FIRST HALF 2011 REPORT

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values

Trust
Of shareholders, customers, suppliers and other stakeholders.

Excellence
In the way we implement.

Initiative
Demonstrated through behaviour and attitude of our people.

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

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

vision

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

commitments

Commitment with Persons

- We join ethical conduct and professional rigour to enthusiasm and initiative, emphasising team work.
- We promote the development of skills and merit.
- We believe that the balance between private and professional life is fundamental in order to be successful.

Commitment with Customer

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

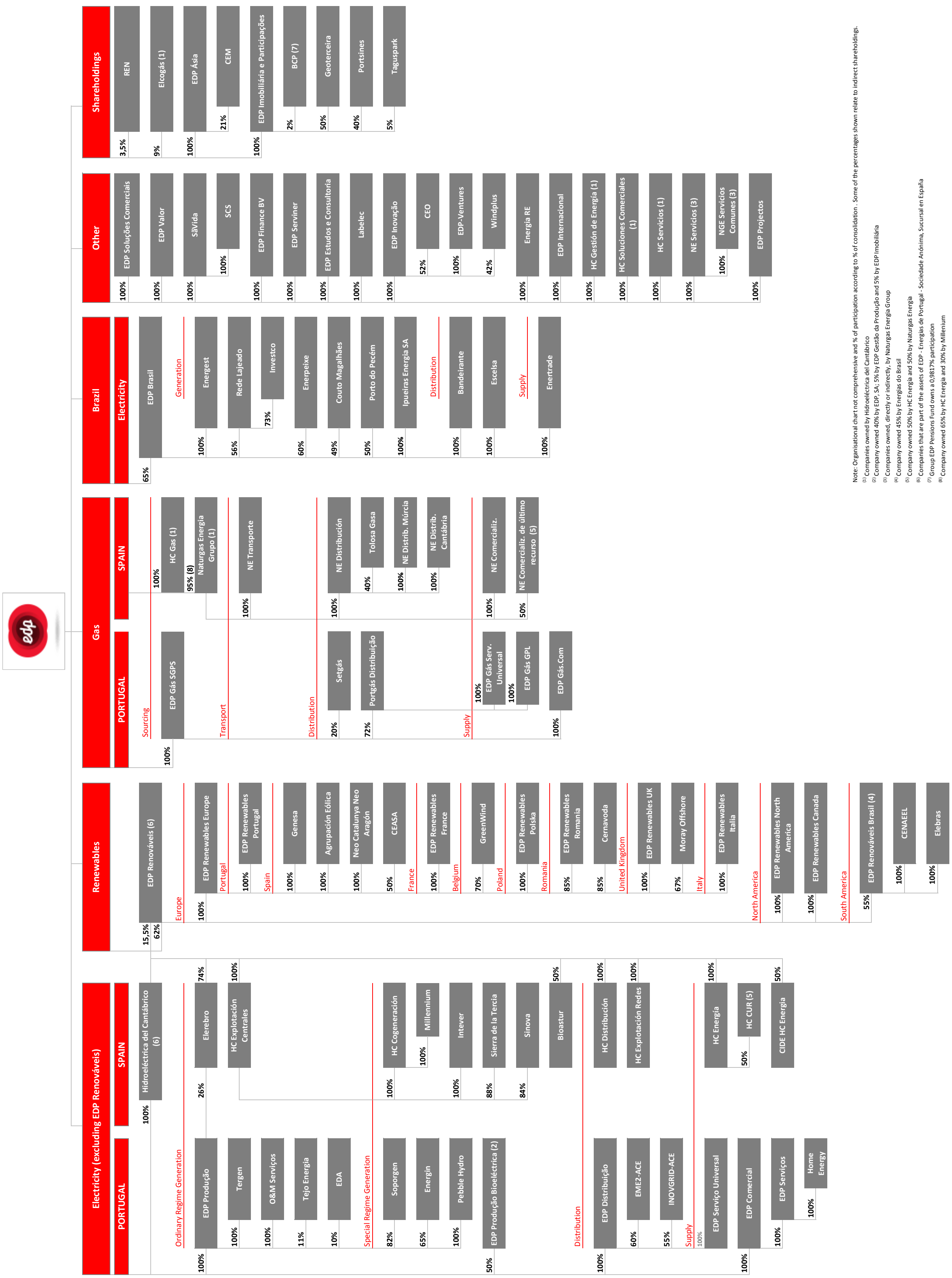
Commitment with Sustainability

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

Commitment with Results

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

II - ORGANISATIONAL CHART



Note: Organisational chart not comprehensive and % of participation according to % of consolidation . Some of the percentages shown relate to indirect shareholdings.

(1) Companies owned by Hidroeléctrica del Cantábrico

(2) Company owned 40% by EDP, SA; 5% by EDP Gestão da Produção and 5% by EDP Imobiliária

(3) Companies owned, directly or indirectly, by Naturgas Energia Group

(4) Company owned 45% by Energias do Brasil

(5) Company owned 50% by HC Energía and 50% by Naturgas Energia

(6) Companies that are part of the assets of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España

(7) Group EDP Pensions Fund owns a 0,9817% participation

(8) Company owned 65% by HC Energia and 30% by Millenium

III. EDP IN THE WORLD

Employees	326
Installed Capacity (MW)*	3,278
Net Generation (GWh)	5,105
Generation from renewable sources**	100%

edp renewables

Employees	28
Installed Capacity (MW)*	341
Net Generation (GWh)	337
Generation from renewable sources**	100%

edp renewables

Employees	16

edp renewables

Employees	45
Installed Capacity (MW)*	396
Net Generation (GWh)	248
Generation from renewable sources**	100%

edp renewables

Employees	14

edp renewables

Employees	2,444
Electricity Costumers	2,784,905
Installed Capacity (MW)*	1,874
Net Generation (GWh)	4,043
Generation from renewable sources**	100%
Electricity Distribution (GWh)	12,296

edp

edp renováveis

Employees	7,212
Electricity Costumers	6,090,875
Gas Costumers	258,650
Installed Capacity (MW)*	10,542
Net Generation (GWh)	13,571
Generation from renewable sources**	61%
Electricity Distribution (GWh)	23,576
Gas Distribution (GWh)	3,767

edp

edp renováveis

Employees	2,039
Electricity Costumers	1,019,747
Gas Costumers	806,113
Installed Capacity (MW)*	6,075
Net Generation (GWh)	7,465
Generation from renewable sources**	41%
Electricity Distribution (GWh)	4,952
Gas Distribution (GWh)	25,789

edp hc energía

edp naturgas energia

edp renováveis

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

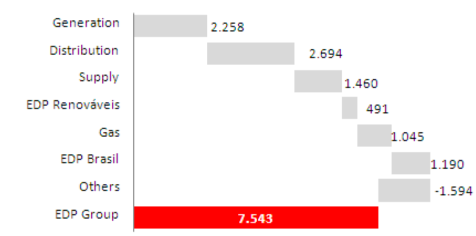
IV. FINANCIAL & OPERATIONAL HIGHLIGHTS

Financial Indicators

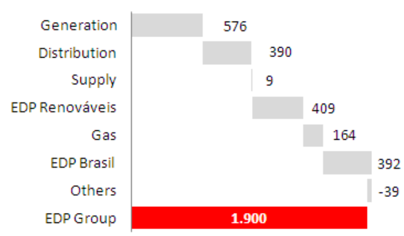
EUR thousands	1H2011	1H2010 a)
EDP Group		
Turnover	7.542.984	6.762.619
EBITDA	1.900.381	1.830.799
Operating profit	1.175.714	1.086.318
Net profit *	608.662	564.791
Operating Cash-flow	1.486.105	864.048
Net operating investment	845.021	1.311.701
Financial Investment /(Divestiture)	166.183	14.807
Net assets	39.011.383	40.488.853
Equity**	7.692.598	7.854.558
Net debt ***	16.878.631	16.344.678
Net debt/Gross operating profit (x)	4,4	4,5
Financial liabilities/Equity	232,0%	227,8%
Profit per share (EUR)	0,17	0,16
Dividend Yield	6,9%	6,4%
Market capitalization	8.954.861	8.921.952
Electricity Generation - Iberia (excluding EDP Renováveis)		
Turnover	2.257.592	1.920.932
Gross operating profit	575.505	669.562
Operating profit	376.478	448.476
Net profit *	231.978	290.779
Operating Investment	182.147	185.824
Electricity Distribution - Iberia		
Turnover	2.693.693	2.583.654
Gross operating profit	389.977	341.707
Operating profit	245.575	197.995
Net profit *	166.617	160.058
Operating Investment	138.590	110.244
Electricity Supply - Iberia		
Turnover	1.459.817	1.379.121
Gross operating profit	8.601	12.939
Operating profit	-5.620	-13.154
Net profit *	-9.381	-11.132
Operating Investment	3.116	1.727
EDP Renováveis		
Turnover	491.350	412.907
Gross operating profit	409.243	342.930
Operating profit	198.254	146.091
Net profit *	89.509	42.897
Operating Investment	344.976	834.310
Gas - Iberia		
Turnover	1.044.666	792.342
Gross operating profit	163.613	142.288
Operating profit	118.246	106.421
Net profit *	75.593	67.779
Operating Investment	30.500	38.413
EDP Brasil		
Turnover	1.189.607	1.015.879
Gross operating profit	392.432	341.167
Operating profit	306.443	267.499
Net profit *	142.848	139.180
Operating Investment	123.786	121.819

Note: 100% of the displayed figures are included under Operating Investment (Net of contributions).
* Net Profit tributable to EDP Equity holders **Does not include Non-controlling Interests
*** Includes Debt, Cash and cash equivalents and short-term assets at fair value
a) Balance Sheet Values as at 31.12.2010

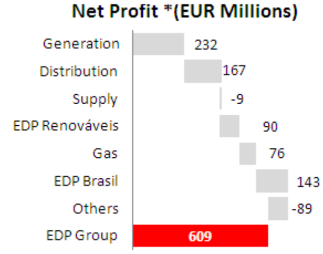
Turnover (EUR Millions)



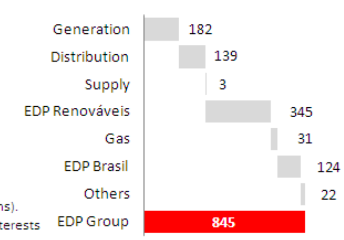
Gross Operating Profit (EUR Millions)



Net Profit *(EUR Millions)



Net Operating Investment *(EUR Millions)

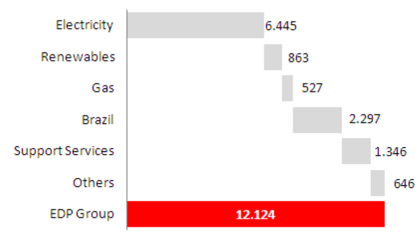


Operating Highlights

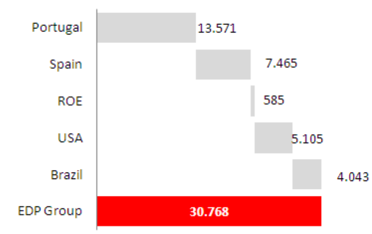
	1H2011	1H2010
Number of Employees *	**12.124**	**12.130**
Electricity business (excl. Brazil)	7.308	7.360
Electricity generation (excluding EDP Renováveis)	2.113	2.202
EDP Renováveis	863	792
Electricity distribution	3.981	4.137
Electricity supply	351	229
Gas business	527	518
Electricity business in Brazil	2.297	2.279
Generation	267	260
Distribution	2.005	2.002
Supply	25	17
Support services	1.346	1.389
Other	646	584
Electricity Generation - Iberia (excluding EDP Renováveis)		
Installed Capacity (MW)	13.828	13.400
Portugal	9.943	9.943
Spain	3.885	3.457
Net electricity generation (GWh)	17.964	19.913
Portugal	12.874	14.744
Spain	5.090	5.169
Electricity Generation - EDP Renováveis		
Installed Capacity (MW)	6.887	5.665
Portugal	599	595
Spain	2.190	1.923
Rest of Europe	737	418
USA	3.278	2.715
Brazil	84	14
Net electricity generation (GWh)	8.790	6.940
Portugal	697	772
Spain	2.375	2.110
Rest of Europe	585	362
USA	5.105	3.682
Brazil	29	14
Electricity Distribution - Iberia		
Distribution outlets	6.807.596	6.779.105
Portugal	6.153.574	6.131.646
Spain	654.022	647.459
Electricity sales (GWh)	28.528	28.675
Portugal	23.576	23.871
Spain	4.952	4.804
Electricity Supply - Iberia**		
Number of costumers	7.110.622	7.089.750
Portugal	6.090.875	6.102.760
Spain	1.019.747	986.990
Electricity sales (GWh)	28.198	30.969
Portugal	17.311	20.089
Spain	10.887	10.881
Gas business		
Gas Distribution - Portugal		
Distribution outlets	258.703	235.336
Gas sales (GWh)	3.767	3.570
Gas Distribution - Spain		
Distribution outlets	987.526	973.847
Gas sales (GWh)	25.789	24.889
Gas supply - Spain		
Number of costumers	806.113	821.628
Gas sales (GWh)	15.191	14.591
Electricity business in Brazil		
Installed Capacity (MW)	1.790	1.735
Electricity sales (GWh)		
Generation	4.014	3.665
Distribution	12.296	11.844
Supply	4.980	3.886
Number of costumers	2.784.905	2.680.285

Note: 100% of the displayed figures for all companies are considered, regardless of the EDP Group shareholding.
* Includes Corporate Bodies (107 at 1H2011) **includes last resort supply

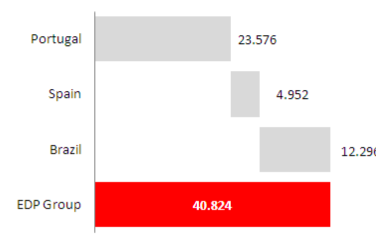
Employees



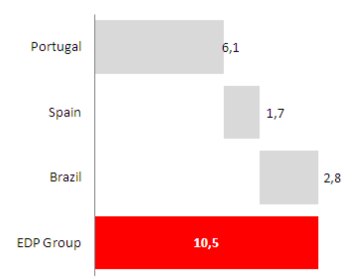
Electricity Generated (GWh)



Electricity Distributed (GWh)



Electricity Customers (GWh)



V. MAIN EVENTS OF THE 1ST SEMESTER 2011

Jan-13: EDP receives first tranche of electricity deficit amortisation fund in Spain On January 11th, 2011, FADE, the Spanish Electricity Deficit Amortisation Fund, launched its inaugural bond issuance explicitly guaranteed by the Kingdom of Spain. This first tranche which amounts to EUR 2 billion matures on March 17th, 2014 and pays a coupon of 4.80%. EDP, through its 96.86% held Spanish subsidiary Hidroeléctrica Del Cantábrico S.A. ("HC Energia"), shall receive around EUR 102.5 million.

Jan-25: EDP issues EUR 750 million 5 year bond EDP Finance BV issued and priced today a Eurobond in the total amount of EUR 750,000,000 maturing in January 2016 with a coupon of 5.875%.

Jan-31: EDP issues CHF 230 million 3 year bond EDP Finance BV issued and priced a Swiss Franc bond in the total amount of CHF 230,000,000 maturing in February 2014 with a coupon of 3.5%.

Mar-15 Resignation of member of the General and Supervisory Board Due to the significant reduction of the Caixa Geral de Depósitos, S.A.'s participation in EDP's share capital, Mr. Fernando Manuel Barbosa Faria de Oliveira has presented his resignation as member of the General and Supervisory Board.

Mar-17 Moody's downgrades EDP to "Baa1" with stable outlook Moody's downgraded the senior unsecured ratings of EDP and its finance subsidiary EDP Finance BV to "Baa1"/"Prime-2" with stable outlook from "A3"/"Prime-2" on review for downgrade. The downgrade reflects Moody's earlier downgrade of the rating of the government of the Republic of Portugal to A3 with a negative outlook from A1 (on review for downgrade).

Mar-25 Fitch downgrades EDP's senior unsecured rating to 'A-', on Rating Watch Negative Fitch downgraded EDP and EDP Finance B.V.'s senior unsecured ratings to 'A-' from 'A' and placed them on Rating Watch Negative. The agency has also placed the companies' Long-term Issuer Default Ratings of 'A-' and Short-term IDRs of 'F2' on RWN. The rating actions follow the downgrade of Portugal's sovereign rating to 'A-'/RWN.

Mar-28 Standard & Poor's downgrades EDP To "BBB" with Creditwatch Negative Standard & Poor's downgraded the long-term ratings of EDP to 'BBB' from 'A-' and maintaining the CreditWatch negative status on the long- and short-term ratings. The downgrade follows S&P's downgrade of the Republic of Portugal (BBB/WatchNeg/A-2) on March 25, 2011.

Mar-30 EDP Renováveis takes full control of Genesa EDP Renováveis takes full control of Genesa, following the decision of Caja Madrid to exercise its put option over its 20% stake in Genesa, in accordance to the provisions under the shareholders' agreement. The strike price of the put option was set at EUR 231 million.

Apr-01 Standard & Poor's affirmed EDP at "BBB" with outlook negative Standard & Poor's affirmed its 'BBB' long-term and 'A-2' short-term corporate credit ratings on EDP and its financing vehicle EDP Finance B.V. All ratings were removed from CreditWatch and placed with negative outlook.

Apr-04 Fitch downgrades EDP's senior unsecured rating to 'BBB+', on Rating Watch Negative Fitch downgraded EDP and EDP Finance B.V.'s senior unsecured ratings to 'BBB+' from 'A-' and placed them on Rating Watch Negative. The rating actions follow the downgrade of Portugal's sovereign rating to 'BBB-'/RWN.

Apr-06 Moody's places 'Baa1' of EDP under review for possible downgrade Moody's placed the Baa1/Prime-2 senior unsecured ratings of EDP, its finance subsidiary EDP Finance BV, and its Spanish subsidiary, HC Energia under review for possible downgrade. This rating action follows Moody's earlier downgrade of the rating of the government of the Republic of Portugal to Baa1 from A3 (negative).

Apr-14 Annual General Shareholders Meeting The 2010 individual and consolidated accounts reporting documentation and the allocation of EDP's 2010 individual accounts net profit. The election of Parpública and José de Mello Energia as members of the General and Supervisory Board, with effects until the term of the current 2009-2011 office.

Apr-26 Appointment of representative of José de Mello Energia in the General Supervisory Board The member of the General and Supervisory Board, elected in the Annual General Shareholders Meeting appointed Mr. Luis Filipe da Conceição Pereira as representative to exercise the office.

Apr-28 Appointment of representative of Parpública in the General Supervisory Board A member of the General and Supervisory Board, elected in the Annual General Shareholders Meeting, appointed Mr. Joaquim José de Oliveira Reis as representative to exercise the office.

May-13 EDP launches process for the potential public sale of up to 14% of the share capital of EDP - Energias do Brasil S.A. EDP's Executive Board of Directors resolved, following the waiver of prior opinion by the General and Supervisory Board, to initiate a process

May-13 Payment of gross dividend of EUR 0.17 per share for the 2010 financial year

May-19 EDP requests ANBIMA the preliminary analysis of the registration process for launching a secondary public offer of shares from EDP – Energias do Brasil, S.A. Following the information released to the market, EDP requested to ANBIMA the preliminary analysis of the documentation for the registration of the secondary distribution public offer of shares issued by EDP – Energias do Brasil, S.A. The initial offer involves 19,919,510 shares and shall also include an option to distribute a suplementary block of shares (greenshoe), up to a maximum of 1,991,950 additional shares, which shall be sold according to the same conditions and price as of the initial block of shares.

Jun-16 EDP - Energias do Brasil acquired the exploration rights of Santo Antônio do Jari Hydro Power Plant with 300 MW of installed capacity EDP – Energias do Brasil announces the acquisition, by its controlled company Ipueiras Energia S.A., of ECE Participações S.A., from CS and Participa Groups. The acquired Company holds a 90% stake in Consórcio Amapá Energia which holds Santo Antônio do Jari HPP operation rights. The power plant is located between the border of Pará and Amapá States. The installed capacity of Santo Antônio do Jari Hydro Power Plant will be 300 MW.

RECENT DEVELOPMENTS

Jul-08 EDP sets price of secondary distribution offer of EDP Brasil's ordinary shares at 37.0 reais per share Energias de Portugal, S.A., which holds 64.8% of EDP Brasil, has set at R$ 37.0 per share, the final price for the secondary distribution offer of EDP Brasil's ordinary shares (comprising, notably a public offer in Brazil and a private placement addressed to institutional investors outside Brazil), which had been launched on June 27, 2011. With this transaction, EDP received an amount of proceeds of approximately 737 million reais (corresponding approximately to EUR 329 million, at a currency rate BRL/EUR of 2.24).

Jul-08 Moody's downgrades EDP's rating to "Baa3" with negative outlook Moody's Investors Service downgraded the senior unsecured ratings of EDP, its finance subsidiary EDP Finance BV and its Spanish subsidiary, Hidroelectrica del Cantabrico to "Baa3"/"Prime-3" with negative outlook from "Baa1"/"Prime -2" with negative outlook.
This rating action follows the earlier downgrading of the rating of the government of the Republic of Portugal ("RoP") to "Ba2" with a negative outlook from "Baa1", on review for downgrade.

Jul-13 Full exercise of greenshoe from secondary distribution offer of EDP Brasil's ordinary shares Within the secondary distribution offer of EDP Brasil ordinary shares, was exercised in full the option to purchase additional shares (greenshoe) relating to an allotment of 1,991,950 shares, corresponding to 10% of the shares initially offered in the. The allotment of the shares were sold at the same price of the initially offer, which is R$ 37.0 and provide to EDP an additional gross proceeds of approximately 73.7 million reais (corresponding approximately to EUR 33.3 million at a currency rate BRL/EUR of 2.21).

VI. EDP GROUP BUSINESS

VI.1. EDP GROUP

In the first six months of 2011, the EDP Group net profit attributable to equity holders reached EUR 609 million, compared with EUR 565 million in the same period of 2010.

Net profit attributable to equity holders of EDP rose 8% year on year, to EUR 609 million, driven by strong operating performance of the Group. In the first six months of 2011, 89% of consolidated EBITDA results from regulated and long term contracted activities, reflecting the maintenance of a low-risk profile in our operating activities. The negative financial results totalled EUR 266 million in the first six months of 2011, mainly reflecting the increase in the average cost of debt (from 3.5% in the first half of 2010 to 3.9% in the first half of 2011) and a 10% rise in average net debt.

