3,586	126,203
EDP Serviço Universal	-	-	157,586	157,586
Other	11,378	353	112,675	124,406
	187,738	3,949,873	508,090	4,645,701

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

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

Expenses

	March 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	-44,352	-1,215	-45,567
EDP Gestão da Produção	-397	-	-236,467	-236,864
EDP Renováveis	-	-349	-65,482	-65,831
Other	-38	-1,013	-35,404	-36,455
	-435	-45,714	-338,568	-384,717

	March 2011			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	-42,414	-1,110	-43,524
EDP Gestão da Produção	-68	-	-317,739	-317,807
EDP Renováveis	-	-46	-121,934	-121,980
Hidroeléctrica do Guadiana	-	-	-15,282	-15,282
Other	-116	-265	-31,572	-31,953
	-184	-42,725	-487,637	-530,546

Income

Thousands of Euros	March 2012 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	480	410	140,402	141,292
EDP Distribuição	1,924	32,460	9,665	44,049
EDP Gás.Com	-	-	55,259	55,259
EDP Gestão da Produção	-	58,246	11,378	69,624
Other	369	8,237	69,502	78,108
	2,773	99,353	286,206	388,332

Thousands of Euros	March 2011 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	38	582	109,843	110,463
EDP Distribuição	1,439	17,303	9,552	28,294
EDP Gás.Com	-	-	36,697	36,697
EDP Gestão da Produção	203	51,466	27,705	79,374
Other	134	5,224	48,664	54,022
	1,814	74,575	232,461	308,850

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

Assets and liabilities

Thousands of Euros	March 2012 Assets	Liabilities	Net Value
Associates	244,170	4,341	239,829
Jointly controlled entities	20,115	13,890	6,225
	264,285	18,231	246,054

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

Transactions

Thousands of Euros	March 2012 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	2,101	2,572	-924	-18
Jointly controlled entities	14,821	662	-5,733	-134
	16,922	3,234	-6,657	-152

Thousands of Euros	March 2011 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	3,494	1,135	-362	-2
Jointly controlled entities	16,352	2,925	-5,471	-189
	19,846	4,060	-5,833	-191

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Group Mar 2012			Group Dec 2011		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	172,923	172,923	-	171,313	171,313	-
Trade receivables	2,276,084	2,276,084	-	2,152,281	2,152,281	-
Debtors and other assets from commercial activities	3,887,185	3,887,185	-	3,604,009	3,604,009	-
Other Debtores and other assets	603,710	603,710	-	586,205	586,205	-
Derivative financial instruments	211,750	211,750	-	321,514	321,514	-
Financial assets at fair value through profit or loss	192	192	-	212	212	-
Cash and cash equivalents (assets)	1,908,229	1,908,229	-	1,731,524	1,731,524	-
	9,060,073	9,060,073	-	8,567,058	8,567,058	-
Financial liabilities						
Loans	18,870,419	17,329,734	-1,540,685	18,785,109	16,590,072	-2,195,037
Property, plant and equipment suppliers and accruals	1,435,570	1,435,570	-	1,899,155	1,899,155	-
Institutional Partnerships in USA Wind Farms	1,705,990	1,705,990	-	1,783,861	1,783,861	-
Trade and other payables from commercial activities	2,915,918	2,915,918	-	2,686,961	2,686,961	-
Other liabilities and other payables	676,922	676,922	-	688,602	688,602	-
Derivative financial instruments	228,049	228,049	-	207,576	207,576	-
	25,832,868	24,292,183	-1,540,685	26,051,264	23,856,227	-2,195,037

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

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

47. SUBSEQUENT EVENTS

EDP launches a public offering of bonds to 3 years (2012 to 2015)

On 2 April 2012, EDP has launched a new public offering of bonds in the amount of 200 millions of Euros, being on 20 April 2012 increased to 250 millions of Euros. These bonds have been following the public offering performed in November 2011 and fall within the financial polity of EDP.

The bonds have a term of 3 years, with redemption made to the nominal value of € 1.000 each, on 4 May 2015. The interest rate of the bonds, since the first moment, is fixed and equal to 6.00% for year (gross nominal annual rate), with interest paid half year and postdated on 4 May and 4 November of each year.

Fitch places utilities with sizeable exposure to Spain on rating watch negative

On 3 April 2012, Fitch Ratings ("Fitch") has placed all Spanish utilities and those utilities with sizeable exposure to Spain on Rating Watch Negative, among which EDP - Energias de Portugal, S.A., its finance subsidiary EDP Finance B.V. and its Spanish subsidiary, Hidroelectrica del Cantabrico, maintaining long-term Issuer Default Ratings and senior unsecured ratings at "BBB+".

48. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

- IFRS 1 (Amendment) - First-Time Adoption of International Financial Reporting Standards
- IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets

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

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

- IFRS 7 (Amendment) - Financial Instruments: Disclosures - Offsseting Financial Assets
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 1 (Amended) - Presentation of Financial Statements
- IAS 19 (Amended) - Employee Benefits
- IAS 27 (Amended) - Separate Financial Statements
- IAS 28 (Amended) - Investments in Associates and Joint Ventures
- IAS 32 (Amended) - Financial Instruments: Presentation

49. EDP BRANCH IN SPAIN

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

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

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

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

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

	EDP Branch	
Thousands of Euros	Mar 2012	Dec 2011
Investments in subsidiaries		
EDP Renováveis, S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	481,695	481,695
Other	60	60
Deferred tax assets	66,524	70,114
Other debtors and others assets	55,652	79,794
Total Non-Current Assets	5,525,618	5,553,350
Trade receivables	12,931	13,573
Debtors and other assets	722,179	387,595
Tax receivable	17,033	37,306
Cash and cash equivalents	315	11,649
Total Current Assets	752,458	450,123
Total Assets	6,278,076	6,003,473
Equity	2,239,721	2,269,465
Financial debt	2,394,571	2,436,252
Deferred tax liabilities	4,255	4,255
Total Non-Current Liabilities	2,398,826	2,440,507
Trade and other payables	1,639,218	1,293,150
Tax payable	311	351
Total Current Liabilities	1,639,529	1,293,501
Total Liabilities	4,038,355	3,734,008
Total Equity and Liabilities	6,278,076	6,003,473

50. SEGMENTAL REPORTING

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

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

The Group develops a set of regulated and liberalised activities in the energy sector, with special emphasis in generation, distribution and supply of electricity and gas.

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP in Brazil).

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

The segments defined by the Group are the following (see Annex I):

• Long Term Contracted Generation in Iberia
• Iberian Distribution
• Liberalised Activities in Iberia
• Regulated Networks in Iberia
• EDP Renováveis
• EDP in Brazil

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

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

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

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

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

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

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

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

The Corporate Activities and Adjustments segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms, shared service centers and reinsurance and innovation activities, as well as the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

The amounts reported in each business segment result from the aggregation of the subsidiaries and business units defined in each segment perimeter.

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

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

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

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. Since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions -, assets and liabilities, the shared costs were apportioned following the percentage of costs of each plant in the total costs and the remaining assets and liabilities were apportioned following the percentage of each plant net assets in the total assets.

As of 31 March 2012, the EDP Group changed the reported segments, as well as the information disclosed in the Segmental Reporting, according to the mentioned above. For comparability purposes the information as of 31 March 2011 has been restated to reflect the changes occurred in 2012.

51. EXPLANATION ADDED FOR TRANSLATION

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

ANNEX I

EDP Group Activity by Business Segment
31 March 2012

Thousands Euros	Iberia			EDP Renováveis	EDP no Brasil	Corpor. Activ. and Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks				
Turnover							
Electricity and network accesses	382,541	1,511,079	1,664,340	312,906	612,250	(578,630)	3,904,486
Gas and network accesses	-	478,376	105,075	-	-	(100,761)	482,690
Other	12,074	46,886	3,686	1,466	3,348	(42,477)	24,983
	394,615	2,036,341	1,773,101	314,372	615,598	(721,869)	4,412,159
Cost of electricity	(17,665)	(1,210,364)	(1,272,009)	(4,186)	(355,871)	575,753	(2,284,342)
Cost of gas	22	(434,501)	(20,764)	-	-	64,623	(390,620)
Change in inventories and cost of raw materials and consumables used	(135,752)	(197,597)	(2,161)	(540)	(248)	36,744	(299,554)
	(153,395)	(1,842,462)	(1,294,934)	(4,726)	(356,119)	677,119	(2,974,516)
	241,220	193,879	478,167	309,646	259,479	(44,750)	1,437,643
Other operating income / (expenses)							
Other operating income	2,537	5,245	22,242	42,839	13,159	(2,913)	83,109
Supplies and services	(18,487)	(64,602)	(104,362)	(57,267)	(45,891)	74,329	(216,280)
Personnel costs and employee benefits	(18,318)	(26,048)	(46,177)	(13,779)	(36,577)	(28,614)	(169,513)
Other operating expenses	(9,939)	(13,932)	(74,937)	(17,966)	(12,787)	(1,924)	(131,485)
	(44,207)	(99,337)	(203,234)	(46,173)	(82,096)	40,879	(434,169)
	197,013	94,542	274,933	263,473	177,383	(3,871)	1,003,474
Provisions	130	2,990	(88)	(1)	(2,506)	(3,524)	(2,999)
Depreciation, amortisation and impairment	(48,909)	(65,036)	(75,502)	(118,180)	(38,211)	(11,581)	(357,419)
Compensation of amortisation and depreciation	555	71	642	3,742	2,064	22	7,096
	148,789	32,567	199,985	149,034	138,730	(18,954)	650,152
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	-
Financial results	(16,271)	(45,541)	(31,919)	(57,852)	(17,541)	2,296	(166,828)
Share of profit in associates	310	-	35	1,561	(793)	2,529	3,642
Profit/(loss) before income tax	132,828	(12,974)	168,101	92,743	120,396	(14,129)	486,966
Income tax expense	(41,448)	(403)	(52,484)	(27,365)	(40,474)	83,175	(78,999)
Net profit/(loss) for the period	**91,380**	**(13,377)**	**115,617**	**65,378**	**79,922**	**69,046**	**407,967**
Equity holders of EDP	92,825	(13,346)	110,249	62,213	59,027	26,275	337,243
Non-controlling interests	(1,445)	(31)	5,368	3,165	20,895	42,772	70,724
Net profit/(loss) for the period	**91,380**	**(13,377)**	**115,617**	**65,378**	**79,922**	**69,047**	**407,967**
Total assets	6,928,510	6,803,579	9,369,133	12,958,453	5,623,465	(355,128)	41,328,012
Total liabilities	4,045,558	4,998,146	7,623,045	7,437,481	2,834,873	2,632,957	29,572,060