Income Statement – EDP Group

EUR Million	1H11	1H10	% Δ
Gross Profit	**2.788**	**2.729**	**2%**
Supplies and services	421	405	4%
Personnel costs	293	296	-1%
Costs with social benefits	73	61	21%
Other operating costs (net)	100	136	-26%
Net Operating Costs	**887**	**898**	**-1%**
EBITDA	**1.900**	**1.831**	**4%**
Provisions	20	39	-48%
Net depreciation and amortisation	704	705	-0%
EBIT	**1.176**	**1.086**	**8%**
Capital gains/(losses)	10	5	116%
Financial results	(266)	(233)	-14%
Results from associated companies	12	13	-10%
Profit Before Income Tax	**932**	**871**	**7%**
Income taxes	220	232	-5%
Discontinued activities	-	-	-
Net profit for the period	711	639	11%
Net Profit Attributable to Equity Holders of EDP Shareholders	**609**	**565**	**8%**
Non-controling Interest	103	75	38%

EDP consolidated EBITDA rose 4% YoY (+EUR 69 million) to EUR 1,900 million in the first six months of 2011, driven by our operations in regulated networks (+EUR 72 million), wind generation (+EUR 66 million) and Brazil (+EUR 51 million). These increases offset the falls in long term contracted generation in Iberia (-EUR 19 million) and liberalised activities in Iberia (-EUR 82 million).

EBITDA – EDP Group

EUR Million	1H11	1H10	Δ %
Generation Iberia	575,5	669,6	-14%
LT Contracted Generation	402,9	422,2	-5%
Liberalised Activities Iberia	172,6	247,3	-28%
Supply Iberia	8,6	12,9	-34%
Distribution Iberia	390,0	341,7	14%
Gas Iberia	163,6	142,3	15%
Wind Power	409,2	342,9	19%
Brazil	392,4	341,2	15%
Other	(39,0)	(19,7)	-98%
Consolidated	**1.900,4**	**1.830,8**	**4%**

EBITDA from the generation business in the Iberian Peninsula decreased 14% in the period (-EUR 94 million) to EUR 576 million.

EBITDA from long term contracted generation (Costs for the Maintenance of the Equilibrium System - CMEC and special regime) fell 5%, to EUR 403 million in the first six months of 2011, reflecting the exclusion of Carregado plant from this portfolio in December 2010 (EUR 43 million EBITDA contribution in the first half of 2010).

Gross profit from long term contracted generation related to Costs for the Maintenance of the Equilibrium System (CMEC) fell 4% to EUR 439 million in the first six months of 2011, supported by the end of CMEC of Carregado fuel oil plant (EUR 48 million gross profit contribution in first half of 2010) and lower contribution from results with fuel procurement (a gain of EUR 0.3 million in the first half of 2011 compared to a EUR3.8 million gain in the first six months of 2010). This decline was partially compensated by an acceleration of inflation (adding EUR 13 million to EBITDA compared to the same period of 2010), by levels of availability at our plants above contracted levels (3% above at hydro plants, 9% above at thermal plants) and the start-up of DeNOx facilities in two groups of Sines, in January 2011 (EUR 6 million EBITDA contribution in the first half of 2011). Note that as a result of EDP's strategy to hedge the differences between fuel procurement costs and fuel costs accepted under the CMECs through derivative financial instruments, the impact at gross profit level is offset at financial results.

Power plants operating under CMEC in Portugal are entitled with a stable contracted gross profit and an 8.5% RoA before inflation and taxes, not adjusted by output but by the ratio of ratio real availability against contracted availability. The 10% decline in installed capacity under CMECs results from the end of PPA at our fuel oil plant, Carregado (710MW), on 31 of December 2010.

Gross profit from special regime fell 2%, to EUR 63 million in the first six months of 2011, due to lower output at mini hydro plants (25% below the same period of 2010). Gross profit from thermal special regime capacity rose 21% in the first half of 2011, reflecting higher contribution from Portugal (on volume 15% higher and unit margin 33% higher year-on-year).

EBITDA from liberalized generation activity amounted to EUR 173 million in the first six months of 2011 following an increase in the average unit generation cost at our merchant plants. Average production cost advanced to €38/MWh in the first six months of 2011 (+16% compared to first half of 2010), mainly supported by higher contribution from CCGT/coal to the generation mix and higher fuel costs. The output from our own generation plants rose 1%, to 8.0TWh in the first half of 2011, reflecting the mixed impact of (i) higher coal output (+0.5TWh) and (ii) lower hydro (-0.3TWh) and CCGT output (-0.1TWh). As a result of higher coal output, total emissions of CO2 rose 15% in the first six months of 2011 but, yet, fell 15% short of free allowances attributable for the period.

Output from our coal plants rose 32% in the first six months of 2011, mostly reflecting the longer than expected outage at our Aboño plant in first six months of 2010 and the implementation of RDL 1221/10 (domestic coal) in Spain. Average load factor was 8 p.p. higher compared to the first six months of 2010, at 33% in first half of 2011, consistently beating Spain's 22% average. Since February 26, 2011, our Soto 3 plant is producing electricity under the conditions of RDL 1221/10, which results in an 1.3TWh/year margin-guaranteed production.

Output from our CCGTs declined 2% in the first six months of 2011, following a 20% fall in second quarter of 2011 compared to the second quarter of 2010. Installed capacity rose 13% year-on-year to 3.7GW in June 2011, reflecting the start up of commercial operations at Soto 5 in December 2010 (428MW in Spain). Nevertheless, average load factor at our CCGTs (-4 p.p. to 26%) were penalised by the entry in force of RDL 1221/10.

Hydro output was 23% lower year-on-year, given the heavy rainy weather in the first six months of 2011. In turn, nuclear output was 3% higher backed by an average load factor 3 p.p. higher, at 79% (yet penalised by the normal 4-week outage for maintenance).

As from January 2011, Alqueva hydro plant and CCGT plants in Portugal (2,278MW) are entitled to receive capacity payments (€20/kW/year).

EBITDA from the supply business in the Iberian Peninsula decreased 34% in the period due to decrease of gross profit.

In the first six months of 2011, in the supply business in Portugal, volumes supplied to EDP clients in the free market increased by 3% year-on-year, to 4.4TWh in the first half of 2011. Average selling price in retail advanced 2% YoY to €52/MWh in the first six months of 2011. Due to higher energy purchase prices and third party access tariffs, unit margins in this business dropped in the period

In the supply business in Spain, electricity volumes supplied to our clients in the free market rose 1% year-on-year backed by a wider client portfolio (+17%). Note that as a result of our strategy to focus on the most attractive segments/clients, our portfolio of clients expanded 2% in second quarter of 2011, while volumes supplied declined 3% in the same quarter. Average selling price came out at €57/MWh in the first half of 2011 (+10% year-on-year), translating into lower unit margins.

The EBITDA contribution from **wind power generation to consolidated EBITDA** grew 19% year-on-year (+EUR 66 million) to EUR 409 million in the first six months of 2011, in line with the 22% year-on-year increase of installed capacity to 6,887MW by June 2011. The main drivers of EBITDA growth were: (1) US (EBITDA +EUR 28 million year-on-year, including a –EUR 9 million impact from forex) reflecting 563MW of new additions (46% of total capacity added), higher average load factor (+4pp to 36% in the first half of 2011) and lower average selling price (in both PPA and merchant segments); and (2) Spain (EBITDA +EUR 23 million year-on-year, including hedging results in energy markets), following 267MW of new capacity (22% of total additions) and higher average selling price (+6% year-on-year), mostly due to the strong recovery of the achieved pool price over the last 12 months (+58% year-on-year to €45/MWh). EBITDA from European markets ex-Iberia went up by EUR 17 million year-on-year, reflecting 319MW of new capacity (26% of total added), following the start up of operations in Romania (by the end of 2010) and Poland (with selling prices above portfolio's average).

In United States, installed capacity rose 563MW (+21% year-on-year). Average load factor in the first half of 2011 was 36%, 4 p.p. ahead of the 32% achieved in the first half of 2010. Average selling price (excluding revenues from fiscal incentives such as PTCs) for energy sold through PPA/Hedged fell 9% year-on-year to USD50/MWh, given new PPA contracts signed with lower starting prices but higher price updates over the lifetime of the contract and lower curtailment revenues. Average selling price in merchant power markets fell 10% year-on-year reflecting lower market prices in the regions in which we sell our production. Overall, average selling price in United States fell 9% year-on-year to USD45/MWh.

In Spain, in the first six months of 2011, EDP Renováveis' EBITDA in Spain, including hedging results, rose EUR 23 million year-on-year (+17%) to EUR 155 million. EDP Renováveis expanded its portfolio in Spain by 267MW year-on-year (+35%), 140MW of which in the first half of 2011. Average price achieved in the pool rose 58% year-on-year from an abnormally low price in the first six months of 2010, explained by very strong hydro and wind power production. The increase in pool price lead to a 24% increase of average selling price for capacity under transitory regime to €88/MWh. Average selling price for capacity under RD661/2007 was €77/MWh, in line with the floor of the cap and floor option and below the fixed tariff option. As part of EDP Renováveis' hedging strategy for the capacity under the transitory regime, 853 GWh have been sold forward for the first half of 2011. Overall, average wind selling price in Spain, including hedging results rose 6% to €82/MWh, offsetting the slightly lower average load factor.

In Portugal, average load factor fell 4 p.p. to 27% in the first half of 2011 (lower wind resource, compared to an unusually strong first quarter of 2010) implying a 10% year-on-year decline in production, while average tariff rose 2% year-on-year reflecting inflation updates in the period. Wind power tariffs in Portugal are updated to inflation and set for 15 years. Overall EBITDA was EUR 60 million in the first half of 2011. Still in Portugal, EDP Renováveis holds an equity stake in ENEOP consortium which has a license to build 1,200MW of wind power capacity (480MW attributable to EDP Renováveis) expected to be fully operational by December 2012. ENEOP's wind farms are remunerated at a tariff lower than the one applicable to older wind farms (€74/MWh) being also updated to inflation and fixed for 15 years. By June 2011, ENEOP had an installed capacity of 688MW (275MW attributable to EDP Renováveis) and 126MW under construction (50MW attributable to EDP Renováveis).

In European markets out of Iberia, EBITDA rose EUR 17 million year-on-year (+69%) to EUR 42 million in the first half of 2011. In France, EDP Renováveis has 284MW of installed capacity (43MW of new capacity were added between June 2010 and December 2010) and a new 22MW wind farm is currently under construction. Wind power in France is sold through fixed tariffs updated in line with inflation for 15 years. In the first six months of 2011, EDP Renováveis average tariff in France was €86/MWh (+4% year-on-year). In Belgium, our 57MW wind farm sells its power through a 5 year PPA at an average selling price of €112/MWh. In Poland, our 120MW Margonin wind farm has now more than 12 months of full operation. Power generated by this wind farm is currently sold in the spot market (average Polish baseload spot price was PLN204.7/MWh for the first half of 2011, +8% year-on-year) and EDP Renováveis has a 15 years long term contract for the sale of the green certificates (GCs) generated from Margonin (in Poland, the penalty to local utilities for non delivering the GCs requested by the law is fixed at PLN274.9/MWh for 2011). Additionally, in the first six months of 2011, EDP Renováveis installed another 48MW in Poland from 70MW Korsze wind farm, of which, by June 2011, 22MW were in construction stage. This wind farm already has a PPA signed for 10 years. In Romania, EDP Renováveis installed its first wind farm (Pestera, 90MW) in December 2010. Additionally, in the first six months of 2011, EDP Renováveis commissioned the 138MW Cernavoda wind farm. In Romania, EDP Renováveis sells its wind power production in the market receiving also GCs per MWh produced. In Italy, during second quarter of 2011, EDP Renováveis started the construction of its first 20MW wind farm. In Italy, wind power producers receive merchant electricity price plus a GC for the first 15 years of operation.

In Brazil, 70MW Tramandaí wind farm started operations on the second quarter of 2011. The Tramandaí wind farm is remunerated under the PROINFA regime through a fixed tariff (in line with current tariffs) updated to inflation over 20 years. Average load factor increased 1pp year-on-year to 24% in the first half of 2011, while average selling price increased 9% year-on-year to R$274/MWh.

EBITDA from Iberian distribution business increased 14% year-on-year (+EUR 48 million) to EUR 390 million.

EBITDA from distribution in Portugal (electricity distribution and last resource supply activities) increased 2% to EUR 289 million. Excluding a EUR 21 million intra-group real estate gain (no impact at consolidated level), EBITDA decreased by 5% to EUR 268 million (-EUR 15 million). This decrease is mostly due to a lower consumption and low GDP deflator implicitly in 2011 tariffs which had a stronger impact than a 3% decline in controllable costs.

Distribution grid regulated revenues declined EUR 24 million to EUR 589 million in the first half of 2011, essentially on the back of: (1) lower consumption - electricity distributed decreased 1.2% year-on-year to 23.6TWh in the first half of 2011 (versus 49TWh ERSE's annual estimate), reflecting a decline in demand in the residential and SME segments and (2) low GDP deflator update (which came below the X factor) in tariff calculations for 2011.

In the first six months of 2011, our electricity distribution company, EDP Distribuição, recorded a EUR 195 million negative tariff deviation: i) EUR 127 million related to the delay of the pass-through costs to REN, expected to converge to zero until December 2011; ii) EUR 91 million regarding the reinterpretation of DL 90/2006 related to system costs with cogeneration in 2009, 2010 and 2011 which will create a new regulatory receivable to EDP Distribuição of EUR 185 million by December 2011 and; iii) –EUR 23 million related to a consumption and tariff mix different from ERSE's initial assumption

In the first six months of 2011, volumes supplied by our last resort supplier, EDP Serviço Universal, fell 18% year-on-year to 12.9 TWh, as a result of the switching of clients to liberalized suppliers, especially in the industrial segment, as 2011 will be the last year in which the last resort tariff will be available to them. As a consequence, EDP Serviço Universal market share in electricity supply dropped from 66% to 55% in the first half of 2011. Regarding electricity purchases: i) volumes acquired from special regime producers (SRP) fell 1% year-on-year (14% above ERSE's assumption); and ii) total average cost of electricity purchased came 33% above forecasts due to an higher average cost of SRP (€103/MWh versus ERSE's estimate of €98/MWh) and a wholesale procurement final price also above the expected (€57/MWh versus ERSE's assumption of €47/MWh including ancillary services). Overall, the higher volumes purchased at higher costs, resulted in a EUR 163 million negative tariff deviation supported by EDP Serviço Universal to be recovered through tariffs post 2011.

All in all, a EUR 358 million negative tariff deviation was created over the first half of 2011, which along with the devolution through tariffs of EUR 44 million of positive tariff deviations from previous periods, translated into EUR 592 million of pending regulatory receivables by the end of June 2011.

EBITDA from our electricity distribution activity in Spain increased 74% year-on-year to EUR 101 million in the first half of 2011 reflecting: i) the inclusion of EUR 27 million non-recurrent gain related to the sale of transmission assets to REE and ii) EUR 3.5 million of transmission regulated revenues included in the first half of 2010 (sold in the first quarter 2011).

Electricity distributed by HC Energia, essentially in the region of Asturias, went up by 3% year-on-year, on the back of a larger client base (+1%) and reflecting strong demand in the industrial segment. The capital intensive industries (electricity consumption from high voltage and medium voltage segments) increased by 5%.

Regulated revenues totalled EUR 83 million in the first six months of 2011, increasing 8% year-on-year as a result of higher distribution revenues (+EUR 9 million) in line with the Ministerial Order published in December 2010 by the Spanish government, which was partially offset by the loss of transmission revenues (EUR 3.5 million), activity sold in the first quarter of 2010 to REE, in order to comply with the Law 17/2007 of July 4th which forces distribution companies to sell their transmission assets to REE.

In the first half of 2011 a total amount of EUR 7 billion of the Spanish deficit was securitized by FADE (the fund in charge of the securitization) of which EUR 358 million are entitled to HC Energia.

Overall, by the end of June 2011, HC Energia's regulatory receivables amounted to EUR 532 million (including interest/financial updates): i) EUR 52 million regarding the first six months of 2011 tariff deficit; ii) EUR 142 million from the 2010 tariff deficit; iii) EUR 21 million from the 2009 tariff deficit; and iv) EUR 317 million from the 2006-08 accumulated tariff deficit.

EBITDA from Iberian gas activity increased 15% (+EUR 21 million) to EUR 164 million supported by EBITDA from gas regulated activities rose 22% year-on-year in the first half of 2011, driven by: (1) higher regulated revenues and connection fees in Spain; and (2) higher recovering of past years tariff adjustments and the initial recognition of tariff deviations in Portugal.

In Spain, gas regulated activities gross profit went up 9% year-on-year (+EUR 11 million) to EUR 132 million in the first six months of 2011, due mostly to higher regulated revenues, higher previous year deviation (-EUR 4.3 million in the first six months of 2010 versus EUR 2.8 million in the first half of 2011) and the increase of the connection fees. Regulated revenues in Spain rose 2% (+EUR 2 million) as a consequence of the update on the tariff parameters of the price index. The volume of gas distributed through the distribution network rose 4% to 25.8 GWh, backed by a 1% increase in the number supply points and reflecting an increase of our network's extension.

In Portugal, gross profit increased by 30% to EUR 40 million impacted by tariff deviation (+EUR 4.3 million in the first half of 2011) and past year deviations (-EUR 3.7 million in the first half of 2010 versus +EUR 4.6 million in the first half of 2011). Note that it has been published recently in Portugal a Decree-law, which recognised an unconditional right of gas operations to receive the tariff deviations, which allows its accounting as asset/liability. Gas volumes distributed went up 6% year-on-year supported by the 10% year-on-year increase in the number of supply points, justified by the early stage of the penetration rate of gas in the region operated by EDP.

In June 2010, the Portuguese regulator (ERSE) set the gas tariffs for Portugal for the year going from July 2010 to June 2011, defining a 9% return on assets resulting on annual regulated revenues of EUR 61 million.

EBITDA from Iberian gas liberalized activities decreased 9% (-EUR 3 million) to EUR 29 million. Volumes supplied in Spain increased 4% year-on-year to 15.2TWh, but fell 24% short of in the first quarter of 2010, reflecting a tough market environment. In Portugal, volumes supplied reached 3.9TWh in the first six months of 2011, rising 53% Year-on-year but falling 24% short of the first quarter of 2010. Average Iberian unit gross margin stood at €0.9/MWh in the first half of 2011, reflecting unfavorable market conditions and the impact from low CMP (raw material cost) gas sourcing cost priced in the first six months of 2011 last resort tariffs in Spain.

EDP Energias do Brasil's contribution to consolidated EBITDA rose 15% (+EUR 51 million), driven by a 4% appreciation of the Real against the Euro (+EUR 16 million). In local currency, EDP Energias do Brasil's EBITDA for the first half of 2011 rose 10% year-on-year driven by: (i) positive impact from tariff revision in distribution mainly in Bandeirante, (ii) increase of electricity demand, (iii) inflation update on PPA's selling price, and (iv) normalized quarterly sales in the first six months of 2011 versus abnormally low in the first six months of 2010 in generation.

In electricity distribution in Brazil, the EBITDA in the first half of 2011 increased by 5.5% year-on-year, mainly reflecting a growth of electricity volumes sold and distributed in the first six months of 2011. Volume of electricity sold increased by 2.5% year-on-year in the first half of 2011. In the residential and commercial segment, volume sold in the first half of 2011 rose 3% year-on-year reflecting essentially a rise of 4% year-on-year in the number of clients connected. In the industrial segment, electricity volumes sold rose 1% in the first six months of 2011, reflecting a slowdown in the economic activity, especially on concession area of Bandeirante in the second quarter of 2011. Regarding electricity distributed (but not sold) to free market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), volume of electricity distributed increased 5% year-on-year in the first half of 2011.

In electricity generation activities in Brazil, EBITDA increased by 18% essentially due to inflation update on PPA's and also to our allocation of PPA's yearly contracted volumes, which implied higher electricity sold in the first half of 2011. Installed capacity grew 55MW as a consequence of the conclusion of a part of Mascarenhas' repowering (9 MW) and the recognition of additional capacity in Peixe Angical by ANEEL (47 MW). Average selling price increased 7% year-on-year in the first half of 2011 supported by an updating of prices to inflation which implied that gross profit increased by R$ 53 million.

The trading and supply activity is carried out by our Enertrade subsidiary in the free market, essentially through a service of energy sourcing to large industrial clients without incurring in material energy market risk. In the first half of 2011, EBITDA in supply grew by 14% to R$ 26 million year-on-year due to: (i) increase of electricity supplied by 28% and (ii) increase of average price per MWh by 13%.

EDP Group´s net controllable operating costs (supply and services, personnel costs, costs with social benefits and other operating costs (net)) declined 1% (-EUR 11 million), to EUR 887 million, reflecting a EUR 25 million increase in supply and services and personnel costs and an year-on-year decrease on other net operating costs of EUR 36 million. Supply and services and personnel costs rose by 3% year-on-year, to EUR 787 million, driven by a wider operations base in EDP Renováveis (+EUR 18 million) and by human resources restructuring costs in long term contracted generation (EUR 6 million in the first six months of 2011). Other net operating costs declined from EUR 136 million in the first half of 2010 to EUR 100 million in the first half of 2011, mostly explained the EUR 27 million gain booked in the sale of transmission assets in Spain and higher tax equity revenues (+EUR 10 million).

Financial Results declined 14% (-EUR 33 million), to EUR 266 million in the first half of 2010, following a 40 b.p. increase of the average cost of debt, from 3.5% in the first six months of 2010 to 3.9% in the first half of 2011, driven by the increase in short term interest rates and an increase by 10% in average net debt.

Consolidated capex amounted to EUR 845 million in the first six months of 2011, 63% of which were devoted to expansion projects. In line with EDP's strategy to invest in risk controlled activities, regulated/long term contracted activities absorbed 79% of capex. Maintenance capex totaled EUR 310 million in the first half of 2011, while expansion capex amounted to EUR 535 million, 89% of which in CO2-free technologies, hydro and wind.

EUR Million	1H11	1H10	Δ %
Long term contracted generation (Iberia)	32,3	35,7	-9,7%
Liberalised activities (Iberia)	153,1	151,6	1%
Regulated networks (Iberia)	168,2	148,1	13,6%
Wind power	345,0	834,3	-59%
Brazil	123,8	121,8	2%
Other	22,7	20,1	13%
EDP Group	**845,0**	**1.311,7**	**-36%**
Expansion Capex	**534,7**	**1.008,1**	**-47%**
Maintenance Capex	**310,3**	**303,6**	**2,2%**

Capex in new wind capacity (65% of expansion capex), at EDP Renováveis level, amounted to EUR 345 million and was mainly invested in the United States (37%), Poland (22%), Brazil (17%), Spain (14%) and Romania (4%). Out of total wind capex, EUR 118 million were invested in the conclusion of 450MW which started operations in the first half of 2011, namely, 140MW in Spain, 138MW in Romania, 70MW in Brazil, 54MW in the United States and 48MW in Poland.

Capex in new hydro capacity (25% of expansion capex) totaled EUR 132 million in the first half of 2011, the bulk of which (EUR 118 million) devoted to 8 plants currently under construction (2,139MW due in 2011/15). The first plants to come on stream will be the repowering of Picote II and Bemposta II (437MW, 76% of capex already incurred), in the end of 2011, and Alqueva II (256MW, 68% of capex already incurred), in mid 2012.

In Brazil, EDP already invested EUR 567 million in 360MW Pecém coal plant, due to start-up by the end of 2011; and EUR 33 million in the repowering of Mascarenhas (9MW), to start up in 2012. The first stage of Mascarenhas repowering (9MW) started operations in the second quarter of 2011.

Overall, EDP increased its installed capacity by 460MW in the first six months of 2011, to 22.5GW. Additionally, up to June 2011, EDP had already invested EUR 2.1 billion in 2,833MW under construction. About half of this capacity is due to start operation in 2011-12.

As at June 2011, the Group's gross nominal debt totalled EUR 17,732 million. When compared to December 2010, the Group's debt was nearly EUR 57 million higher. The amount of cash and equivalents and financial assets at fair value through P&L as at June 2011 stood at EUR 965 million, almost EUR 582 million lower due essentially to dividends payment, the exercise of Genesa put option and the execution of the planned investment programme. This amount is, mainly, held at EDP S.A. and EDP Finance BV (EUR 318 million), the Group's Brazilian subsidiaries (EUR 334 million) and EDP Renováveis (EUR 240 million).

EDP Group's consolidated net debt at the end of June 2011 amounted to EUR 16,879 million.

EUR Million	Jun-11	Dec-10	Var
Debt - Short term	**1,501**	**2,736**	**-45%**
Bonds	515	1,339	-62%
Bank loans	663	546	21%
Other loans	12	14	-14%
Commercial paper	311	837	-63%
Debt - Long term	**16,231**	**14,938**	**9%**
Bonds	9,043	8,798	3%
Bank loans	7,092	6,038	17%
Other loans	96	102	-6%
Nominal debt	**17,732**	**17,675**	**0%**
Interest accrued	198	265	
Fair value hedge adjustments	-86	-48	
Total Financial Debt	**17,844**	**17,892**	**0%**
Cash and Cash Equivalents and Other	965	1,547	
Net Debt	**16,879**	**16,345**	**3%**

In terms of maturity, EDP Group's consolidated debt breaks down into 8% in short-term and 92% in medium and long-term.

During the first half of 2011, EDP maintained its policy of centralizing funding at EDP S.A., EDP Finance BV and EDP Sucursal, which represented 87% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings, project finance debt mainly from the subsidiaries of the EDP Renováveis Group and EDP Produção Group, as well as short term debt and borrowings contracted by HC Energia.

In the first months of 2011, EDP Finance B.V. issued 5 year Eurobond in the amount of EUR 750 million and a CHF 230 million bond, the first of EDP in the Swiss market, both under the EUR 12,500 million "Programme for the Issuance of Debt Instruments (MTN)". These issues allowed EDP to strengthen its liquidity position.

In January 2011, EDP has signed a bilateral loan with EIB, in the amount of EUR 300 million and maturing in 2025, and a syndicated loan (Club Deal), in the amount of EUR 300 million and maturing in 2014.

Furthermore, in the first half of 2011 the Group received EUR 358 million from the FADE, the Spanish Electricity Deficit Amortisation Fund, through its subsidiary HC Energia, which corresponds to around 5% of the bonds issued by FADE.

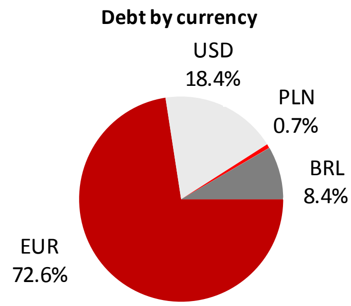
In June 2011, the Group has signed two project finance agreements with European Bank for Reconstruction and Development ("EBRD"), the IFC, a member of the World Bank Group, and three commercial banks, for Pestera and Cernavoda wind farms in Romenia, in the total amount of €115 million. The financial close of this project is expected to occur on the third quarter of 2011.

Maintaining a prudent financial management policy, by the end of June 2011 EDP S.A. had access to EUR 1,384 million of available credit lines and EUR 650 million of commercial paper with underwriting commitment, fully available. It is the Group's policy to diversify its liquidity sources through high credit standing banks.

Additionally, the Group has a EUR 1,000 million Commercial Paper programme at EDP S.A. level and a EUR 500 million "Pagarés" programme at HC Energia. Both programmes are not committed, being used for the Group short term treasury management. As at 30 June, the total amount issued of Euro Commercial Paper and Pagarés amounted to EUR 311 million.

During the first half of 2011, the average cost of debt of the EDP Group was 3.9% per year and approximately 47% of its debt and borrowings had a fixed rate.

In terms of currencies, the USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 18%. Euro continues to be the main funding currency of EDP at 73%.



RATING

In April 2011, Standard & Poor's ("S&P") downgraded EDP's rating to "BBB" from "A-", with negative outlook. Fitch has also downgraded EDP's rating to "BBB+" from "A-", with "Creditwatch negative". More recently, Moody's downgraded EDP's rating to "Baa3" from "Baa1", with negative outlook. All these downgrades resulted, essentially, from the actions taken on the Portuguese Republic rating. EDP's credit rating stands now one notch above the Republic of Portugal by Standard and Poor's and two notches by Moody's and Fitch.

Global scale						
	S&P	**Last update**	**Moody's**	**Last update**	**Fitch**	**Last update**
EDP S.A. and EDP Finance BV	BBB/Neg/A-2	01 Apr 11	Baa3/Neg/P3	08 Jul 11	BBB+/CW-/F2	4/4/11
HC Energia			Baa3/Neg/P3	08 Jul 11	BBB+/CW-/F2	4/4/11
Bandeirante	BB+/brAA+/Stab	16 Mar 10	Baa3/Aa1.br/Stab	08 Apr 10		
Escelsa	BB/brAA/Stab	16 Mar 10	Baa3/Aa1.br/Stab	08 Apr 10		
EDP Brasil			Ba1/Aa2.br/Stab	08 Apr 10		

VI.2. EDP'S MAIN RISKS FOR THE SECOND SEMESTER OF 2011

The diversity of EDP's lines of business keeps assuring a low specific risk profile. This is mainly due to the high relevance of the regulated businesses, growth in low risk activities and the use of hedging strategies to mitigate its financial risks, fuel risk and price/volume risk for electricity bought and sold in the market.

Given the current Portuguese economic crisis and the forthcoming definition of a new three year regulatory period, the second half of 2011 may create less favorable conditions to EDP's operations. The recent lowering of the Portuguese Republic rating and the consequent increase on cost of capital has contaminated EDP's rating and it probably will impact the criterion of return on capital invested. On the other hand, the measures recommended by the IMF – EU – BCE for the energy sector will create additional risks, namely in what concerns the renegotiation of the guaranteed compensation mechanism (CMEC) paid to producers under the ordinary regime which replaced the power purchase agreements with REN and the review of support schemes for production of energy under the special regime.

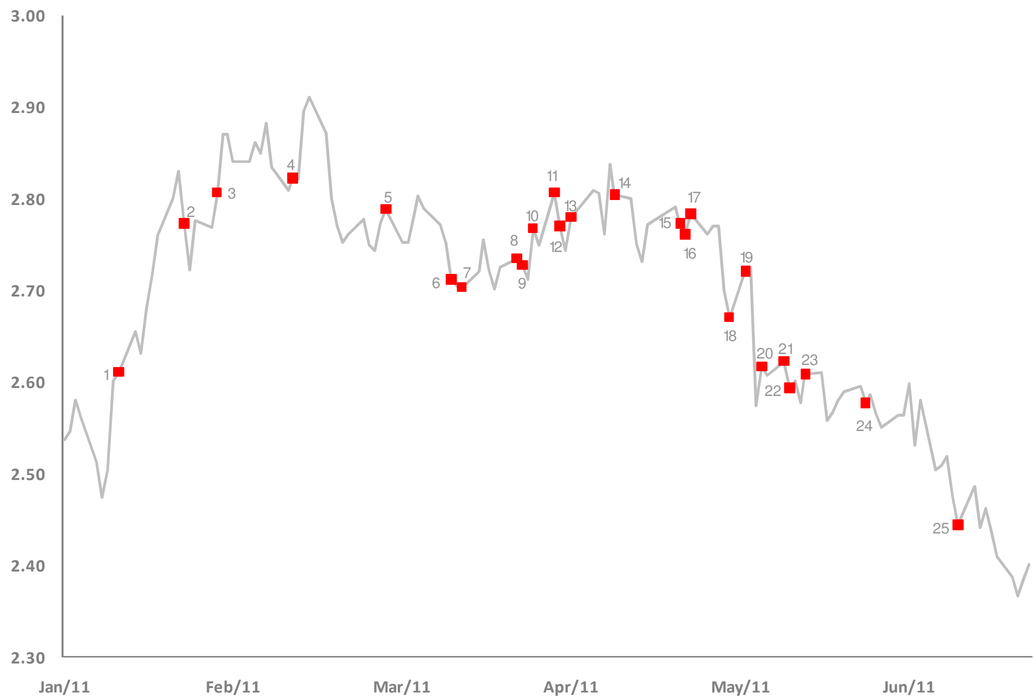
It is possible that electrical consumption in Portugal may further decrease in the second half of 2011, when the measures taken by the IMF – EU – BCE will affect the economy strongly. In the short term, this effect will have a small impact but it may decrease the need for capital investment for the next decade. Also, it is expected a slow growth of profit margins in the energy sector given the excess of installed capacity within the MIBEL.

Future structural changes in the energy sector, such as the acceleration of a liberalized electrical market in Portugal and the higher competition in the Special Regime generation sector, are welcomed. EDP Group is prepared to act in a new business environment, not only at commercial level but also by adjustments of its trading portfolio positioning. This last has been crucial for the optimization of EDP Group generation activities and its value creation at an acceptable level of risk. It uses balanced hedging strategies of buy/sell positions to coordinate its commercial activities with final customer demand.

Although current global difficulties accessing credit, the Group has been anticipating liquidity problems in financial markets and how it may affect EDP given the recent downgrading of the Portuguese rating. This way, EDP has been carefully analyzing investment priorities being able to improve some of its relevant financial indicators in defense of its rating. Through business portfolio diversification and less exposure to Portuguese economic problems, EDP continues to confirm its profile as a low intrinsic-risk utility business.

VII. PERFORMANCE OF EDP ON THE STOCK MARKET

MAIN EVENTS AFFECTING THE EDP SHARE PRICE



#	Date	Description	Price
1	13-Jan	EDP receives first tranche of electricity deficit amortisation fund in Spain	2.610
2	25-Jan	EDP issues EUR 750 million 5 year bond	2.772
3	31-Jan	EDP issues CHF 230 million 3 year bond	2.806
4	14-Feb	AllianceBernstein L.P. notifies significant shareholding in EDP	2.822
5	3-Mar	Disclosure of the 2010 financial results	2.788
6	15-Mar	Resignation of member of the General and Supervisory Board	2.711
7	17-Mar	Moody's downgrades EDP to "Baa1" with stable outlook	2.703
8	25-Mar	Fitch downgrades EDP's senior unsecured rating to 'A-', on Rating Watch Negative	2.734
9	28-Mar	Standard & Poor's downgrades EDP To "BBB" with Creditwatch Negative	2.727
10	30-Mar	EDP Renováveis takes full control of Genesa	2.767
11	1-Apr	Standard & Poor's affirmed EDP at "BBB" with outlook negative	2.806
12	4-Apr	Fitch downgrades EDP's senior unsecured rating to 'BBB+', on Rating Watch Negative	2.769
13	6-Apr	Moody's places 'Baa1' of EDP under review for possible downgrade	2.779
14	14-Apr	Annual General Shareholders Meeting	2.804
14	26-Apr	Appointment of representative of José de Mello Energia in the General Supervisory Board	2.772
15	27-Apr	Notice of payment of dividends (€ 0.17 / share - gross dividend)	2.760
16	28-Apr	Appointment of representative of Parpública in the General Supervisory Board	2.783
16	5-May	Disclosure of the financial results for the first quarter of 2010	2.670
17	6-May	Alliancebernstein L.P. decreases its ownership interest in the share capital of EDP	2.720
18	11-May	JP Morgan Chase notifies significant shareholding in EDP	2.616
19	13-May	EDP launches process for the potential public sale of up to 14% of the share capital of EDP - Energias do Brasil S.A.	2.622
20	13-May	Payment of gross dividend of EUR 0.17 per share for the 2010 financial yea	2.622
21	16-May	JP Morgan Chase notifies change of qualifying holding in EDP	2.593
22	19-May	EDP requests ANBIMA the preliminary analysis of the registration process for launching a secondary public offer of shares from EDP – Energias do Brasil, S.A.	2.608
23	30-May	JP Morgan Chase decreases its ownership interest in the share capital of EDP	2.576
24	30-May	Banco Espírito Santo changes its ownership interest in the share capital of EDP	2.576
25	16-Jun	EDP - Energias do Brasil acquired the exploration rights of Santo Antônio do Jari HPP with 300 MW of installed capacity	2.443

Capital Market Indicators

	1H2011	2010	2009	2008	2007	2006
EDP Shares on Euronext Lisbon (euros)						
Opening price	2,491	3,108	2,695	4,470	3,84	2,60
Closing price	2,449	2,491	3,108	2,695	4,47	3,84
Peak price	2,920	3,185	3,218	4,760	5,00	3,86
Minimum price	2,357	2,376	2,340	2,062	3,79	2,58
Variation in share price and reference indices						
EDP Shares	(1,7%)	(19,9%)	15,3%	(39,7%)	16,4%	47,7%
PS120	(3,5%)	(10,3%)	33,5%	(51,3%)	16,3%	29,9%
Dow Jones Eurostoxx Utilities	(3,5%)	(14,7%)	15,2%	(38,1%)	18,0%	35,6%
Euronext 100	2,0%	1,0%	25,5%	(45,2%)	3,4%	18,8%
Liquidity of EDP shares on the markets						
Volume on Euronext Lisbon (EUR million)	2.207,3	6.291,8	4.969,7	9.710,1	21.256,5	12.812,5
Average daily volume (EUR million)	17,4	24,3	21,8	37,9	83,4	50,2
Number of shares traded (million)	821,2	2.367,2	1.722,3	2.761,1	5.079,7	4.080,9
Total number of shares issued (million)	3.656,5	3.656,5	3.656,5	3.656,5	3.656,5	3.656,5
Privatised shares at the end of the year (million)	2.936,2	2.936,2	2.936,2	2.936,2	3.096,2	3.096,2
% of capital already privatised	80%	80%	80%	80%	85%	85%
Number of own shares held (treasury stock) as at 30 Jun (million)	31,9	33,3	34,2	35,7	15,5	7,1
Annual rotation of capital (privatised shares)	28,0%	80,6%	58,7%	94,0%	164,1%	131,8%
EDP Market Value (EUR million)						
Market Capitalization at the end of the period	8.954,9	9.108,4	11.364,5	9.854,4	16.344,7	14.041,1
Total shareholder profitability						
Annual variation in share price (1)	(0,04)	(0,62)	0,41	(1,78)	0,63	1,24
Gross dividend distributed per share in the year	0,170	0,155	0,140	0,125	0,110	0,100
Total shareholder profitability	5,1%	(14,9%)	20,5%	(36,9%)	19,3%	51,5%
Dividends						
Dividend per share	-	0,170	0,155	0,140	0,125	0,110
Dividend yield	-	6,8%	5,0%	5,2%	2,8%	2,9%

VIII. CORPORATE BODIES

VIII.1. CORPORATE GOVERNANCE STRUCTURE

VIII.1.1. Corporate Governance Model

EDP has adopted, since 2006, a dual corporate governance model.

The definition of EDP corporate governance model essential purpose was to ensure separation of functions and specialization of supervision with rigor and transparency, and to align the interests of the EDP with the interests of its shareholders. The EDP management and supervision structure is made up of four bodies:

- The General Meeting
- The Executive Board of Directors;
- The General and Supervisory Board; and
- The Statutory Auditor.

The EDP General Meeting of Shareholders appoints and dismisses the members of the Executive Board of Directors and the General and Supervisory Board as well as the Statutory Auditor, the latter upon proposal by the General and Supervisory Board (or by the Committee on Financial Matters/Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board and the Remuneration Committee, responsible for fixing the remuneration of members of the corporate bodies (with the exception of the members of the Executive Board of Directors, whose remuneration is fixed by the Remuneration Committee appointed by the General and Supervisory Board.

Separation of the functions of management and supervision is ensured by the existence of a Executive Board of Directors, which is responsible for the management of the business, and by the General and Supervisory Board, which is the maximum corporate authority in matters of supervision.

For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated in both Portuguese and English for its shareholders on its website (www.edp.pt), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees.

Additionally, in November 2010, the General and Supervisory Board and the Executive Board of Directors approved the "Guidelines on Corporate Governance of EDP" (Manual), which is available to shareholders and the general public in the "Website" (www.edp.pt). The primary goal of the Manual is to record and share an understanding of the two bodies with respect to recommendations of good corporate governance practices applicable to the EDP, as well as guidelines which are deemed appropriate before adopting them and to give information about the governance practices of EDP that although not reflected in the Code of Corporate Governance, materialize the goal, shared by the General and Supervisory Board and the Executive Board of Directors, to develop and deepen the quality of governance processes in EDP.

VIII.1.2. Statutory framework in respect of independence and incompatibilities

The Articles of Association of EDP, which are available for consultation on its Website (www.edp.pt), contain rules on independence and incompatibilities for office in any body of the Company.

The independence criteria provided for in Article 414 5) of the Companies Code are in line with those stipulated in the Articles of Association, determining that the independence corresponds to the absence of direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and hold or act on behalf of holders of qualifying of 2% or more of the share capital or have been re-elected for more than two terms, either continuous or interspersed.

The assessment of the independence of members of corporate bodies should be promoted by each corporate body for its members, complying with applicable laws and regulations at all times and must be expressly justified when it diverges from criteria resulting from non mandatory recommendations which EDP should take into account.

Beyond the legal rules applicable and in matters of incompatibility and as a way of safeguarding the interests of the company and its shareholders, it was established by the Articles of Association that the holding of office in any of the EDP corporate bodies is not compatible with:

- The quality of natural or legal person associated with a legal person that is a competitor of EDP;
- Holding any office or performing any tasks of any kind or designation – namely through appointment to a corporate office, a work contract or a service contract – in a legal person competing with EDP or in a legal person associated with an EDP competing company;
- Appointment, even if only de facto, as a member of a corporate body by a rival legal person competing with EDP or by a natural or legal person associated with a legal person that is a competitor of EDP.

In this context, in accordance with the Articles of Association:

- A legal person that carries out, directly or indirectly, a business activity that competes with that pursued by EDP or by a company in which EDP has a stake of at least 50% (fifty per cent) of the respective capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a fixed establishment.
- A person associated with an EDP competing legal person is: (i) a person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that modifies or substitutes it; (ii) a person that, directly or indirectly, holds, in a EDP competing legal person, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake of at least 10% (ten per cent) or more of the voting rights corresponding to a shareholding in that company.
- A person that indirectly carries out a business activity in competition with EDP is the one that, directly or indirectly, holds a share, or of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or an EDP subsidiary.

Incompatibility for office in any body of EDP is not applicable to EDP competing legal persons in which EDP holds 50% (fifty per cent) or more of the respective share capital or voting rights, nor to natural persons that hold office of any kind or designation or are nominated, even if only de facto, in such competing legal persons when the appointment to the corporate office in the competing legal person or the contract with the competing legal person were made on the basis of an indication by EDP or an EDP subsidiary.

Incompatibility as defined above also does not apply to the holding of offices such as member of the General and Supervisory Board, where permitted by law, through prior authorisation approved by a two-thirds majority of votes issued in the General Meeting at which the appointment is confirmed. The competition relationship must be expressly referred to and identified in precise terms in the appointment proposal and the decision on authorisation may be made subject to conditions, namely the holding of a shareholding in EDP representing no more than 10% (ten per cent) of its share capital.

VIII.1.3. Statements regarding the independence and incompatibilities

In line with the independence criteria provided for in Article 9 of the company's Articles of Association, the members of the Executive Board of Directors declared upon taking office that they fully comply with the independence criteria, given that they have no direct or indirect relations with the company or any of its management bodies or with persons or groups with specific interests in the company that could affect their impartiality in analysis and decision making and also do not hold a stake in EDP representing 2% (two per cent) or more of its share capital. They also declared that they have no incompatibility to hold the office in accordance with Article 10 of the Articles of Association, as they do not hold office in EDP competing companies nor do they represent any EDP competing company or legal person associated with EDP competitors.

The members of the Executive Board of Directors also undertakes to inform immediately the Chairman (and the Chairman himself undertakes to inform the Executive Board of Directors) of the occurrence of any circumstance that could eventually cause a situation of incompatibility with the status of member of the Executive Board of Directors or of loss of the status of independent member.

Pursuant to its Internal Regulation, the General and Supervisory Board has set a specific procedure to assess the fulfillment of the large set of rules on incompatibility and independence requirements applicable to the exercise of office in the same body. The procedure includes the following features:

- The acceptance of the appointment as General and Supervisory Board member occurs with a written statement in which the member specifically declares: (i); (ii) the absence of any incompatibility situation under the law or EDP'S Articles of Association with the exercise of the office: (ii) the fulfillment of the independence requirements set out in the Internal Regulation, if elected as a General and Supervisory Board independent member; and iii) the duty to inform the Chairman of the General and Supervisory Board or, in case of the Chairman, the Board itself directly, of the subsequent occurrence of any circumstance that may constitute a situation of incompatibility or loss of independence status.

- The members of the General and Supervisory Board must confirm annually in writing the absence of incompatibility and compliance with the requirements of independence, if applicable.

- Also annually, the General and Supervisory Board conducts a general assessment on the fulfillment of the incompatibilities and independence requirements by its members.

At the same time, the General and Supervisory Board's regulations regarding the independence criteria applicable to its members were extended beyond the provisions in Article 414 5) of the Companies Code and Article 9 of the Articles of Association, with the result that persons who, either directly or in relation to their spouse or relative by direct line or affinity, and up to and including the third degree in the collateral line, may not have the status of independent if they are in any of the following situations:

- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of a qualified holding of 2% or more of the voting rights in EDP, or the same percentage in a company that it controls.

- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of, a qualified holding of 2% or more of the share capital or voting rights in a company that is a competitor of EDP.