EDP Group Activity by Business Segment
31 March 2011

Thousands Euros	Iberia			EDP Renováveis	EDP no Brasil	Corpor. Activ. and Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks				
Turnover							
Electricity and network accesses	299,659	1,413,615	1,554,574	256,039	602,630	(568,146)	3,558,371
Gas and network accesses	-	421,805	101,324	-	-	(104,195)	418,934
Other	16,362	61,592	3,886	590	-	(44,763)	37,667
	316,021	1,897,012	1,659,784	256,629	602,630	(717,103)	4,014,972
Cost of electricity	(11,121)	(1,086,378)	(1,178,381)	(1,450)	(317,668)	563,007	(2,031,991)
Cost of gas	-	(397,203)	(18,205)	-	-	80,491	(334,917)
Change in inventories and cost of raw materials and consumables used	(58,791)	(183,943)	(1,977)	(1,012)	(1,041)	30,073	(216,691)
	(69,913)	(1,667,523)	(1,198,563)	(2,462)	(318,709)	673,571	(2,583,599)
	246,108	229,489	461,221	254,167	283,921	(43,532)	1,431,373
Other operating income / (expenses)							
Other operating income	2,573	5,526	53,528	45,966	5,366	(6,164)	106,795
Supplies and services	(19,707)	(62,029)	(107,615)	(55,055)	(41,079)	77,220	(208,265)
Personnel costs and employee benefits	(19,300)	(25,393)	(44,047)	(12,106)	(28,772)	(26,682)	(156,300)
Other operating expenses	(3,703)	(26,142)	(73,148)	(12,830)	(18,625)	(8,341)	(142,789)
	(40,137)	(108,038)	(171,282)	(34,025)	(83,110)	36,033	(400,559)
	205,971	121,451	289,939	220,142	200,811	(7,499)	1,030,814
Provisions	1	2,669	(6,590)	266	(882)	2,149	(2,387)
Depreciation, amortisation and impairment	(45,674)	(56,738)	(84,829)	(123,666)	(36,491)	(17,903)	(365,301)
Compensation of amortisation and depreciation	1,186	981	611	4,532	0	(51)	7,259
	161,484	68,363	199,131	101,274	163,438	(23,304)	670,385
Gain/(losses) on the sale of financial assets	-	-	-	-	-	233	233
Financial results	(23,912)	(30,099)	(31,889)	(38,436)	(23,555)	(8,245)	(156,136)
Share of profit in associates	335	-	68	3,015	(537)	2,954	5,834
Profit/(loss) before income tax	137,907	38,264	167,310	65,853	139,346	(28,363)	520,316
Income tax expense	(40,151)	(17,443)	(42,369)	(14,703)	(45,511)	36,792	(123,385)
Net profit/(loss) for the period	**97,756**	**20,821**	**124,941**	**51,150**	**93,835**	**8,429**	**396,931**
Equity holders of EDP	99,361	20,633	118,526	49,191	82,712	(28,034)	342,389
Non-controlling interests	(1,605)	188	6,415	1,959	11,123	36,462	54,542
Net profit/(loss) for the period	**97,756**	**20,821**	**124,941**	**51,150**	**93,835**	**8,428**	**396,931**
Total assets	7,099,320	6,953,114	8,325,067	12,187,829	5,537,076	60,315	40,162,721
Total liabilities	4,204,778	5,114,232	6,817,625	6,740,704	2,649,700	3,577,699	29,104,738