- They gain any remuneration, albeit suspended, from EDP or a subsidiary company or from non-profit institutions economically dependent on them, except for compensation for their duties as a member of the General and Supervisory Board.

- They have been re-elected for more than two terms, whether consecutively or not.

The regime of independence applicable to the members of the General and Supervisory Board is particularly important with regard to the following requirements:

- The body must be composed of a majority of independent members (Article 434(4) of the Companies Code and Article 21(4) of the Articles of Association).

- The Committee for Financial Matters and the Remuneration Committee of the General and Supervisory Board must be composed of a majority of independent members (Article 444(6) of the Companies Code and Article 27(1) of the Articles of Association).

In accordance with the above-mentioned procedure, the members of the General and Supervisory Board declared at the start of their term that they were not in any situation of legal incompatibility (Article 414-A(1)a) to e), g) and h) (ex vi Article 434(4)) and Article 437(1) of the Companies Code) and furthermore that, in the applicable cases, they were in statutory compliance with the requirements of independence set forth in the General and Supervisory Board's internal regulations.

It should be mentioned in this regard that the General Meeting on 15 April 2009 authorised the election of Sonatrach as a member of the General and Supervisory Board pursuant to the terms of Article 10(4) of the Articles of Association as, under the terms of Article 10(1) and 10(7) of the Articles of Association, Sonatrach is a legal person that is a competitor of EDP.

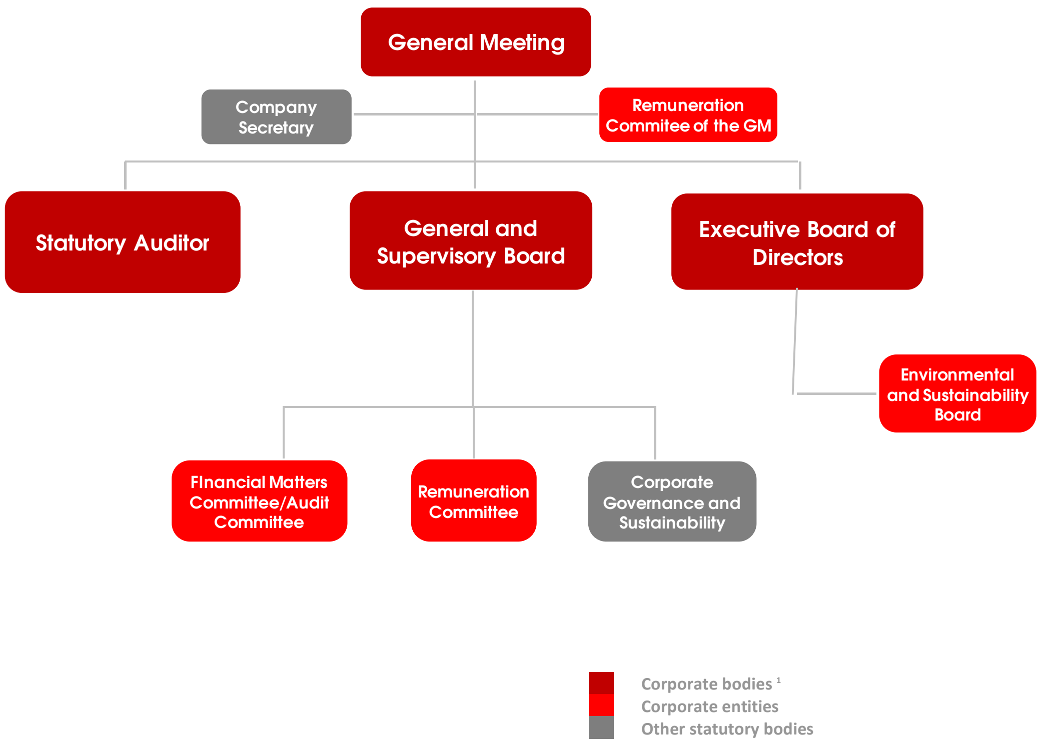
At the beginning of 2011, the members of the General and Supervisory Board renewed their declarations regarding incompatibilities and independence, and on 27 January 2011 the General and Supervisory Board assessed the application to its members of the rules on incompatibilities and independence.

The same declarations of compliance with the independence and incompatibility checking criteria for the exercise of their duties, set forth in Article 414(5) and Article 414-A(1) of the Companies Code and in Articles 9 and 10 of the Articles of Association, were made by the Chairman and Vice-Chairman of the General Meeting.

The statements, above mentioned, are publicly available on the website of EDP in www.edp.pt.

For further information on application of the incompatibility and independence regime for members of the General and Supervisory Board see section 2.1.1 of the Annual Report issued by that body.

VIII.2. ORGANIC CORPORATE STRUCTURE



1) Corporate entities are also corporate bodies, pursuant to Article 8/4 of EDP's Articles of Association

VIII.3. CORPORATE BODIES

With the exception of members of the General and Supervisory Board Parpública and José de Mello Energia, elected in the Annual General Meeting of 14 April 2011, the current members of the corporate bodies were elected at the annual General Meeting held on the 15 April 2009, for a term of 3 years (triennial 2009/2011).

VIII.3.1. General Meeting of Shareholders

The General Meeting of Shareholders is the body that represents the shareholders. It has the following functions:

- Assessing the annual reports of the Executive Board of Directors, discussing and voting on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Committee on Financial Matters/Audit Committee and voting on proposals for the allocation of profits;

- Electing and dismissing the members of the board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board as well as their respective chairmen and vice-chairmen and, if applicable, the Statutory Auditor, under proposal of the General and Supervisory Board or, by delegation, of the Committee on Financial Matters/Audit Committee, and also the members of the Environment and Sustainability Board;

- Deciding on amendments to the Articles of Association, including capital increases;

- Appointing a Remuneration Committee responsible for establishing the remuneration of the members of the corporate bodies; the majority of the committee members should be independent;

- Assessing the annual company report produced by the General and Supervisory Board;

- Dealing with any other matters brought before it;

- Exercising any other powers that may be conferred to it by law , namely as regards the general assessment of the administration and supervision of the company and the approval of the remuneration policy of the members of these bodies.

BOARD OF THE GENERAL MEETING

Pursuant to Article 12 of the EDP Articles of Association, the Board of the General Meeting is made up of a Chairman and a Vice-chairman and the company's General Secretary appointed by the Executive Board of Directors.

The current members of the board of the General Meeting are as follows:

Board of the General Meeting	
Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	António Bernardo de Menezes e Lorena de Sèves
Company Secretary	Maria Teresa Isabel Pereira

In accordance with the Articles of Association, the Chairman of the Board of the General Meeting is a member of the General and Supervisory Board.

VIII.3.2. General and Supervisory Board

The General and Supervisory Board is the body that oversees the company's management activity and guarantees permanent monitoring and supervision of the administration of the company, cooperating with the Executive Board of Directors and all other corporate bodies in the pursuit of the corporate interests in accordance with the Companies Code and the Articles of Association, being elected by the shareholders in the General Meeting.

The General and Supervisory Board is composed of 17 members, the majority of whom are independent, who meet the requirements in terms of education and competence provided for in the Articles of Association and legislation applicable to EDP. The work of the General and Supervisory Board is governed by an internal regulation, available on the EDP website (www.edp.pt).

The competencies of the General and Supervisory Board are to:

- Permanently monitor the management of the company and the subsidiaries, providing advice and assistance to the Executive Board of Directors, namely with respect to strategy, meeting targets and objectives and complying the applicable legislation;

- Issue an opinion on the annual report and accounts;

- Oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, issue pronouncement on the respective election or appointment, removal from office, independent status and other relations with the company;

- Oversee, on a permanent basis, and evaluates internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;

- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;

- Monitor the definition of the necessary or appropriate criteria and responsibilities for the internal structures and bodies of the company or group and their impact, in addition to drawing up succession plans

- Provide, in accordance with the law, for the replacement of members of the Executive Board of Directors in the event of absence or temporary impediment;

- Issue, on its own initiative or upon request by the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the company management as referred to in Article 455 of the Companies Code;

- Monitor and assess matters pertaining to corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes, systems for appraising and solving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;

- Procure the resources, financial or otherwise, which it reasonably considers necessary for its work and request the Executive Board of Directors to adopt the measures or corrections it deems appropriate, being authorised to contract the necessary resources to obtain independent advice, if required;

- Receive regular information from the Executive Board of Directors on significant commercial relations between the company or subsidiaries and shareholders with a qualified shareholding and related persons;

- Appoint the Remuneration Committee and Committee on Financial Matters/Audit Committee;

- Represent the company in its relations with the directors;

- Oversee the work of the Executive Board of Directors;

- Supervise observance of the law and the Articles of Association;

- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for the engagement or dismissal of the same;

- Monitor, when and how it deems appropriate, the regularity of bookkeeping, accounts and supporting documents, as well as the status of any assets or securities held by the company;

- Oversee the drawing up and disclosure of financial information;

- Convene the General Meeting when it deems appropriate;

- Approve its internal regulation, which includes rules on relations with the other corporate bodies

- Exercise any other powers that may be conferred upon it by law or by the General Meeting.

In the scope of the corporate governance model in force at EDP, the General and Supervisory Board has one more power of particular importance. Although it does not have management powers, in accordance with Article 442. 1) of the Companies Code, the company's Articles of Association establish that the approval of the company's strategic plan and the following operations carried out by the company or by subsidiaries are subject to favorable prior opinion from the General and Supervisory Board:

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

- Contracting financing operations of significant value;

- The opening and closure of establishments, or important parts thereof, and important extensions or limitations of the company activity;

- Other transactions or operations of significant economic or strategic value;

- The commencement or termination of strategic partnerships or other forms of lasting cooperation;

- Plans for divisions, mergers or transformations;

- Amendments to the Articles of Association, including changes of registered office and capital increases when these are of the initiative of the Executive Board of Directors;

The Chairman of the General and Supervisory Board has competencies of its own, and is responsible for:

- Convening and chairing meetings of the General and Supervisory Board;

- Representing the General and Supervisory Board institutionally;

- Coordinating the work of the General and Supervisory Board and supervising the correct functioning of its committees;

- Provide timely availability to members of the General and Supervisory Board of the information necessary for the complete fulfillment of their duties;

- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;

- Promote the necessary arrangements for proper monitoring of social activity by the General and Supervisory Board;

- Control the implementation of the budget of the General and Supervisory Board and manage the human and material resources allocated to this body;

- Ensuring correct implementation of the General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board, or, in case of its absence or impediment, one of its members specifically appointed by the board, may attend the meetings of the Executive Board of Directors and participate in the discussion of matters to be submitted to the General and Supervisory Board, whenever they deem convenient and without the right to vote.

Members of the Committee on Financial Matters/Audit Committee have the obligation to attend Executive Board of Directors meetings assessing the accounts for a financial year.

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on its own initiative or at the request of any member, of the Executive Board of Directors or of its respective Chairman.

Currently, the General and Supervisory Board has the following composition:

General and Supervisory Board		
Chairman	António de Almeida	
Vice-Chairman	Alberto João Coraceiro de Castro	Independent
	António Sarmento Gomes Mota	Independent
	Carlos Jorge Ramalho Santos Ferreira	
	Diogo Campos Barradas de Lacerda Machado	Independent
	Eduardo de Almeida Catroga	Independent
	Farid Boukhalfa (as representative of Sonatrach)	
	Joaquim José de Oliveira Reis (as representative of Parpública – Participações Públicas,(SGPS), S.A.)	
	José Manuel dos Santos Fernandes	Independent
	José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)	
	José Maria Espírito Santo Silva Ricciardi	
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)	
	Manuel Fernando de Macedo Alves Monteiro	Independent
	Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL)	
	Ricardo José Minotti da Cruz Filipe	Independent
	Rui Eduardo Ferreira Rodrigues Pena	Independent
	Vítor Fernando da Conceição Gonçalves	Independent

On March 11, due to the significant reduction of the Caixa Geral de Depósitos, S.A.'s participation in EDP's share capital, Mr. Fernando Manuel Barbosa Faria de Oliveira has presented his resignation as member of the General and Supervisory Board.

Given the existence of two vacancies on the General and Supervisory Board, the General Meeting of the EDP, held on April 14, 2011, approved the election of Parpública - Participações Públicas (SGPS), S.A. and José de Mello Energia S.A. for members of that body for the remainder of the current term (three years 2009/2011) and appointed, respectively, José Joaquim de Oliveira Reis and Luis Filipe da Conceição Pereira as its representatives to exercise the office.

In the first half of 2011, the General and Supervisory Board met 3 times. Minutes of all meetings were drawn up.

VIII.3.4. Statutory Auditor

The Executive Board of Directors is the body responsible for the management of the company's business activities and for representing the Company, in accordance with the Companies Code and EDP Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors is comprised of 7 members.

The Executive Board of Directors habitually meets once a week, though it is obliged to meet only once every two months.

The Executive Board of Directors works in a collegial manner, without delegation of duties in any of its members. Individual directors are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The work of the Executive Board of Directors is governed by an internal regulation, available on the EDP website (www.edp.pt).

The powers of the Executive Board of Directors, in accordance with the Articles of Association, include:

- Establishing the objectives and management policies of EDP and the EDP Group;

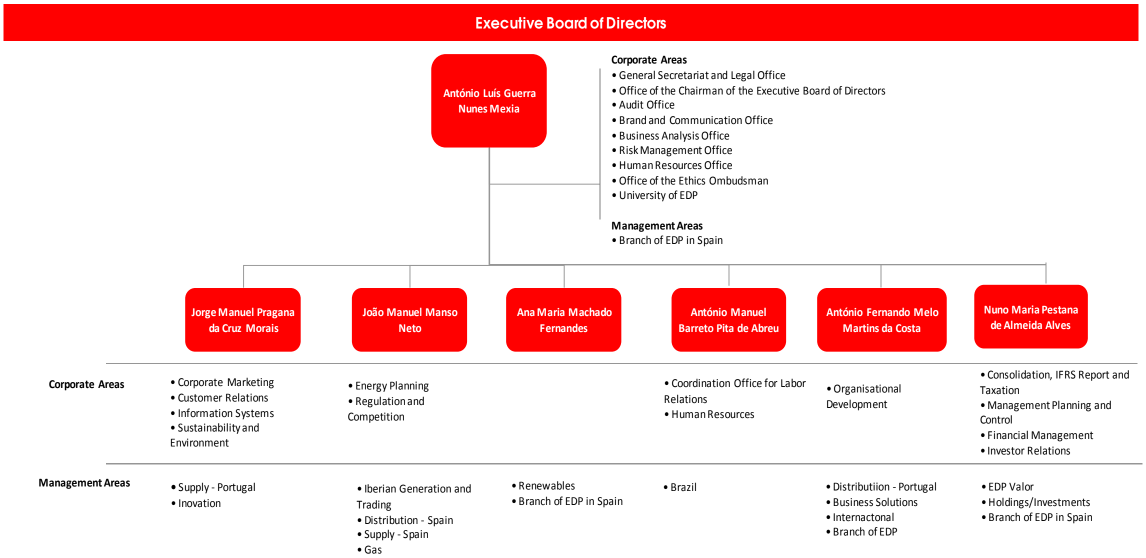
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies;
- Representing the company actively and passively in and out of court, with the power to concede, acquiesce and plead in any legal proceedings, as well as to sign arbitration agreements;
- Buying, selling or by any other means disposing of, or encumbering, rights or immovable assets;
- Incorporating companies and subscribing, acquiring, encumbering and transferring shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of its internal operation, particularly in relation to personnel and their remuneration;
- Establishing proxies with such powers as it may deem fit, including the power to delegate;
- Appointing the general secretary and his/her alternate;
- Contracting and dismissing the External Auditor upon instruction of the General and Supervisory Board;
- Exercising any other powers invested in it by law or by the General Meeting; and
- Establishing its regulation setting out rules applicable to its internal functioning.

Moreover, proposals for amendments to the Articles of Association in matters of capital increases that are submitted by the Executive Board of Directors are subject, pursuant to Article 17.2 g) of the Articles of Association, to a prior opinion of the General and Supervisory Board.

The Chairman of the Executive Board of Directors has competencies of its own, and is responsible for:

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

The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations which involve a conflict of interests.



The Chairman of the Executive Board of Directors forwards to the support office of the General and Supervisory Board invitations to meetings and the respective minutes and, whenever requested, timely provides the information requested from him/her in the appropriate form, such information being accessible to all members of the General and Supervisory Board.

The performance of the Executive Board of Directors is assessed continuously and independently by the General and Supervisory Board.

The Executive Board of Directors met 30 times in the first half of 2011. Minutes of all meetings were drawn up.

VIII.3.4. Statutory Auditor

The Statutory Auditor is the corporate body responsible for examining the financial statements. It is elected by the General Meeting of Shareholders for three year period terms.

In accordance with the Companies Code and the Articles of Association, the Statutory Auditor is in particular responsible for verifying:

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

The Statutory Auditor and its alternate are as follows:

Statutory Auditor	
Permanent	KPMG & Associados, SROC, S.A. represented by Jean-éric Gaign, ROC
Alternate	Vítor Manuel da Cunha Ribeirinho, ROC

VIII.3.5. Remuneration Committee – General Meeting

The remuneration of members of the corporate bodies, with the exception of the members of the Executive Board of Directors, is fixed by the Remuneration Committee elected by the General Meeting.

In accordance with Article 11-2d) of the Articles of Association, the members of the Remuneration Committee – General Meeting should be independent.

The current members of the Remuneration Committee – General Meeting are as follows:

Remuneration Committee - General Meeting	
Chairman	José Manuel Archer Galvão Teles
	Carlos Alberto Veiga Anjos
	Parpública – Participações Públicas, (SGPS), SA

In accordance with Law nº 28/2009 of June 19th and EDP's by-laws, the Remuneration Committee - General Meeting submitted to the Annual General Meeting, held on 14 April of 2011, the remuneration policy of the corporate bodies, with the exception of the Executive Board of Directors, and the proposal was approved by shareholders.

This General Meeting was attended by the members of the Remuneration Committee – General Meeting.

VIII.3.6. Environment and Sustainability Board

The Environment and Sustainability Board was set up as a corporate body in 1991 under a different name. Its name was changed to Environment and Sustainability Board at the Annual General Meeting of Shareholders of 30 March 2006.

The Environment and Sustainability Board has powers to advise the Executive Board of Directors in environment and sustainability-related matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and in drawing up opinions and recommendations on the environmental impact of projects planned by the EDP Group.

The Environment and Sustainability Board is currently made up of persons with acknowledged competence in the field of environmental protection.

The current composition of the Environment and Sustainability Board is as follows:

Environmental and Sustainability Board	
Chairman	João Martins Ferreira do Amaral
	Miguel Pedro Brito St. Aubyn
	Maria Madalena Monteiro Garcia Presumido
	Maria da Graça Madeira Martinho
	José de Sousa Cunhal Sendim

VIII.3.7. Company Secretary

The Company General Secretary and respective alternate are appointed by the Executive Board of Directors. The Secretary has the powers conferred upon him/her by law and his/her term of office ends with the end of term of the Executive Board that appoints him/her.

The current Company Secretary and alternate are:

Company Secretary	
Secretary	Maria Teresa Isabel Pereira
Alternate	Ana Rita Pontífice Ferreira de Almeida Côrte-Real

VIII.3.8. Specialized Committees of the General and Supervisory Board

Without prejudice to the maintenance of its responsibility for the carrying out of its competencies as a corporate body, the internal regulation of the General and Supervisory Board sets out the possibility of establishing permanent and temporary specialised committees composed of some of its members, whenever it considers necessary, in which the board can delegate the exercise of certain specific functions.

Both the permanent and temporary committees have as main mission to make a specific and permanent monitoring of the matters entrusted to them to ensure processes of decision-making informed by the General and Supervisory Board or the information about certain subjects.

The committees´ activities are coordinated by the Chairman of the General and Supervisory Board, who ensures an adequate coordination of such activities with that of the Board, through their respective Chairmen, who shall keep him informed, namely by disclosing to him the convening of their meetings and their respective minutes.

The current specialised committees of the General and Supervisory Board were set up at the meeting of 7 May 2009.

The General and Supervisory Board considers that its specialised committees are relevant to the regular functioning of the company as they allow the delegation of the carrying out of certain activities, including the monitoring of the company financial information, the reflection on the governance system it has adopted, the assessment of the performance of the company directors as well as that of the company's overall performance.

The work of the committees is governed by an internal regulations, available on the EDP website (www.edp.pt).

COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting, as confirmed by the curriculum vitae of the Chairman, which can be consulted in the chapter on corporate bodies.

Currently, the Committee on Financial Matters/Audit Committee comprise the following members.

Financial Matters Committee/Audit Committee	
Chairman	Vítor Fernando da Conceição Gonçalves
	António Sarmento Gomes Mota Manuel Fernando de Macedo Alves Monteiro

In accordance with the EDP Articles of Association and by means of a delegation from the General and Supervisory Board, the Committee on Financial Matters/Audit Committee has the following responsibilities:

- To issue an opinion on the annual report and accounts
- To oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, to issue an opinion on its respective election or appointment, removal from office, conditions of independence and other relations with the company;
- To oversee, on a permanent basis, and evaluate internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- To monitor, when and how it deems appropriate, the bookkeeping, accounts and supporting documents, as well as the situation in relation to any assets or securities held by the company;
- To exercise any other powers that may be conferred upon it by law..

As a specialised committee of the General and Supervisory Board, the Committee on Financial Matters/Audit Committee supports the former in the process of selecting and replacing the external auditor.

The work of the Committee on Financial Matters/Audit Committee is governed by an internal regulation approved by the General and Supervisory Board.

The members of the Committee on Financial Matters/Audit Committee meet the legal requirements in terms of independence and qualification for holding their office, given that they have no work relation or contractual bond with EDP and its subsidiaries, shareholders with a stake of 2% or more in the company or entities in a group or control relationship with such shareholders and their spouses, relatives and kin in a direct line to the third degree.

The General and Supervisory Board carries out an annual assessment of the compliance with the above mentioned requirements.

The composition, competence and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005.

In the first half of 2011, the Committee on Financial Matters/Audit Committee met 9 times. Minutes of all meetings were drawn up.

WHISTLE-BLOWING POLICY

The EDP Group has always carried out its activity by consistently implementing measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides the Group workers with a channel enabling them to report directly and confidentially to the Committee on Financial Matters/Audit Committee of the General and Supervisory Board any practice presumed illicit or any alleged accounting and/or financial irregularity in their company, in compliance with the provisions of CMVM Regulation no. 1/2010.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Guaranteeing conditions that allow workers to freely report any concerns they may have in these areas to the Committee on Financial Matters/Audit Committee;

- Facilitating the early detection of irregular situations which, if practiced, might cause serious damage to the EDP Group, its workers, customers and shareholders.

The Committee on Financial Matters/Audit Committee can be contacted by e-mail, fax and regular mail, and access to the information received in this context is restricted.

All complaints or reports to the Committee on Financial Matters/Audit Committee are treated with the strictest confidentiality. The identity of the whistle-blower is kept secret, provided that this does not hinder investigation of the complaint.

In accordance with its established regulations, EDP guarantees that no employee will be the target of any retaliatory or disciplinary action as a result of exercising their right to report irregular situations, provide information or assist in an investigation.

REMUNERATION COMMITTEE

Pursuant to Article 27 of the EDP Articles of Association, the Remuneration Committee designated by the General and Supervisory Board is the body that determines the remuneration of the members of the Executive Board of Directors, as well as other benefits such as old age or invalidity pensions.

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting for consultation a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted, at least in years during which such policy is implemented or altered. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

The work of the Remuneration Committee is governed by is governed by an internal regulation approved by the General and Supervisory Board.

In the first half 2011, the committee met 2 times. Minutes of all meetings were drawn up.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings.

Remuneration Committee of the GSB	
Chairman	Alberto João Coraceiro de Castro
	Eduardo de Almeida Catroga
	José Maria Espírito Santo Silva Ricciardi

The General and Supervisory Board designated on January 27th, José Maria Espírito Santo Silva Ricciardi for member of the Remuneration Committee.

In the Annual General Meeting held on April 14th, in accordance with Law nº 28/2009 of June 19th and EDP's by-laws, the Chairman of this Committee attended the meeting and submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

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

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Defining appropriate criteria and competences to serve as standards for the EDP structures and internal bodies and their impact on the composition thereof;

- Drawing up succession plans.

In the scope of its responsibilities, the Corporate Governance and Sustainability Committee supports the activity of the General and Supervisory Board in the continuous assessment of the management, as well as well as of the performance of the General and Supervisory Board itself. Based on the work of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually carries out the above mentioned assessments, which are the object of a report. The conclusions of these assessments are included in the annual report of the General and Supervisory Board and presented to the shareholders in the annual General Meeting.

Another two very important activities carried out by the Corporate Governance and Sustainability Committee are the monitoring:

- Of the corporate governance practices adopted by the Company;

- Of the human resources and succession plans management.

The functioning of the Corporate Governance and Sustainability Committee is governed by an internal regulation approved by the General and Supervisory Board.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience.

The committee currently consists of the following members:

Corporate Governance and Sustainability Committee	
Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	António Sarmento Gomes Mota
	Diogo Campos Barradas de Lacerda Machado
	José Maria Brandão de Brito
	José Manuel dos Santos Fernandes
	José Maria Espírito Santo Silva Ricciardi
	Mohamed Ali Ismaeil Ali Al Fahim
	Ricardo José Minotti da Cruz Filipe

In the first half of 2011, the Committee met 1 time. Minute of the meeting was drawn up.

IX. SHAREHOLDER STRUCTURE

IX.1. QUALIFYING HOLDINGS

Pursuant to Article 8.1b of CMVM Regulation no. 5/2008, the following information on qualifying holdings held by shareholders in the EDP share capital in the first half of 2011 and the allocation of voting rights in accordance with Article 20.1 of the Securities Code is hereby provided:

Shareholder	Nº of Shares	% Capital	% Vote
PARPÚBLICA - Participações Públicas, (SGPS), S.A. (1)			
Privatised shares - Category A	211,836,047	5.79%	4.86%
Non-privatised shares - Category B	704,141,551	19.26%	19.26%
Capitalpor – Participações Portuguesas, SGPS, S.A.	408,797,735	11.18%	11.18%
PARPÚBLICA - Participações Públicas, SGPS, S.A.	295,343,816	8.08%	8.08%
Total	**915,977,598**	**25.05%**	**24.12%**

The company Capitalpor – Participações Portuguesas, SGPS, S.A. Is fully owned by PARPÚBLICA - Participações Públicas, SGPS, S.A.

GROUP CAIXA GERAL DE DEPÓSITOS (1)			
Privatised shares - Category A	5,995,903	0.16%	0.14%
Caixa Geral de Depósitos	3,551,385	0.10%	-
Pension Fund of CGD	637,997	0.02%	-
Companhia de Seguros Fidelidade Mundial, S.A.	1,348,345	0.04%	-
Caixa-Banco de Investimento, S.A.	100,000	0.00%	
Império Bonança - Companhia de Seguros, S.A.	43,176	0.00%	-
Parcaixa, SGPS, S.A.	315,000	0.01%	-
Non-privatised shares - Category B	16,173,184	0.44%	0.44%
Parcaixa, SGPS, S.A.	16,173,184	0.44%	0.44%
Total	**22,169,087**	**0.61%**	**0.58%**

CGD holds 100% of share capital and voting rights of Caixa Seguros, SGPS, S.A. which, in turn, holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, S.A. ; ii) 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A. CGD Pension Fund is managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A., and of which CGD is an associated company. CGD holds 91,95% of share capital of Gerbanca, SGPS, SA and 100% of Caixa-Participações, SGPS, SA of which holds 8.05% of Gerbanca, SGPS, SA. Gerbanca, SGPS, S.A. detém 99.71% do capital social do Caixa-Banco de Investimento, S.A.. CGD holds 51% of the share capital and voting rights of Parcaixa, SGPS, SA.

IBERDROLA ENERGIA S.A.U.			
Iberdrola Energia S.A.U. (Iberener)	248,437,516	6.79%	5.00%
Total	**248,437,516**	**6.79%**	**5.00%**

The company Iberdrola Energía, S.A.U. is fully owned by Iberdrola, S.A.

CAJA DE AHORROS DE ASTURIAS (CAJASTUR)			
Cantabrica de Inversiones de Cartera, S.L.	128,409,447	3.51%	-
Caja de Ahorros de Asturias (Cajastur)	54,848,066	1.50%	-
Total	**183,257,513**	**5.01%**	**5.00%**

The company Cantabrica de Inversiones de Cartera, S.L. is fully onwed by Caja de Ahorros de Asturias (Cajastur)

JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, SGPS, S.A.	176,283,526	4.82%	4.82%
Management and supervisory bodies	35,510	0.00%	0.00%
Total	**176,319,036**	**4.82%**	**4.82%**

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

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

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

MILLENNIUM BCP GROUP + PENSION FUND			
Corporate Bodies	28,380	0.00%	0.00%
Foundation Millennium BCP	350,000	0.01%	0.01%
Banco Comercial Português, S.A.	499,373	0.01%	0.01%
Pension Fund of Group Millennium BCP	122,289,594	3.35%	3.35%
Total	**123,167,347**	**3.37%**	**3.37%**

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

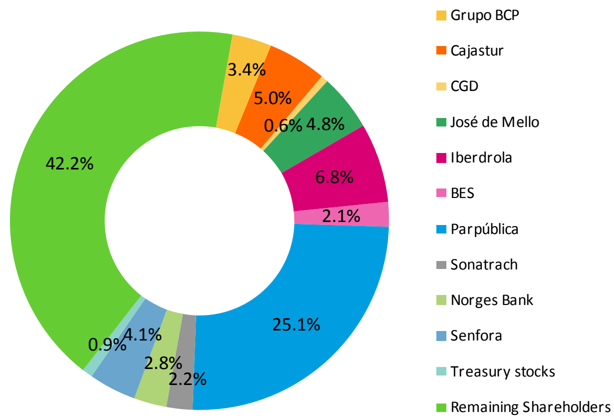
BANCO ESPÍRITO SANTO, S.A.			
Company's in a group relationship with BES or exercising control over the company	54,000,000	1.48%	1.48%
Banco Espírito Santo, S.A.	23,000,000	0.63%	0.63%
Members of the Corporate Bodies	3,375	0.00%	0.00%
Total	**77,003,375**	**2.11%**	**2.11%**
NORGES BANK			
Norges Bank	101,095,332	2.76%	2.76%
Total	**101,095,332**	**2.76%**	**2.76%**
SONATRACH (1)			
Sonatrach	81,713,076	2.23%	2.23%
Total	**81,713,076**	**2.23%**	**2.23%**
EDP (TREASURY STOCK)	**31,878,382**	**0.87%**	
REMAINING SHAREHOLDERS	**1,547,087,454**	**42.32%**	
TOTAL	**3,656,537,715**	**100.00%**	

Note: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 5% of the totality of the corresponding votes to the capital stock exceeed.

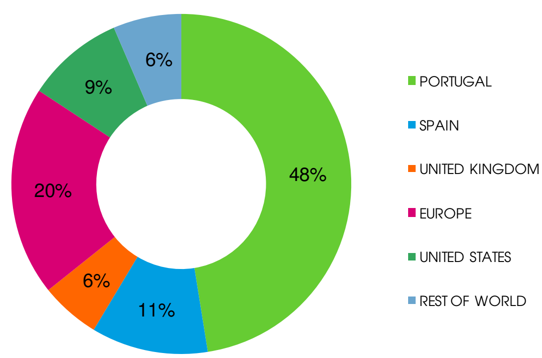
(1) In compliance with the understanding imparted by CMVM to Sonatrach in relation to the effects of a shareholder agreement entered into with Parpública - Participações Públicas, SGPS, S.A. And Caixa Geral de Depósitos, the voting rights corresponding to the stock held by these two shareholders have been assigned to Sonatrach since 11 April 2007, pursuant to Article 20/1 of the Securities Code.

Shareholder Structure

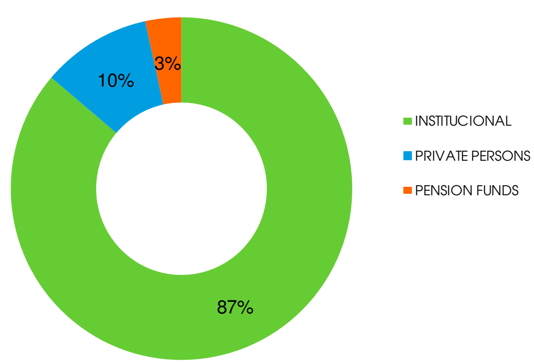
The breakdown of the EDP shareholder structure by region and investor type in 30 June 2011 was as follows:



Geographic Breakdown of Shareholder Structure



Breakdown of Shareholder Structure by Investor Type



Note: The breakdown of the EDP shareholder structure was performed with data made available by custodian banks to Interbolsa.

IX.1.2. EDP SHARES HELD BY MEMBERS OF THE CORPORATE BODIES

The table below shows the shares held by the members of the corporate bodies, as well as any alterations in these between the financial years 2010 and first half of 2011, in compliance with Article 447 5) of the Companies Code.

	EDP - Energias de Portugal, S.A.		EDP Renováveis, S.A.		Energias do Brasil, S.A.	
	N.º Shares 30-06-2011	N.º Shares 31-12-2010	N.º Shares 30-06-2011	N.º Shares 31-12-2010	N.º Shares 30-06-2011	N.º Shares 31-12-2010
General and Supervisory Board						
António de Almeida	100	0	1.200	1.200	0	0
Alberto João Coraceiro de Castro	4.578	4.578	1.580	1.580	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0
Cajastur Inversiones, S.A.	183.257.513	183.257.513	0	0	0	0
José Maria Brandão de Brito (representing Cajastur Inversiones, S.A.)	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira (1)	40.000	40.000	0	0	0	0
Diogo Campos Barradas de Lacerda Machado	260	260	0	0	0	0
Eduardo de Almeida Catroga	1.375	1.375	0	0	0	0
Fernando Manuel Barbosa Faria de Oliveira (2)	-	0	0	0	0	0
PARPÚBLICA - Participações Públicas, SGPS, S.A.	915.977.598	915.977.598	-	-	-	-
Joaquim José de Oliveira Reis(3) (representing Parpública - Participações Públicas, SGPS, S.A.)	0	-		-	0	-
José dos Santos Fernandes	0	0	600	600	0	0
José Maria Espírito Santo Silva Ricciardi (4)	0	0	2.320	2.320	0	0
José de Mello Energia S.A.	176.319.036	176.340.958	-	-	-	-
Luis Filipe da Conceição Pereira (5) (representing José de Mello Energia)	19.739	-	1.200	-	0	-
Manuel Fernando de Macedo Alves Monteiro	0	0	0	0	0	0
Ricardo José Minotti da Cruz Filipe	6.622	6.622	500	500	0	0
Rui Eduardo Ferreira Rodrigues Pena	1.445	1.445	380	380	0	0
Sonatrach	81.713.076	81.713.076	0	0	0	0
Farid Boukhalfa (representing Sonatrach)	0	0	0	0	0	0
Vítor Fernando da Conceição Gonçalves	3.465	3.465	680	680	0	0
Senfora SARL	148.431.999	148.431.999	0	0	0	0
Mohamed Al Fahim (representing Senfora SARL)	0	0	0	0	0	0
Executive Board of Directors						
António Luís Guerra Nunes Mexia	41.000	31.000	4.200	4.200	1	1
Ana Maria Machado Fernandes	0	0	1.510	1.510	1	1
António Fernando Melo Martins da Costa (6)	13.299	13.299	1.480	1.480	0	0
António Manuel Barreto Pita de Abreu (7)	34.549	34.549	1.810	1.810	41	41
João Manuel Manso Neto	1.268	1.268	0	0	0	0
Jorge Manuel Pragana da Cruz Morais (8)	100.000	62.497	1.990	1.990	0	0
Nuno Maria Pestana de Almeida Alves	100.000	80.000	5.000	5.000	1	1

Notes:
1) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the Executive Board of Directors Banco Comercial Português, S.A. which had, on June 30, 2011 a qualified shareholding in EDP share capital (Please see chapter IX.1.).
2) Fernando Manuel Barbosa Faria de Oliveira resigned the office on March 11, 2011;
3) Appointed by Parpública, elected at the AGM held on April 14, 2011, as its representative to exercise the office;
4) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.
5) Appointed by José de Mello Energia, SA, elected at the AGM held on April, 14, 2011, as its representative to exercise the office;
The shares of EDP - Energias de Portugal includes 18,280 shares held by his wife, Maria Manuela Casimiro Silva Pereira, which also holds the shares of EDP Renováveis;
6) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Starzenska Martins da Costa;
7) The shares of EDP - Energias de Portugal, SA includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;
8) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barrêto;

During first half of 2011, the following members of the Corporate Bodies performed the following trade operations of EDP shares:

Corporate Body	Company	Date	N.º Shares	Operation	Avg. Purch./Sales price (euros)
Conselho Geral e de Supervisão					
António de Almeida	EDP - Energias de Portugal , S.A.	16-03-2011	100	Compra	2,707
Conselho de Administração Executivo					
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal , S.A.	19-05-2011	10,000	Compra	2,600
Jorge Manuel Pragana da Cruz Morais	EDP - Energias de Portugal , S.A.	03-06-2011	37.503	Compra	2,569
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal , S.A.	17-05-2011	10.000	Compra	2,600
		07-06-2011	10,000	Compra	2,550

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X. CONDENSED FINANCIAL STATEMENTS AS OF 30TH JUNE 2011

EDP - Energias de Portugal

Consolidated Income Statement
for the six month periods ended 30 June 2011 and 2010

	Notes	2011 (Thousands of Euros)	2010 (Thousands of Euros)
Turnover	6	7,542,984	6,762,619
Cost of electricity	6	-3,665,848	-3,246,709
Cost of gas	6	-634,358	-415,315
Changes in inventories and cost of raw materials and consumables used	6	-455,031	-371,637
		2,787,747	2,728,958
Revenue from assets assigned to concessions	7	195,460	169,785
Expenditure with assets assigned to concessions	7	-195,460	-169,785
		-	-
Other operating income / (expenses)			
Other operating income	8	182,599	125,727
Supplies and services	9	-421,044	-404,567
Personnel costs	10	-292,582	-296,439
Employee benefits	10	-73,356	-60,846
Other operating expenses	11	-282,983	-262,034
		-887,366	-898,159
		1,900,381	1,830,799
Provisions	12	-20,422	-39,278
Depreciation and amortisation expense	13	-724,122	-717,864
Compensation of amortisation and depreciation	13	19,877	12,661
		1,175,714	1,086,318
Gains / (losses) on the sale of financial assets	14	10,372	4,809
Other financial income	15	397,183	441,450
Other financial expenses	15	-663,270	-674,385
Share of profit in associates		11,789	13,139
Profit before income tax		931,788	871,331
Income tax expense	16	-220,489	-231,914
Net profit for the period		711,299	639,417
Attributable to:			
Equity holders of EDP		608,662	564,791
Non-controlling Interests	33	102,637	74,626
Net profit for the period		711,299	639,417
Earnings per share (Basic and Diluted) - Euros	30	**0.17**	**0.16**

LISBON, 28 JULY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 30 June 2011 and 31 December 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Assets			
Property, plant and equipment	17	20,009,420	20,323,583
Intangible assets	18	6,604,606	6,614,139
Goodwill	19	3,298,986	3,349,179
Investments in associates	21	155,013	146,871
Available for sale investments	22	206,194	443,965
Deferred tax assets	23	465,861	515,332
Trade receivables	25	110,949	117,442
Debtors and other assets	26	2,130,382	1,696,717
Total Non-Current Assets		32,981,411	33,207,228
Inventories	24	395,994	356,978
Trade receivables	25	2,032,295	2,069,676
Debtors and other assets	26	1,955,655	2,636,565
Tax receivable	27	595,595	640,485
Financial assets at fair value through profit or loss	28	35,827	35,745
Cash and cash equivalents	29	929,606	1,511,224
Assets classified as held for sale	40	85,000	30,952
Total Current Assets		6,029,972	7,281,625
Total Assets		39,011,383	40,488,853
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-108,104	-115,731
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,031,579	2,730,903
Consolidated net profit attributable to equity holders of EDP		608,662	1,078,925
Total Equity attributable to equity holders of EDP		7,692,598	7,854,558
Non-Controlling Interests	33	2,942,414	2,930,401
Total Equity		10,635,012	10,784,959
Liabilities			
Financial debt	35	16,152,613	14,887,195
Employee benefits	36	1,850,873	1,904,879
Provisions	37	426,429	431,194
Hydrological correction account	34	75,895	75,098
Deferred tax liabilities	23	848,261	856,072
Trade and other payables	38	3,607,931	3,819,817
Total Non-Current Liabilities		22,962,002	21,974,255
Financial debt	35	1,691,451	3,004,451
Trade and other payables	38	3,142,284	4,172,832
Tax payable	39	580,634	552,356
Total Current Liabilities		5,414,369	7,729,639
Total Liabilities		28,376,371	29,703,894
Total Equity and Liabilities		39,011,383	40,488,853

LISBON, 28 JULY 2011

THE OFFICIAL ACCOUNTANT N.º 17,713	MANAGEMENT	THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 April to 30 June 2011 and 2010

	2011 (Thousands of Euros)	2010 (Thousands of Euros)
Turnover	3,528,012	3,268,367
Cost of electricity	-1,633,857	-1,558,212
Cost of gas	-299,441	-193,942
Changes in inventories and cost of raw materials and consumables used	-238,340	-189,536
	1,356,374	1,326,677
Revenue from assets assigned to concessions	109,197	85,397
Expenditure with assets assigned to concessions	-109,197	-85,397
	-	-
Other operating income / (expenses)		
Other operating income	75,804	71,439
Supplies and services	-212,779	-210,364
Personnel costs	-145,353	-145,897
Employee benefits	-41,637	-28,069
Other operating expenses	-140,194	-122,548
	-464,159	-435,439
	892,215	891,238
Provisions	-18,035	-29,220
Depreciation and amortisation expense	-358,821	-370,874
Compensation of amortisation and depreciation	12,618	6,549
	527,977	497,693
Gains / (losses) on the sale of financial assets	10,139	-978
Other financial income	190,240	248,594
Other financial expenses	-322,839	-363,404
Share of profit in associates	5,955	6,190
Profit before income tax	411,472	388,095
Income tax expense	-97,104	-102,892
Net profit for the period	314,368	285,203
Attributable to:		
Equity holders of EDP	266,273	255,612
Non-controlling Interests	48,095	29,591
Net profit for the period	314,368	285,203
Earnings per share (Basic and Diluted) - Euros	**0.07**	**0.07**

LISBON, 28 JULY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 30 June 2011 and 2010

(Thousands of Euros)

	2011		2010	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	608,662	102,637	564,791	74,626
Exchange differences arising on consolidation	-32,467	-30,096	173,871	170,632
Fair value reserve (cash flow hedge)	-9,705	718	7,612	-3,327
Tax effect from the fair value reserve (cash flow hedge)	2,091	-366	-3,363	683
Fair value reserve (available for sale investments)	-130,866	-3,978	8,969	5,908
Tax effect from the fair value reserve (available for sale investments)	14,712	651	-406	-
Actuarial gains / (losses)	4,321	13,556	-17,288	1,682
Tax effect from the actuarial gains / (losses)	-6,641	-4,609	-	-
Other comprehensive income for the period, net of income tax	-158,555	-24,124	169,395	175,578
Total comprehensive income for the period	450,107	78,513	734,186	250,204

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 30 June 2011 and 31 December 2010

(Thousands of Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange Differences	Treasury Stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2009	**9,978,013**	**3,656,538**	**501,992**	**471,387**	**2,381,683**	**61,794**	**174,103**	**165,859**	**-119,784**	**7,293,572**	**2,684,441**
Comprehensive income:											
Net profit for the period	639,417	-	-	-	564,791	-	-	-	-	564,791	74,626
Changes in the fair value reserve (cash flow hedge) net of taxes	1,605	-	-	-	-	4,249	-	-	-	4,249	-2,644
Changes in the fair value reserve (available for sale investments) net of taxes	14,471	-	-	-	-	-	8,563	-	-	8,563	5,908
Actuarial gains/(losses) net of taxes	-15,606	-	-	-	-17,288	-	-	-	-	-17,288	1,682
Exchange differences arising on consolidation	344,503	-	-	-	-	-	-	173,871	-	173,871	170,632
Total comprehensive income for the period	984,390	-	-	-	547,503	4,249	8,563	173,871	-	734,186	250,204
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends Paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to non-controlling interests	-20,643	-	-	-	-	-	-	-	-	-	-20,643
Purchase and sale of treasury stock	-134	-	-	-	-1,095	-	-	-	961	-134	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Changes in non-controlling interests resulting from acquisitions / sales and equity increases	7,802	-	-	-	-	-	-	-	-	-	7,802
Other reserves arising on consolidation	-79	-	-	-	91	-	-	-	-	91	-170
Balance as at 30 June 2010	**10,389,648**	**3,656,538**	**501,992**	**502,888**	**2,335,250**	**66,043**	**182,666**	**339,730**	**-117,093**	**7,468,014**	**2,921,634**
Comprehensive income:											
Net profit for the period	595,184	-	-	-	514,134	-	-	-	-	514,134	81,050
Changes in the fair value reserve (cash flow hedge) net of taxes	-29,872	-	-	-	-	-30,932	-	-	-	-30,932	1,060
Changes in the fair value reserve (available for sale investments) net of taxes	-21,198	-	-	-	-	-	-17,982	-	-	-17,982	-3,216
Actuarial gains/(losses) net of taxes	-65,071	-	-	-	-54,057	-	-	-	-	-54,057	-11,014
Exchange differences arising on consolidation	-45,380	-	-	-	-	-	-	-26,907	-	-26,907	-18,473
Total comprehensive income for the period	433,663	-	-	-	460,077	-30,932	-17,982	-26,907	-	384,256	49,407
Dividends attributable to non-controlling interests	-41,375	-	-	-	-	-	-	-	-	-	-41,375
Purchase and sale of treasury stock	425	-	-	-	-937	-	-	-	1,362	425	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in non-controlling interests resulting from acquisitions / sales and equity increases	736	-	-	-	-	-	-	-	-	-	736
Other reserves arising on consolidation	-69	-	-	-	-68	-	-	-	-	-68	-1
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	711,299	-	-	-	608,662	-	-	-	-	608,662	102,637
Changes in the fair value reserve (cash flow hedge) net of taxes	-7,262	-	-	-	-	-7,614	-	-	-	-7,614	352
Changes in the fair value reserve (available for sale investments) net of taxes	-119,481	-	-	-	-	-	-116,154	-	-	-116,154	-3,327
Actuarial gains/(losses) net of taxes	6,627	-	-	-	-2,320	-	-	-	-	-2,320	8,947
Exchange differences arising on consolidation	-62,563	-	-	-	-	-	-	-32,467	-	-32,467	-30,096
Total comprehensive income for the period	528,620	-	-	-	606,342	-7,614	-116,154	-32,467	-	450,107	78,513
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends Paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-64,662	-	-	-	-	-	-	-	-	-	-64,662
Purchase and sale of treasury stock	2,179	-	-	-	-3,402	-	-	-	5,581	2,179	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions / sales and equity increases	-364	-	-	-	1,549	-	-	-	-	1,549	-1,913
Other reserves arising on consolidation	-1,185	-	-	-	-1,260	-	-	-	-	-1,260	75
Balance as at 30 June 2011	**10,635,012**	**3,656,538**	**503,923**	**539,145**	**2,744,713**	**27,497**	**48,530**	**280,356**	**-108,104**	**7,692,598**	**2,942,414**

EDP - Energias de Portugal

Consolidated and Non-Consolidated Statement of Cash Flows as at 30 June 2011 and 2010

(Thousands of Euros)

	Group		Company	
	Jun 2011	**Jun 2010**	**Jun 2011**	**Jun 2010**
Operating activities				
Cash receipts from customers	7,400,850	6,348,284	1,061,196	865,550
Cash paid to suppliers	-5,433,656	-4,404,340	-1,118,884	-710,621
Cash paid to personnel	-434,841	-385,505	-29,072	-21,852
Concession rents paid	-118,712	-119,036	-	-
Other receipts / (payments) relating to operating activities	167,395	-35,329	18,719	-34,674
Net cash from operations	1,581,036	1,404,074	-68,041	98,403
Income tax received / (paid)	-94,931	-540,026	-5,025	16,419
Net cash from operating activities	1,486,105	864,048	-73,066	114,822
Investing activities				
Cash receipts relating to:				
Financial assets	97,523	85,425	-	6,942
Property, plant and equipment and intangible assets	40,140	2,805	634	865
Investment grants	393	5,004	-	-
Interest and similar income	55,799	67,693	293,496	131,152
Dividends	8,288	19,489	732,209	333,255
	202,143	180,416	1,026,339	472,214
Cash payments relating to:				
Financial assets	-263,706	-70,618	-968	-974
Changes in cash resulting from perimeter variations	665	4,220	-	-
Property, plant and equipment and intangible assets	-1,230,254	-1,493,931	-38,639	-18,999
	-1,493,295	-1,560,329	-39,607	-19,973
Net cash from investing activities	-1,291,152	-1,379,913	986,732	452,241
Financing activities				
Receipts / (payments) relating to loans	279,894	632,178	52,927	-475,173
Interest and similar costs including hedge derivatives	-314,081	-276,934	-204,049	-173,241
Cash grants	1,574	419	-	-
Share capital increases by non-controlling interests	3,720	-	-	-
Receipts / (payments) relating to derivative financial instruments	-16,519	-147,360	-6,434	52,691
Dividends paid to equity holders of EDP	-616,581	-561,819	-616,581	-561,819
Dividends paid to non-controlling interests	-91,189	-57,164	-	-
Treasury stock sold / (purchased)	2,117	-335	4,162	1,782
Receipts / (payments) from wind activity institutional partnerships - USA	-7,343	108,773	-	-
Net cash from financing activities	-758,408	-302,242	-769,975	-1,155,760
Changes in cash and cash equivalents	-563,455	-818,107	143,691	-588,697
Effect of exchange rate fluctuations on cash held	-18,163	63,952	105	-7,040
Cash and cash equivalents at the beginning of the period	1,511,224	2,189,560	142,675	891,356
Cash and cash equivalents at the end of the period (*)	929,606	1,435,405	286,471	295,619

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

EDP - Energias de Portugal, S.A.

Company Income Statement
for the six month periods ended 30 June 2011 and 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Turnover	6	1,186,435	948,552
Cost of electricity	6	-893,526	-675,041
Changes in inventories and cost of raw materials and consumables used	6	-236,215	-154,503
		56,694	119,008
Other operating income / (expenses)			
Other operating income	8	3,314	6,681
Supplies and services	9	-86,675	-79,136
Personnel costs	10	-6,686	-6,393
Employee benefits	10	-382	-129
Other operating expenses	11	-9,374	-10,536
		-99,803	-89,513
		-43,109	29,495
Provisions	12	3,593	-13,599
Depreciation and amortisation expense	13	-4,404	-4,659
		-43,920	11,237
Gains / (losses) on the sale of financial assets	14	-	6,942
Other financial income	15	978,439	1,173,783
Other financial expenses	15	-514,810	-840,474
Profit before income tax		419,709	351,488
Income tax expense	16	45,375	-12,765
Net profit for the period		465,084	338,723

LISBON, 28 JULY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Company Statement of Financial Position as at 30 June 2011 and 31 December 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Assets			
Property, plant and equipment	17	197,434	165,105
Intangible assets	18	20	24
Investments in subsidiaries	20	9,506,349	9,507,310
Available for sale investments	22	50,504	257,072
Debtors and other assets	26	5,074,736	5,393,428
Total Non-Current Assets		14,829,043	15,322,939
Inventories	24	55,871	51,745
Trade receivables	25	125,248	46,357
Debtors and other assets	26	2,734,915	2,511,562
Tax receivable	27	148,402	92,330
Cash and cash equivalents	29	286,471	142,675
Assets classified as held for sale	40	85,000	-
Total Current Assets		3,435,907	2,844,669
Total Assets		18,264,950	18,167,608
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-102,009	-109,636
Share premium	30	503,923	503,923
Reserves and retained earnings	32	1,920,477	1,926,188
Net profit for the period		465,084	725,136
Total Equity		6,444,013	6,702,149
Liabilities			
Financial debt	35	1,589,361	1,311,375
Provisions	37	37,400	21,867
Hydrological correction account	34	75,895	75,098
Deferred tax liabilities	23	25,944	67,926
Trade and other payables	38	3,038,457	3,222,714
Total Non-Current Liabilities		4,767,057	4,698,980
Financial debt	35	6,052,525	5,779,736
Trade and other payables	38	948,179	985,555
Tax payable	39	53,176	1,188
Total Current Liabilities		7,053,880	6,766,479
Total Liabilities		11,820,937	11,465,459
Total Equity and Liabilities		18,264,950	18,167,608

LISBON, 28 JULY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 April to 30 June 2011 and 2010

	2011	2010
	(Thousands of Euros)	(Thousands of Euros)
Turnover	558,651	477,923
Cost of electricity	-408,847	-344,093
Changes in inventories and cost of raw materials and consumables used	-136,581	-90,414
	13,223	43,416
Other operating income / (expenses)		
Other operating income	1,611	4,012
Supplies and services	-45,986	-40,792
Personnel costs	-2,976	-2,197
Employee benefits	-318	-66
Other operating expenses	-1,096	-2,422
	-48,765	-41,465
	-35,542	1,951
Provisions	-88	-5,524
Depreciation and amortisation expense	-2,260	-2,364
	-37,890	-5,937
Other financial income	750,962	809,910
Other financial expenses	-292,710	-469,576
Profit before income tax	420,362	334,397
Income tax expense	16,935	-20,854
Net profit for the period	437,297	313,543

LISBON, 28 JULY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at
30 June 2011 and 2010

(Thousands of Euros)

	2011	2010
Net profit for the period	465,084	338,723
Fair value reserve (cash flow hedge)	-3,856	8,950
Tax effect from the fair value reserve (cash flow hedge)	1,201	-3,662
Fair value reserve (available for sale investments)	-121,374	26,175
Tax effect from the fair value reserve (available for sale investments)	13,165	-4,109
Other comprehensive income for the period, net of income tax	-110,864	27,354
Total comprehensive income for the period	354,220	366,077

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at 30 June 2011 and 31 December 2010

(Thousands of Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury Stock
Balance as at 31 December 2009	**6,542,869**	**3,656,538**	**501,992**	**471,387**	**1,867,805**	**41,104**	**117,732**	**-113,689**
Comprehensive income:								
Net profit for the period	338,723	-	-	-	338,723	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	5,288	-	-	-	-	5,288	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	22,066	-	-	-	-	-	22,066	-
Total comprehensive income for the period	366,077	-	-	-	338,723	5,288	22,066	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends Paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	-134	-	-	-	-1,095	-	-	961
Share-based payments	2,118	-	-	-	388	-	-	1,730
Balance as at 30 June 2010	**6,349,111**	**3,656,538**	**501,992**	**502,888**	**1,612,501**	**46,392**	**139,798**	**-110,998**
Comprehensive income:								
Net profit for the period	386,413	-	-	-	386,413	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-28,579	-	-	-	-	-28,579	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-7,152	-	-	-	-	-	-7,152	-
Total comprehensive income for the period	350,682	-	-	-	386,413	-28,579	-7,152	-
Purchase and sale of treasury stock	425	-	-	-	-937	-	-	1,362
Tax reimbursement of Capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
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	465,084	-	-	-	465,084	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-2,655	-	-	-	-	-2,655	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-108,209	-	-	-	-	-	-108,209	-
Total comprehensive income for the period	354,220	-	-	-	465,084	-2,655	-108,209	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends Paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	2,179	-	-	-	-3,402	-	-	5,581
Share-based payments	2,046	-	-	-	-	-	-	2,046
Balance as at 30 June 2011	**6,444,013**	**3,656,538**	**503,923**	**539,145**	**1,806,821**	**15,158**	**24,437**	**-102,009**

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

1. Economic activity of EDP Group

The Group's parent company, EDP – Energias de Portugal, S.A. (EDP, S.A.), was incorporated in 1976 as a result of the nationalisation and merger of the major Portuguese companies in the electricity sector operating in mainland Portugal. EDP S.A.'s head office is located in Lisbon at Praça Marquês de Pombal, 12, 6th floor. During 1994, as established by Decree-laws 7/91 and 131/94, the EDP Group (EDP Group or Group) was set up following the split up of EDP, S.A., which led to a number of directly or indirectly wholly owned subsidiaries of EDP, S.A.

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

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

During the six months period ended 30 June 2011 no significant changes occured in the economic activity of EDP Group.

2. Accounting policies

a) Basis of presentation

The accompanying condensed consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company`s operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the period of six months ended 30 June 2011 and the financial position as at 30 June 2011.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 28 July 2011. 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 to Portuguese legislation through Decree-law 35/2005 of 17 February, the company financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

These consolidated interim financial statements for the six months period ended 30 June 2011 were prepared in accordance with 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 2010.

These financial statements also present the second quarter income statement of 2011 with comparative figures for the second quarter of previous year.

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

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

In accordance with IFRS 3 – Business Combinations, adjustments to the provisional fair values that result from purchase price allocations to assets, liabilities and contingent liabilities, 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).

b) Basis of consolidation

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

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

Subsidiaries

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

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

Items of Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, 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 the other assets is calculated on a straight-line basis over their estimated useful lives, as follows:

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	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 expenditures for the assets are being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

Government grants

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

Transfers of assets from customers

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

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

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

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

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 being subsequently measured at amortised cost less impairment losses.

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

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

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

The Group recognises as cost in the income statement the total net amount of (i) current service cost, (ii) interest cost, (iii) estimated return of the fund assets and (iv) the effect of early retirements.

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks.

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

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators 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 Electricity sales the effects resulting from the recognition of tariff adjustments, against Debtors and other assets. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

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 Natural gas sales 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 before.

y) CO2 licenses and greenhouse effect gas emission

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

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

The licenses held by the Group for trading purposes are booked under inventories at acquisition cost, subsequently adjusted to the respective fair value, calculated on the basis of the 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 the public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of determined infrastructures as well as the price of these services and equally controls any significant residual interest in those infrastructures.

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

Financial Asset Model

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

Intangible Asset Model

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

Mixed Model

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

Under the terms of concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of assets assigned to concessions. The revenue and the expenditure with the acquisition of these assets have equal amounts (see note 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 their application affects the Group's reported results and disclosures. A broader description of the accounting policies employed by the Group is disclosed in note 2 to these Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP, the Group's reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly, in all material respects, the Group's financial position and results. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation (CMEC)

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

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible.

Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates.

Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after termination of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation – Revisable mechanism

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

Review of the useful life of the generation (production) assets

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

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

In the second quarter of 2011 EDPR Group has 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 has considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study has covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that require judgements.

Tariff adjustments

Tariff adjustments 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 for customers in subsequent periods.

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

Tariff deficit

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

In Spain, Royal Decree 1634/2006, published in December 2006, established the electricity tariff for the period starting on 1 January 2007. This Royal Decree established the method of recovering the 2006 deficit, and that as from 1 July 2007 tariffs for the sale of electric energy by distribution companies will be modified quarterly by Royal Decree. Order ITC/2794/2007 of 27 September, which revises electricity tariffs as from 1 October 2007 was issued in compliance with Royal Decree 1634/2006. As at 29 December 2007, Order ITC/3860/2007 of 28 December, revised the electricity tariffs, from 1 January 2008.

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

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

Impairment of long term assets and Goodwill

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

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

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of the pension, 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 believes that there are legal or contractual obligations to dismantle and decommission property, plant and equipment assets relating to electricity generation operations. The Group records provisions with accordance to existing legal or contractual obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are installed. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgements from those referred to can lead to different results of those considered.

4. Financial-risk management policies

Financial risk management

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

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

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

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

Exchange-rate risk management

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

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY) and Brazilian Reais (BRL). Currently, the exposure to EUR/USD exchange rate risk results essentially from the acquisition of Horizon in July 2007 and from the investments in the wind parks performed in the USA since then. In order to finance this acquisition and its investment plan, EDP contracted USD loans as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the net assets of EDPR NA. The exchange rate and interest rate risk on the GBP and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

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

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

Sensitivity analysis - exchange rate

Relating to financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 30 June 2011 and 2010, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

	Jun 2011			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	16,950	-20,717	-10,606	12,963
PLN	-	-	3,642	-4,451
	16,950	-20,717	-6,964	8,512

	Jun 2010			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	9	-11	-21,297	26,030
BRL	7,908	-9,665	-	-
RON	-	-	-650	795
PLN	-	-	5,370	-6,563
	7,917	-9,676	-16,577	20,262

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

Interest rate risk management

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

In the floating rate financing context, the EDP Group contracts interest rate derivative financial instruments to hedge cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans. Long-term loans contracted at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to reduce financial charges and to level them to market conditions. In addition to these operations, more structured collar operations are contracted, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

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

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 18 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 30 June 2011 and 2010 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Jun 2011			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-21,582	21,582	-	-
Unhedged debt	-65,171	65,171	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	35,418	-38,834
Trading derivatives (accounting perspective)	-1,088	1,167	-	-
	-87,841	87,920	35,418	-38,834

	Jun 2010			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-27,277	27,277	-	-
Unhedged debt	-62,591	62,591	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	19,520	-22,626
Trading derivatives (accounting perspective)	-12,208	8,838	-	-
	-102,076	98,706	19,520	-22,626

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

Counterparty credit risk management

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

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

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

Liquidity risk management

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

Energy market risk management

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

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

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

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

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

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

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

	P@R Distribution by risk factor	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Risk factor:		
Negociation	1,000	1,000
Fuel	42,000	41,000
CO2	2,000	3,000
Electricity	19,000	36,000
Hydrological	23,000	20,000
Diversification effect	-70,000	-74,000
Total	17,000	27,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 30 June 2011 and 31 December 2010 the EDP Group's exposure to credit risk rating is as follows:

	Jun 2011	Dec 2010
Credit risk rating (S&P):		
AAA to AA-	22.77%	18.06%
A+ to A-	53.37%	75.69%
BBB+ to BBB-	16.64%	0.90%
BB+ to B-	1.06%	1.11%
No rating assigned	6.16%	4.24%
Total	100.00%	100.00%

Brazil – Interest rate and exchange rate risk management

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

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

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

The summary of VaR on the operations of the Brazilian subsidiaries at 30 June 2011 and 31 December 2010 is as follows:

	VaR	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Exchange rate risk	845	461
Interest rate risk	1,879	3,638
Covariation	-488	-421
Total	2,236	3,678

5. Consolidation perimeter

During the six months period ended 30 June 2011, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Asia - Investimento e Consultoria, Lda. and EDP Internacional, S.A. acquired 40% of the share capital of EDP - Ásia Soluções Energéticas, Lda;
- EDP Serviços - Sistemas para a Qualidade e a Eficiência Energética, S.A acquired 100% of the share capital of Home Energy II, S.A.; and
- EDP Renewables Europe, S.L. acquired 49% of the share capital of SeaEnergy Renewables Inch Cape Limited, through its subsidiary EDPR UK Limited.

Companies sold and liquidated:

- EDP Renewables Europe, S.L. dissolved and liquidated Sodecoan, S.L., through its subsidiary Generaciones Especiales I, S.L;
- EDP Renewables Europe, S.L. sold 100% of Subgrupo Veinco, through its subsidiary Generaciones Especiales I, S.L; and
- EDPR UK Limited, subsidiary of EDP Renewables Europe, S.L., sold an interest of 8.36% of the Moray Offshore Renewables Limited share capital by 4,033 thousands of Euros. As a consequence, the shareholding in the subsidiaries MacColl Offshore Windfarm Limited, Stevenson Offshore Windfarm Limited and Telford Offshore Windfarm Limited has also been reduced by 8.36%.

Companies merged:

- Enernova, S.A. (Brasil) was merged into Ipueiras Energia, S.A..

Companies incorporated:

- EDP Renováveis Cantábria, S.L.;
- Paulding Wind Farm IV L.L.C.*;
- Pestera Wind Farm, S.A.;
- Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.; and
- Pecém Transportadora de Minérios, S.A..

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally incorporated without share capital and that as at 30 June 2011 do not have any assets, liabilities, or any operating activity.

Other changes:

- Reduction of the interests in SGORME - SGO Rede Mobilidade Eléctrica, S.A. from 100% to 91% through dilution, following a share capital increase not fully subscribed by EDP Distribuição - Energia, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 46.5% to 61.5% in the share capital of Aplicaciones Industriales de Energias Limpias, S.L. through its subsidiary Santa Quitéria Energia, S.L.U., increasing its shareholding from 58.33% to 83.96% in Parque Eólico Santa Quitéria, S.L. share capital;
- HC Energia increased its shareholding from 47.5% to 95% in the share capital of Infraestruturas Gasistas de Navarra, S.L. through its subsidiary Naturgas Energía Transporte, S.A.U..

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Turnover:				
Electricity and network accesses	6,641,937	6,045,304	979,825	809,905
Gas and network accesses	810,439	621,048	82,540	33,354
Advisory, management services and IT services	3,309	3,427	68,597	67,675
CO2 licenses	26,787	34,369	55,088	37,283
Other	60,512	58,471	385	335
	7,542,984	6,762,619	1,186,435	948,552

During the first semester of 2011, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 357,509 thousands of Euros (income in June 2010: 13,160 thousands of Euros) regarding the tariff adjustments of the period (see note 26 and 38), as described under accounting policies - note 2 x).

The caption Advisory, management and IT services includes, on a company basis, an amount of 45,005 thousands of Euros (30 June 2010: 46,453 thousands of Euros) related with services charged subsidiaries of EDP, S.A. for management and IT services. The amounts charged are in accordance with the contractual terms which are established on an arm's length basis.

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

	Jun 2011				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	3,651,798	1,639,403	1,187,965	162,771	6,641,937
Gas and network accesses	211,013	599,426	-	-	810,439
Advisory, management services and IT services	3,016	293	-	-	3,309
CO2 licenses	26,787	-	-	-	26,787
Other	42,491	12,967	5,054	-	60,512
	3,935,105	2,252,089	1,193,019	162,771	7,542,984

	Jun 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	3,437,527	1,474,053	997,870	135,854	6,045,304
Gas and network accesses	105,432	515,616	-	-	621,048
Advisory, management services and IT services	3,170	257	-	-	3,427
CO2 licenses	34,369	-	-	-	34,369
Other	27,778	11,281	19,412	-	58,471
	3,608,276	2,001,207	1,017,282	135,854	6,762,619

The breakdown of Revenue by segment is presented in the segmental reporting (see note 49).

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

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Cost of electricity	3,665,848	3,246,709	893,526	675,041
Cost of gas	634,358	415,315	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	146,094	77,144	-	-
Gas	264,050	278,003	183,080	119,891
Cost of consumables used	71,558	9,369	-	-
CO2 licenses	-7,275	-6,434	53,135	34,611
Other	27,841	51,658	-	1
Own work capitalised	-47,237	-38,103	-	-
	455,031	371,637	236,215	154,503
	4,755,237	4,033,661	1,129,741	829,544

On a company basis, Cost of electricity includes costs of 502,657 thousands of Euros (30 June 2010: 358,305 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	
	Jun 2011 Euro'000	Jun 2010 Euro'000
Revenue from assets assigned to concessions	195,460	169,785
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-144,124	-120,207
Personnel costs capitalized (see note 10)	-44,046	-35,636
Capitalised interest expense from financial debt (see note 15)	-7,290	-13,942
	-195,460	-169,785
	-	-

The movements for the period from assets assigned to concessions are disclosed in note 18 - Intangible assets.

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

	Jun 2011			Jun 2010		
	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	131,827	63,633	195,460	110,303	59,482	169,785
Expenditure with assets assigned to concessions	-131,827	-63,633	-195,460	-110,303	-59,482	-169,785
	-	-	-	-	-	-

8. Other operating income

Other operating income is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Supplementary income	5,988	12,041	3	296
Gains on fixed assets	31,915	2,016	357	731
Reversal of adjustments:				
- Doubtful debtors	25,234	9,499	-	-
- Debtors and other assets	31	2,574	-	-
Customers contributions	15,941	10,962	-	-
Insurance premiums - Energia RE	6,237	4,767	-	-
Income arising from institutional partnerships - EDPR NA	60,951	51,390	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	5,125	6,200	-	-
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya, S.A.	-	3,170	-	-
Other operating income	31,177	23,108	2,954	5,654
	182,599	125,727	3,314	6,681

Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity lines and powerstations owned by to Hidrocantabrico to Rede Eléctrica de España ("REE"), as referred in note 40.

Customers contributions of 15,941 thousands of Euros includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 14,288 thousands of Euros (30 June 2010: 8,034 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 and VIII 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 (note 38). This liability is depreciated over the period of the agreements against other operating income. As at 30 June 2011, the amortisation for the period amounts to 5,125 thousands of Euros (30 June 2010: 6,200 thousands of Euros).

9. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Subcontracts	1,894	3,068	19	-
Supplies and services:				
Water, electricity and fuel	7,101	6,306	522	424
Tools and office material	3,473	3,437	491	448
Rents and leases	53,269	46,833	22,873	19,301
Communication	18,976	21,221	4,948	4,985
Insurance	21,038	19,560	200	200
Transportation, travelling and representation	14,402	13,492	866	1,246
Commissions and fees	2,001	2,118	23	27
Maintenance and repairs	143,617	129,212	7,033	7,160
Advertising	9,619	12,244	2,605	3,764
Surveillance and security	5,907	5,401	237	223
Specialised works:				
- Commercial activity	68,915	63,214	3,184	1,775
- IT services	20,232	22,382	7,587	8,964
- Legal fees	10,074	9,504	2,207	1,610
- Advisory fees	10,073	10,685	2,193	3,094
- Other services	17,334	22,297	6,103	6,173
Provided personnel	-	-	23,500	18,517
Other supplies and services	13,119	13,593	2,084	1,225
	421,044	404,567	86,675	79,136

10. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Board of Directors remuneration	8,664	7,237	2,648	2,706
Employee's remuneration	247,718	241,570	769	831
Social charges on remuneration	61,435	62,181	190	158
Indemnities	1,977	2,850	-	-
Performance, assiduity and seniority bonus	37,020	33,893	2,338	2,094
Other costs	17,196	13,760	741	604
Own work capitalised:				
- Assigned to concessions (see note 7)	-44,046	-35,636	-	-
- Other	-37,382	-29,416	-	-
	292,582	296,439	6,686	6,393

Employee benefits are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Pension plans costs	40,632	36,438	313	65
Medical plans costs and other benefits	25,951	23,988	66	61
Cost of rationalising human resources	5,921	-	-	-
Other	852	420	3	3
	73,356	60,846	382	129

Pension plans costs include 29,759 thousands of Euros (30 June 2010: 28,253 thousands of Euros) related to defined benefit plans (see note 36) and 10,873 thousands of Euros (30 June 2010: 8,185 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 25,951 thousands of Euros (30 June 2010: 23,988 thousands of Euros) related to the charge of the period. The costs of rationalising human resources results from 24 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following the decommissioning process of the Carregado Generation Center.

11. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Concession rents paid to local authorities	121,410	119,504	-	-
Rents from power generation units	6,076	5,836	-	-
Direct taxes	10,550	8,061	157	120
Indirect taxes	49,680	39,739	200	879
Impairment losses on doubtful debts	30,106	44,781	-	10
Irrecoverable debts	9,907	1,269	-	-
Impairment losses on debtors and other assets	1,182	2,203	10	3
Losses on fixed assets	17,842	2,023	57	128
Donations	12,199	11,603	7,641	6,946
Other operating costs	24,031	27,015	1,309	2,450
	282,983	262,034	9,374	10,536

The caption Concession rents paid to local authorities corresponds to the rents paid by EDP Distribuição to the local authorities under the terms of the distribution concession contracts in low tension electricity.

12. Provisions

Provisions are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Charge for the period	46,986	52,304	1,675	13,978
Write-back for the period	-26,564	-13,026	-5,268	-379
	20,422	39,278	-3,593	13,599

13. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Property, plant and equipment:				
Buildings and other constructions	6,330	6,089	297	230
Plant and machinery:				
Hydroelectricity generation	68,825	58,627	4	4
Thermoelectric generation	130,473	138,535	-	-
Renewable generation	213,473	196,362	-	-
Electricity distribution	16,885	37,510	-	-
Gas distribution	25,891	27,705	-	-
Other plant and machinery	2,708	1,399	7	7
Transport equipment	4,639	5,597	360	374
Office equipment and tools	27,133	30,263	3,021	3,333
Other	1,545	1,540	711	707
Impairment loss	8	88	-	-
	497,910	503,715	4,400	4,655
Intangible assets:				
Industrial property and other rights	2,398	10,967	4	4
Concession rights and impairment	43,673	41,538	-	-
Intangible assets related to concessions - IFRIC 12	180,141	161,644	-	-
	226,212	214,149	4	4
	724,122	717,864	4,404	4,659
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-19,877	-12,661	-	-
	704,245	705,203	4,404	4,659

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) on the same basis and at the same rates as the corresponding partially-funded assets.

During the first semester of 2011, EDP Group changed the useful life of wind farms, from 20 to 25 years, based on a technical study performed by an independent entity with prospective effect from 1 April of 2011 as described in the note 3 - Critical accounting estimates and judgements in preparing the financial statements.

14. Gains/ (losses) on the sale of financial assets

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

	Jun 2011		Jun 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Sociedad Eólica de Andalucía, S.A.	16.67%	9,405	-	-
Other	-	11	-	-
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	-	-	6,942
Tecman, S.L.	-	-	100%	-846
Subgrupo Veinco	100%	732	-	-
Other	-	224	-	-1,287
		10,372		4,809

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

	Jun 2011		Jun 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	-	-	6,942
		-		6,942

During the first semester of 2011, EDP Renováveis, S.A. closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucia, SA ("SEASA") by 10,700 thousands of Euros, generating a gain on a consolidated basis of 9,405 thousands of Euros.

During the first semester of 2010, resulting from the settlement of pending lawsuit, the sale price of the investment held by EDP, S.A. in the subsidiary ONI SGPS, S.A. was adjusted from the 96,908 thousands of Euros initially established to 103,850 thousands of Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousands of Euros.

15. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Other financial income				
Interest income from investments	42,744	40,214	174,295	142,455
Interest from derivative financial instruments	69,509	53,363	19,049	37,224
Derivative financial instruments	115,894	196,507	166,959	648,307
Other interest income	32,204	32,637	1,667	4,574
Income from equity investments	3,202	10,173	458,750	330,270
Foreign exchange gains	38,713	43,116	157,611	9,800
CMEC	41,721	40,191	-	-
Interest Income - Tariff adjustment and tariff deficit	7,491	6,956	-	-
Financial effect in the Tariff deficit receivable - Spain	35,133	-	-	-
Other financial income	10,572	18,293	108	1,153
	397,183	441,450	978,439	1,173,783

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Other financial expenses				
Interest expense from financial debt	373,312	322,126	149,902	148,158
Capitalised interest expense from financial debt:				
- Assigned to concessions (see note 7)	-7,290	-13,942	-	-
- Other	-64,897	-70,248	-	-
Interest from derivative financial instruments	53,114	23,358	16,155	20,326
Derivative financial instruments	141,727	226,380	315,387	323,346
Other interest expense	21,224	4,394	4,154	2,297
Impairment of available for sale financial assets	18,378	-	-	-
Banking services	5,626	7,204	1,620	2,995
Foreign exchange losses	20,669	72,398	5,195	339,105
CMEC	8,986	10,137	-	-
Impairment of financial investments and equity investments	-	-	20,242	-
Unwinding	54,824	54,789	-	-
Interest Expenses - Tariff adjustment	1,686	12,710	-	-
Other financial expenses	35,911	25,079	2,155	4,247
	663,270	674,385	514,810	840,474
Financial income / (expenses)	-266,087	-232,935	463,629	333,309

The caption Other financial Income - CMEC totalling 41,721 thousands of Euros includes 9,540 thousands of Euros related to interest of the initial CMEC included in the annuity for 2011 and 28,815 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC and 3,366 thousands of Euros related to revisibility . Other financial expenses - CMEC, in the amount of 8,986 thousands of Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 38).

The caption Interest Income - Tariff adjustment and tariff deficit totalling 7,491 thousands of Euros includes an amount of 3,641 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Portugal and 3,850 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Spain.

The caption Financial effect in the Tariff deficit receivable - Spain in the amount of 35,133 thousands of Euros relating to the difference between the discounted value and the nominal value of Hidrocantábrico tariff deficit, from which 15,218 thousands of Euros were received under the securitizations made during the first semester of 2011 and 19,915 thousands of Euros were booked in the income statement considering the expectation of the receipt all of the remaining deficit until the end of 2011.

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

Impairment of available for sale financial assets, on a consolidated basis, in the amount of 18,378 thousand of Euros, refers to the impairment booked related with the financial investment held in BCP as a result of the devaluation of this share.

Impairment of financial investments and equity investments, on a company basis, corresponds to the loss in the subsidiary EDP Imobiliária e Participações, S.A.

The Unwinding expenses refer essentially to, (i) the unwinding of the dismantling provision for wind farms, (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, Investco and Enerpeixe.

The Other financial expenses includes the amount of 22,883 thousands of Euros related with the financial component of the provision booked for the lawsuit of the customer White Martins, S.A. against EDP Brasil (see note 37).

16. Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, being the last year considered as definitively settled by the tax administration the year of 2004. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (4 years in Portugal since 2010, 15 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, but limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

Recently a decision from the Supreme Administrative Court - stated under the process number 909/10 - was known which is related with the state surcharge calculation in the Special Taxation of Groups of Companies (RETGS), which confirmed that the Tax Authorities interpretation (Published letter number 20,132, of 14 April 2008) was not in accordance with the law.

According to the referred decision, the payment of municipal surcharge under RETGS should be calculated over the taxable profit of the group instead of over the taxable profit of each company included in the group, in accordance with the tax authorities interpretation.

As a consequence, the municipal surcharge calculation of the tax group dominated by EDP, S.A. for the six months period ended 30 June 2011 was already calculated based on the taxable profit of the group, in accordance with the procedure defined by the referred Tax Authorities interpretation.

For the amounts paid related with 2007, 2008 and 2009 municipal surcharge, the Group is taking the necessary steps, as prescribed by Law, to recover these amounts.

Income tax expense is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Current tax	-140,786	-178,710	51,506	-10,896
Deferred tax	-79,703	-53,204	-6,131	-1,869
	-220,489	-231,914	45,375	-12,765

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

	Jun 2011		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	931,788	246,924
Tax losses and tax credits	-2.0%	-72,030	-19,088
Dividends	0,0%	1,060	281
Tax benefits	-4.6%	-162,196	-42,982
Non deductible provisions and amortisations for tax purposes	0.4%	12,955	3,433
Diferences between tax and accounting gains and losses	0.4%	13,517	3,582
Fair value of financial instruments and financial investments	0.7%	24,423	6,472
Financial investments in associates and subsidiaries	0.5%	19,619	5,199
Autonomous taxation	0.1%	3,653	968
State surcharge	0.7%	23,706	6,282
Other adjustments, tax differencial and changes in estimates	1.0%	35,540	9,418
Effective tax rate and total income tax	23.7%	832,035	220,489

The caption Other adjustments, tax rate diferencial and changes in estimates includes, as at 30 June 2011, the amount of 26,768 thousands of Euros related with the existing tax rate diferencial between the tax rate in force in Portugal and the tax rate in force in the several geographies where the EDP Group operates (30 June 2010: 8,191 thousands of Euros) net of 18,232 thousands of Euros related with the tax effect of operations with institutional partnerships in EDPR NA (30 June 2010: -8,463 thousands of Euros).

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 million euros. Consequently, the total income tax rate applicable in Portugal to the entities with taxable income exceeding that amount, was increased to 29%.

The reconciliation between the nominal and the effective income tax rate for the **Group** as at 30 June 2010, is analysed as follows:

	Jun 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	871,331	230,903
Tax losses and tax credits	0.8%	28,732	7,614
Dividends	1.4%	46,328	12,277
Tax benefits	-0.8%	-25,091	-6,649
Fair value of financial instruments and financial investments	0.3%	8,362	2,216
Financial investments in associates and subsidiaries	-0.6%	-19,853	-5,261
Autonomous taxation and tax benefits	0.3%	8,543	2,264
Change in tax rate	-3.2%	-105,366	-27,922
State surcharge	2.1%	68,328	18,107
Other adjustments and changes in estimates	-0.2%	-6,170	-1,635
Effective tax rate and total income tax	26.6%	875,144	231,914

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

	Jun 2011		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	419,709	111,223
Non deductible provisions and amortisations for tax purposes	0.1%	1,102	292
Tax losses and tax credits	-9.8%	-155,023	-41,081
Dividends	-31.2%	-493,909	-130,886
Autonomous taxation and tax benefits	-0.1%	-2,449	-649
State surcharge	2.5%	39,600	10,494
Other adjustments and changes in estimates	1.2%	19,743	5,232
Effective tax rate and total income tax	-10.8%	-171,227	-45,375

The reconciliation between the nominal and the effective income tax rate for the **Company** as at 30 June 2010, is analysed as follows:

	Jun 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	351,488	93,144
Non deductible provisions and amortisations for tax purposes	-0.2%	-3,313	-878
Tax losses and tax credits	-3.3%	-44,325	-11,746
Dividends	-22.2%	-293,970	-77,902
Autonomous taxation and tax benefits	-0.1%	-1,483	-393
Change in tax rate	1.4%	18,543	4,914
State surcharge	0.5%	6,581	1,744
Other adjustments and changes in estimates	1.1%	14,649	3,882
Effective tax rate and total income tax	3.6%	48,170	12,765

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

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Profit before tax	931,788	871,331	419,709	351,488
Income tax	-220,489	-231,914	45,375	-12,765
Effective tax rate	23.7%	26.6%	-10.8%	3.6%

17. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Cost:				
Land and natural resources	163,510	163,184	58,672	46,498
Buildings and other constructions	571,224	502,184	112,945	24,569
Plant and machinery:				
Hydroelectric generation	7,799,970	7,805,470	254	254
Thermoelectric generation	7,595,721	7,571,906	-	-
Renewable generation	9,869,691	9,531,048	-	-
Electricity distribution	1,991,688	1,985,616	-	-
Gas distribution	1,284,859	1,268,116	-	-
Other plant and machinery	111,548	39,065	148	148
Transport equipment	70,974	73,793	3,938	4,051
Office equipment and tools	627,004	610,443	105,631	103,915
Other	41,691	121,428	14,318	14,312
Assets under construction	2,870,022	3,210,711	17,161	82,951
	32,997,902	32,882,964	313,067	276,698
Accumulated depreciation and impairment losses:				
Depreciation charge for the period and impairment	-497,910	-1,017,446	-4,400	-12,046
Accumulated depreciation in previous years	-12,484,590	-11,535,836	-111,233	-99,547
Impairment losses in previous years	-5,982	-6,099	-	-
	-12,988,482	-12,559,381	-115,633	-111,593
Carrying amount	20,009,420	20,323,583	197,434	165,105

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

	Balance at 1 January Euro'000	Acquisitions/ Increases Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Land and natural resources	163,184	1,689	-574	157	-1,797	851	163,510
Buildings and other constructions	502,184	356	-58	75,802	-7,082	22	571,224
Plant and machinery	28,201,221	73,880	-18,008	735,418	-416,522	77,488	28,653,477
Transport equipment	73,793	2,680	-5,223	1	-317	40	70,974
Office equipment and tools	610,443	3,804	-9,913	21,688	-1,568	2,550	627,004
Other	121,428	2,282	-4,964	833	-355	-77,533	41,691
Assets under construction	3,210,711	539,998	-1,276	-833,899	-34,662	-10,850	2,870,022
	32,882,964	624,689	-40,016	-	-462,303	-7,432	32,997,902

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	6,330	-	-244	-1,316	338	149,374
Plant and machinery	11,818,193	458,255	-	-6,241	-45,591	44,834	12,269,450
Transport equipment	49,424	4,639	-	-4,771	-278	22	49,036
Office equipment and tools	470,517	27,133	-	-9,908	-881	1,866	488,727
Other	76,981	1,545	8	-966	-128	-45,545	31,895
	12,559,381	497,902	8	-22,130	-48,194	1,515	12,988,482

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

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

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

The movements in **Property, plant and equipment, for the Group,** for the six months period ended 30 June 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Land and natural resources	149,633	3,000	-235	502	9,187	-885	161,202
Buildings and other constructions	473,599	601	-3,930	2,696	44,033	-444	516,555
Plant and machinery	25,396,468	21,555	-16,020	613,996	868,192	21,517	26,905,708
Transport equipment	88,356	2,275	-5,935	2,824	3,992	-	91,512
Office equipment and tools	600,790	7,289	-145	11,040	4,982	1,236	625,192
Other	115,131	3,761	-638	390	629	-117	119,156
Assets under construction	3,278,539	1,121,919	-591	-693,551	165,446	40,809	3,912,571
	30,102,516	1,160,400	-27,494	-62,103	1,096,461	62,116	32,331,896

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	6,089	-3,108	-	7,948	107	146,740
Plant and machinery	10,962,464	460,138	-14,189	-30,232	86,113	31,301	11,495,595
Transport equipment	59,074	5,597	-5,304	-	3,255	48	62,670
Office equipment and tools	441,004	30,263	-33	-	3,713	-2,500	472,447
Other	69,464	1,628	-1,021	-	175	2,970	73,216
	11,667,710	503,715	-23,655	-30,232	101,204	31,926	12,250,668

The caption Transfers include 61,184 thousand Euros of cost of assets and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, booked at 30 June 2010 as non-current assets held for sale (see note 40).

The caption Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Group during the period, namely EDP Renewables Italia and Repano Wind and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, which has been consolidated under the full consolidation method, following the acquisition of an additional 12% interest.

The movement in the caption Exchange differences in the period results mainly from the revaluation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the six months period ended 30 June 2010.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Cost:						
Land and natural resources	46,498	12,478	-304	-	-	58,672
Buildings and other constructions	24,569	12,847	-237	75,534	232	112,945
Plant and machinery	402	-	-	-	-	402
Transport equipment	4,051	418	-550	-	19	3,938
Office equipment and tools	103,915	1,595	-	121	-	105,631
Other	14,312	6	-	-	-	14,318
Assets under construction	82,951	9,865	-	-75,655	-	17,161
	276,698	37,209	-1,091	-	251	313,067

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	297	-	-210	232	17,713
Plant and machinery	145	11	-	-	-	156
Transport equipment	1,844	360	-	-386	4	1,822
Office equipment and tools	82,088	3,021	-	-	-	85,109
Other	10,122	711	-	-	-	10,833
	111,593	4,400	-	-596	236	115,633

Transfers of Assets under construction to Buildings and other constructions include 75,259 thousands of Euros relating to the new building of EDP Group in Porto, which opened in 13 April.

The movements in **Property, plant and equipment, for the Company,** for the six months period ended 30 June 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Cost:						
Land and natural resources	46,502	-	-2	-	-	46,500
Buildings and other constructions	25,252	-	-191	-	-	25,061
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,788	460	-258	-	-	3,990
Office equipment and tools	98,114	3,318	-	-	-	101,432
Other	14,246	-	-	-	-	14,246
Assets under construction	36,056	8,332	-	-	-	44,388
	224,360	12,110	-451	-	-	236,019

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	230	-	5	-	17,970
Plant and machinery	122	11	-	-	-	133
Transport equipment	1,483	374	-	-206	-	1,651
Office equipment and tools	72,757	3,333	-	-	-	76,090
Other	8,701	707	-	-	-	9,408
	100,798	4,655	-	-201	-	105,252

18. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Cost:				
Industrial property, other rights and other intangibles	91,393	93,411	100	100
Concession rights	15,112,584	15,032,831	-	-
CO2 licenses	276,849	212,230	-	-
Intangible assets in progress	627,746	597,396	-	-
	16,108,572	15,935,868	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-223,814	-445,768	-	-
Amortisation of industrial property and other intangibles during the period	-2,398	-5,788	-4	-8
Accumulated amortisation in previous years	-9,277,754	-8,870,173	-76	-68
	-9,503,966	-9,321,729	-80	-76
Carrying amount	6,604,606	6,614,139	20	24

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the period of the concession until 2028 and 2025, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2048, as well as the concession of the public hydric domain for hydroelectric generation.

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

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Industrial property, other rights and other intangibles	93,411	90	-22	-	-1,981	-105	91,393
Concession rights							
Concession rights - Brazil	1,254,421	-	-	-	-10,225	-	1,244,196
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	470,228	23,077	-	-	-	-4,618	488,687
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	289,557	-224,938	-	-	-	276,849
Intangible assets assigned to concessions	12,308,883	14,648	-19,539	123,563	-47,153	-	12,380,402
Intangible assets assigned to concessions - in progress	257,298	180,812	-688	-169,413	-2,638	-	265,371
Intangible assets not assigned to concessions - in progress	340,098	10,225	-1	-	125	11,928	362,375
	15,935,868	518,409	-245,188	-45,850	-61,872	7,205	16,108,572

	Balance at 1 January Euro'000	Charge for the Year Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated amortisation and impairment losses:							
Industrial property and other rights	25,629	2,398	-	-21	-363	28	27,671
Concession rights	597,280	43,673	-	-	-1,636	-	639,317
Intangible assets assigned to concessions	8,698,820	180,141	-	-12,223	-29,760	-	8,836,978
	9,321,729	226,212	-	-12,244	-31,759	28	9,503,966

The caption Transfers in the amount of 45,850 thousands of Euros is related with the movement of Financial Assets associated with IFRIC12.

Acquisitions of CO2 Licences as at 30 June 2011 includes 214,782 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2010 and delivered to regulatory authorities in the amount of 180,217 thousands of Euros (31 December 2010: 247,399 thousands of Euros) and 44,721 thousands of Euros sold in the market.

In the caption Use rights Alqueva/Pedrogão, acquisitions of 23,077 thousands of Euros relate to the power enhancement performed during the period. The negative movement in Perimeter variations/Regularisations of 4,618 thousands of Euros relates to fact that the power enhancements predicted contractually in Pedrogão have not been performed, which implies a revision of concession rent.

The movements in **Intangible assets** during the the six months period ended 30 June 2010, **for the Group**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Industrial property, other rights and other intangibles	212,112	379	-	813	20,674	-5,889	228,089
Concession rights							
Concession rights - Brazil	1,190,694	-	-	-	66,066	-	1,256,760
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	411,437	-	-	-	-	-	411,437
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	211,361	-281,426	-	-	-	217,924
Intangible assets assigned to concessions	11,525,486	7	-10,106	84,365	282,099	-	11,881,851
Intangible assets assigned to concessions - in progress	254,238	169,778	-68	-158,112	9,173	-	275,009
Intangible assets not assigned to concessions - in progress	312,671	10,861	-3,305	-813	224	-241	319,397
	15,193,926	392,386	-294,905	-73,747	378,236	-6,130	15,589,766

	Balance at 1 January Euro'000	Charge for the Year Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	88,729	10,967	-	-	-	10,837	-496	110,037
Concession rights	496,217	41,538	-	-	-	8,558	-	546,313
Intangible assets assigned to concessions	8,118,931	161,644	-	-4,358	-	179,041	-	8,455,258
	8,703,877	214,149	-	-4,358	-	198,436	-496	9,111,608

Acquisitions of CO2 Licences as at 30 June 2010 includes 209,978 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2009 and delivered to regulatory authorities in the amount of 247,399 thousands of Euros.

Transfers includes 73,747 thousand Euros, related with the movement of Financial Assets associated with IFRIC12.

The movements in **Intangible assets** during the six months period ended 30 June 2011, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated amortisation:						
Industrial property and other rights	76	4	-	-	-	80
	76	4	-	-	-	80

The movements in **Intangible assets** during the six months period ended 30 June 2010, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated amortisation:						
Industrial property and other rights	67	4	-	-	-	71
	67	4	-	-	-	71

19. Goodwill

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

	Group	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Electric business:		
Hidrocantábrico Group	954,705	952,387
EDPR EU Group	735,785	748,680
EDPR NA Group	549,119	592,915
Brazil Group	58,634	58,991
EDP Renováveis Brazil Group	1,667	1,699
Other (Portugal Group)	42,150	38,418
	2,342,060	2,393,090
Gas Distribution business:		
Naturgás Group	956,926	956,089
	3,298,986	3,349,179

The movements in **Goodwill** during the six months period ended 30 June 2011, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Electric business:							
Hidrocantábrico Group	952,387	2,318	-	-	-	-	954,705
EDPR EU Group	748,680	-	-12,846	-	-49	-	735,785
EDPR NA Group	592,915	-	-	-	-43,796	-	549,119
Brazil Group	58,991	-	-	-	-357	-	58,634
EDP Renováveis Brazil Group	1,699	-	-	-	-32	-	1,667
Other (Portugal Group)	38,418	3,732	-	-	-	-	42,150
	2,393,090	6,050	-12,846	-	-44,234	-	2,342,060
Gas Distribution business:							
Naturgás Group	956,089	837	-	-	-	-	956,926
	3,349,179	6,887	-12,846	-	-44,234	-	3,298,986

The movements in **Goodwill** during the six months period ended 30 June 2010, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Electric business:							
Hidrocantábrico Group	969,050	-	-15,120	-	-	-	953,930
EDPR EU Group	766,599	76,697	-	-	-911	-	842,385
EDPR NA Group	550,868	-	-	-	93,631	-	644,499
Brazil Group	56,762	-	-	-	2,311	-	59,073
EDP Renováveis Brazil Group	1,501	-	-	-	206	-	1,707
Other (Portugal Group)	35,312	-	-	-	-	-	35,312
	2,380,092	76,697	-15,120	-	95,237	-	2,536,906
Gas Distribution business:							
Naturgás Group	756,474	227,810	-2,294	-	-	-	981,990
	3,136,566	304,507	-17,414	-	95,237	-	3,518,896

Hidrocantabrico Group

During the first semester of 2011, the goodwill from Hidrocantabrico Group increased by 2,318 thousands of Euros (30 June 2010: decrease of 15,120 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interests from Cajastur, arising from the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renewables Europe Group

The goodwill held in EDP Renewables Europe Group, with reference to 30 June 2011 and 31 December 2010, is presented as follows:

	EDP Renewables Europe Group	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Genesa subgroup	395,708	408,554
Ceasa subgroup	117,637	117,637
EDPR Poland subgroup	23,177	23,266
Neo Galia subgroup	79,958	79,958
Romania subgroup	9,461	9,421
Neo Catalunya subgroup	7,013	7,013
EDPR Portugal subgroup	41,876	41,876
EDPR Italia subgroup	57,781	57,781
Other	3,174	3,174
	735,785	748,680

Genesa subgroup

The decrease in Genesa subgroup goodwill of 12,846 thousands of Euros is related essentially with the redefinition of the final price of the liability related with the put option of Caja Madrid over the non controlling interest held by this entity over Genesa of 3,754 thousands of Euros (see note 38) and the sale of Subgrupo Veinco by 9,483 thousands of Euros.

In the first semester of 2010, EDP Group increased its interest in share capital of Parque Eólico Altos del Voltoya, S.A. from 49% to 61% and concluded the purchase price allocation that led to the recognition of an operating income of 3,170 thousands of Euros (see note 8).

EDPR Poland subgroup

During 2011, the reduction of goodwill of Poland subgroup (89 thousands of Euros) results of the effect of exchange differences EUR/PLN.

In the six months period ended 30 June 2010, the goodwill of EDPR Poland Group increased 16,185 thousand Euros related with the acquisition of 100% of the share capital of the companies Farma Wiatrowa Bodzanow SP ZOO (6,071 thousand Euros), Farma Wiatrowa Starozreby SP ZOO (5,399 thousand Euros) and Farma Wiatrowa Wyszogrod SP ZOO (4,715 thousand Euros). Additionally the goodwill has decreased 911 thousand Euros results from the exchange differences of PLN against the Euro.

Romania subgroup

In 2011, the increase of goodwill of Romania subgroup (40 thousands of Euros) results of the effect of exchange differences EUR/LEI.

EDPR Italia subgroup

In 2010, EDP Group acquired, through its subsidiary EDP Renewables Europe (EDPR EU), 85% of the share capital of EDP Renewables ItaIy, S.r.l. Additionally, EDPR EU has a call option and Energia in Natura, S.r.l. has a put option over the remaining 15% of the company's share capital (see note 42). As a consequence, as at 31 December 2010, the EDP Group has consolidated 100% of EDP Renewables ItaIy, S.r.l., considering the put option as an antecipated acquisition of non-controlling interest.

The variation of 60,512 thousands of Euros in the Italia subgroup goodwill during the first semester of 2010 results from the acquisition of EDP Renewables Italy, S.r.l (60,466 thousands of Euros), which includes the preliminary goodwill generated from the acquisition (45,317 thousands of Euros) and the amount of the goodwill already included in the financial statements of the company acquired (15,149 thousands of Euros) and also from the goodwill generated in the acquisition of Repano, S.r.l. (46 thousands of Euros).

EDPR NA Group

Goodwill arising from the acquisition of the EDPR NA Group was determinated in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 549,119 thousands of Euros as at 30 June 2011 (31 December 2010: 592,915 thousand Euros), including transaction costs of 12,723 thousands of Euros. The increase in this caption is related with the effect of exchange differences EUR/USD, which amounts to 43,796 thousands of Euros (30 June 2010: increase of 93,631 thousands of Euros).

Brazil Group

The decrease in Brazil Group goodwill of 357 thousands of Euros results from the depreciation of the Brazilian Real against the Euro. In 30 June 2010, the effect of exchange differences amounted to 2,311 thousands of Euros.

EDP Renováveis Brazil Group

The decrease in EDP Renováveis Brazil Group goodwill of 32 thousands of Euros results from the revaluation of the Euro against the Brazilian Real. In 2010, the increase of goodwill is related of the effect of exchange differences of 206 thousands of Euros.

Other (Portugal group)

The increase of goodwill of the caption Other (Portugal Group) of 3,732 results essentially from the acquisition of the company Home Energy II, S.A.

Naturgas Group

During the six months period ended in 30 June 2011, the EDP Group acquired, throught its subsidiary Naturgas Energia Transporte, S.A.U. the remaining shareholding of 50% of Infraestructuras Gasistas de Navarra, S.L. generating a goodwill of 837 thousands of Euros.

During the first semester of 2010, the Naturgas goodwill increased 227,810 thousand Euros as a consequence of the negotiation process and revaluation of the liability related with the anticipated acquisition of non-controlling interests of Ente Vasco de la Energia through a written put option held by this entity over 30.4% of Naturgas Energia share capital, as described in the accounting policy 2b).

The decrease in the first semester of 2010, in Naturgas goodwill is mainly related with the sale of the subsidiary Tecman (2,184 thousand Euros).

20. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Historical acquisition cost	10,813,324	10,813,169
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,647,528	9,647,373
Impairment losses on equity investments in subsidiaries	-141,179	-140,063
	9,506,349	9,507,310

21. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Associated companies:				
Investments in associates	155,150	147,008	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	155,013	146,871	-	-

22. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Ampla Energia e Serviços, S.A.	-	181,221	-	181,221
Ampla Investimentos e Serviços, S.A.	-	23,191	-	23,191
Banco Comercial Português, S.A.	59,138	72,901	-	-
Denerge - Desenvolvimento Energético, S.A.	12,532	18,398	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	46,239	48,220	46,239	48,220
Parque Eólico Montes de las Navas, S.L.	6,684	6,684	-	-
Sociedad Eólica de Andalucia, S.A.	-	10,832	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,253	25,253	-	-
Other	46,073	46,990	4,265	4,440
	206,194	443,965	50,504	257,072

As at 30 June 2011, the financial investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., which at 31 December 2010 amounted to 181,221 thousands of Euros and 23,191 thousands of Euros, respectively, were reclassified to Assets held for sale (see note 40).

The decrease of the investment held in Banco Comercial Português, S.A. in the amount of 13,763 thousands of Euros, results of acquisitions and disposals ocurred during the period with a net amount of 4,615 thousands of Euros and an impairment loss recognized in the income statement in the amount of 18,378 thousands of Euros (see note 15).

During the six months period ending 30 June 2011, the financial investments held in Denerge - Desenvolvimento Energético, S.A. and REN - Redes Energéticas Nacionais, S.G.P.S, S.A , decreased by 5,866 thousands and 1,981 thousands of Euros, respectively. These fair value changes were booked against fair value reserves (3,540 thousands of Euros regarding Denerge - Desenvolvimento Energético, S.A. and 1,981 thousands of Euros regarding REN - Redes Energéticas Nacionais, S.G.P.S., S.A.).

During the first semester of 2011, 16,67% of the capital of Sociedad Eólica de Andalucia, S.A. was sold by 10,700 thousands of Euros, generating a gain on a consolidated basis of 9,405 thousands of Euros (see note 14).

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 32). The fair value reserves attributable to the Group as at 30 June 2011 and 31 December 2010 are analysed as follows:

	Jun 2011 Euro'000	Dec 2010 Euro'000
Ampla Energia e Serviços, S.A.	6,561	112,282
Ampla Investimentos e Serviços, S.A.	3,925	17,616
Denerge - Desenvolvimento Energético, S.A.	-2,692	848
Parque Eólico Montes de las Navas, S.L.	2,524	2,524
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	20,419	22,400
Sociedad Eólica de Andalucia, S.A.	-	5,947
Tejo Energia, S.A.	18,898	18,898
Other	2,028	2,014
	51,663	182,529

23. Deferred tax assets and liabilities

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

	Net deferred tax assets		Net deferred tax liabilities	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Balance as at 1 January	515,332	661,335	-856,072	-771,896
Tariff adjustment for the period	-31,103	-75,549	-82,006	6,319
Charge/reversal of provisions	-10,649	4,794	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-21,352	-4,468	8,137	-2,569
Deferred tax over CMEC´s in the period	-	-	62,205	12,139
Tax losses and tax credits	9,042	-925	-	-
Financial and available for sale investments	2,886	4,183	9,203	-1,988
Fair value of derivative financial instruments	2,092	3,565	-2,888	2,928
Allocation of fair value adjustments to assets and liabilities acquired	-85	1,985	8,878	-28,514
Exchange differences and other	1,119	23,951	2,861	-35,975
Change in tax rate	-	69,501	-	-44,377
Netting of deferred tax assets and liabilities	-1,421	-7,834	1,421	7,834
Balance as at 30 June	465,861	680,538	-848,261	-856,099

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	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Balance as at 1 January	-	-	-67,926	-80,489
Tax losses and tax credits	32,821	-	-	-
Provisions	4,841	3,123	-	-
Financial and available for sale investments	1,533	5	10,204	-2,719
Fair value of derivative financial instruments	-5,624	-2,364	3,156	5,310
Other changes	-707	-377	-4,242	10
Change in tax rate	-	-	-	-7,311
Netting of deferred tax assets and liabilities	-32,864	-387	32,864	387
Balance as at 30 June	-	-	-25,944	-84,812

24. Inventories

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Merchandise	65,451	49,836	-	-
Advances on account of purchases	7,801	4,849	-	-
Finished and intermediate products	23,995	21,209	-	-
Sub-products, waste, residues and scrap	21,896	20,097	-	-
Raw and subsidiary materials and consumables				
Coal	133,638	106,327	-	-
Fuel	21,831	27,991	-	-
Nuclear fuel	13,200	14,090	-	-
Other consumables				
CO2 licenses	55,871	51,745	55,871	51,745
Other	52,311	60,834	-	-
	395,994	356,978	55,871	51,745

CO2 licenses correspond to the amount of trading licenses held for sale, valued at market price against the profit and loss, as described in accounting policy 2 y).

25. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals:				
Portugal	740,429	790,442	125,248	46,357
Spain	684,914	727,241	-	-
Brazil	385,925	354,640	-	-
U.S.A.	28,199	27,945	-	-
Poland	7,251	8,967	-	-
Other	15,670	11,106	-	-
Public Sector:				
Portugal				
State and official entities	19,039	16,360	-	-
Local government	41,273	37,455	-	-
Brazil				
State and official entities	7,093	9,004	-	-
Local government	19,533	23,475	-	-
Spain				
State and official entities	18,549	12,302	-	-
Local government	64,420	50,739	-	-
	2,032,295	2,069,676	125,248	46,357
Doubtful debts	280,507	276,312	9,960	9,960
Impairment losses	-280,507	-276,312	-9,960	-9,960
	2,032,295	2,069,676	125,248	46,357

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals:				
Brazil	27,940	32,553	-	-
Public Sector:				
Portugal - Local government	134,860	137,437	-	-
Brazil - Local government	8,277	8,831	-	-
	171,077	178,821	-	-
Impairment losses	-60,128	-61,379	-	-
	110,949	117,442	-	-
	2,143,244	2,187,118	125,248	46,357

26. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	1,349,268	1,442,620
Dividends	-	-	87,000	368,859
Loans to related companies	196,085	150,936	14,762	19,074
Other debtors:				
- Advances to pensioners on account of the Social Security	1,909	2,063	-	-
- Amounts receivable from staff	2,718	2,883	-	-
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	596,233	814,086	-	-
- Amounts receivable from Portuguese tariff adjustments - Electricity	354,082	394,057	-	-
- Amounts receivable from Portuguese tariff adjustments - Gas	4,019	-	-	-
- Receivables from the State and concessors	15,667	14,652	-	-
- Amounts with RTP - broadcasting charge	12,681	23,170	-	-
- Receivables relating to other goods and services	135,091	123,032	5,264	45,019
- Derivative financial instruments	138,229	195,865	120,987	164,419
- Subsidiary companies	-	-	960,084	249,154
- Amounts receivable relating to gas sales operations	8,678	7,278	-	-
- Amounts receivable relating to insurance and reinsurance operations	13,912	3,281	-	-
- Amounts receivable relating to the renewable operations	4,052	5,408	-	-
- Expenditure on concessions	11,883	12,683	-	-
- Insurance	2,884	11,445	732	60
- Other deferred costs	21,492	19,957	1,865	2,180
- Amounts receivable relating to CMEC	100,944	365,070	-	-
- Tied deposits (EDPR NA)	10,129	80,121	-	-
Sundry debtors and other operations	345,128	429,850	195,878	221,091
	2,031,456	2,711,477	2,735,840	2,512,476
Impairment losses on short-term debtors - Current	-75,801	-74,912	-925	-914
	1,955,655	2,636,565	2,734,915	2,511,562

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Medium and long term debtors - Non-Current:				
Loans to subsidiaries	-	-	5,064,996	5,231,320
Loans to related companies	30,036	19,315	6,106	6,106
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments - Electricity	352,052	29,726	-	-
- Amounts receivable from Portuguese tariff adjustments - Gas	5,982	-	-	-
- Expenditure on concessors	14,536	14,861	-	-
- Guarantees and linked deposits	168,196	158,408	3,519	4,419
- Amounts receivable relating to CMEC	955,809	892,628	-	-
- Derivative financial instruments	18,716	27,188	-	151,457
- Mapple Ridge I NYSERDA REC contract (EDPR NA)	5,140	6,317	-	-
- Amounts receivable from concessors - IFRIC 12	508,186	468,071	-	-
Sundry debtors and other operations	75,550	83,061	115	126
	2,134,203	1,699,575	5,074,736	5,393,428
Impairment losses on medium and long term debtors - Non current	-3,821	-2,858	-	-
	2,130,382	1,696,717	5,074,736	5,393,428
	4,086,037	4,333,282	7,809,651	7,904,990

The amounts receivable from Spanish tariff expenses current correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 June 2011, according to the applicable legal framework (see note 3). During the first semester of 2011, the Spanish Electricity Deficit Amortisation Fund (FADE), launched four bond issuances explicity guaranteed by the Kingdom of Spain which allowed Hidrocantabrico to receive approximately 358 millions of Euros related with tariff adjustments from previous years (nominal value).

The amounts receivable relating to CMEC totalize 1,056,753 thousands of Euros, which include 955,809 thousands of Euros as medium and long term debts and 100,944 thousands of Euros as short term debts. The amount receivable relating to the initial CMEC includes 727,079 thousands of Euros as medium and long term debts and 27,924 thousands of Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2011. The remaining 228,730 thousands of Euros in the medium and long term and 73,020 thousands of Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2010 to 2011.

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 508,186 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa)). The variation in the period, includes the effect of the depreciation of Real against Euro in the amount of 3,034 thousands of Euros and disposals in the amount of 2,701 thousands of Euros, as well as transfers from intangible assets assigned to concessions in the amount of 45,850 thousands of Euros (see note 18).

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

	Current Euro'000	Non-Current Euro'000
Balance as at 1 January 2010	559,724	76,127
Receipts through the electric energy tariff	-285,669	-
Tariff adjustment of 2009	10,698	10,698
Tariff adjustment for the period	117,099	117,099
Interest expense	5,866	819
Transfer from Non-Current to Current	38,064	-38,064
Balance as at 30 June 2010	445,782	166,679
Receipts through the electric energy tariff	-285,668	-
Tariff adjustment of 2009	9,449	-10,698
Tariff adjustment for the period	178,722	-87,373
Interest expense	7,709	-819
Transfer from Non-Current to Current	38,063	-38,063
Balance as at 31 December 2010	394,057	29,726
Receipts through the electric energy tariff	-200,367	-
Tariff adjustment of 2010	60,784	60,784
Tariff adjustment for the period	81,405	276,104
Interest expense	3,339	302
Transfer from Non-Current to Current	14,864	-14,864
Balance as at 30 June 2011	354,082	352,052

27. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
State and other public entities:				
- Income tax	251,990	253,331	82,507	34,854
- Value added tax (VAT)	252,641	280,816	62,640	54,221
- Turnover tax (Brazil)	36,655	70,609	-	-
- Other taxes	54,309	35,729	3,255	3,255
	595,595	640,485	148,402	92,330

The caption Other taxes includes the amount of 46,735 thousands of Euros (31 December 2010: 21,947 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

28. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Fixed income securities:				
Listed funds	35,495	35,335	-	-
Bonds and other listed fixed income securities	1	1	-	-
	35,496	35,336	-	-
Variable income securities:				
Listed funds	331	409	-	-
	331	409	-	-
	35,827	35,745	-	-

29. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Cash:				
- Cash in hand	438	72	11	-
Bank deposits:				
- Current deposits	378,610	413,831	2,260	28,475
- Term deposits	542,267	1,038,821	284,200	114,200
- Other deposits	2,466	19,682	-	-
	923,343	1,472,334	286,460	142,675
Other short term investments:				
- Banks - Euros	5,825	5,893	-	-
- Banks - Other currencies	-	32,925	-	-
	5,825	38,818	-	-
Cash and cash equivalents	929,606	1,511,224	286,471	142,675

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

30. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have non-controlling interest. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.66% of the share capital of EDP, S.A.

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

Share capital and Share premium are analysed as follows:

	Group and Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2010	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 June 2011	3,656,538	503,923

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

	Group		Company	
	Jun 2011	Jun 2010	Jun 2011	Jun 2010
Net profit attributable to the equity holders of EDP (in Euros)	608,661,712	564,790,707	465,083,722	338,722,931
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	608,661,712	564,790,707		
Weighted average number of ordinary shares outstanding	3,624,618,828	3,622,758,926	3,626,131,828	3,624,271,926
Weighted average number of diluted ordinary shares outstanding	3,625,224,305	3,623,533,953	3,626,737,305	3,625,046,953
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.17	0.16		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.17	0.16		
Basic earnings per share from continuing operations (in Euros)	0.17	0.16		
Diluted earnings per share from continuing operations (in Euros)	0.17	0.16		

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

The average number of shares was determined as follows:

	Group		Company	
	Jun 2011	Jun 2010	Jun 2011	Jun 2010
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-31,918, 887	-33,778, 789	-30,405, 887	-32,265, 789
Average number of shares during the period	3,624,618,828	3,622,758,926	3,626,131,828	3,624,271,926
Effect of stock options	605,477	775,027	605,477	775,027
Diluted average number of shares during the period	3,625,224,305	3,623,533,953	3,626,737,305	3,625,046,953

31. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Jun 2011	Dec 2010	Jun 2011	Dec 2010
Book value of EDP, S.A. treasury stock (thousands of Euros)	108,104	115,731	102,009	109,636
Number of shares	31,878,382	33,324,941	30,365,382	31,811,941
Market value per share (in Euros)	2.449	2.491	2.449	2.491
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	78,070	83,012	74,365	79,244

Operations performed from 1 January 2011 to 30 June 2011:	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,110,028	-
Purchase price average (in Euros)	2.576	-
Purchase total value (thousands of Euros)	2,860	-
Volume sold (number of shares)	-2,556,587	-
Selling price average (in Euros)	2.773	-
Sold total value (thousands of Euros)	7,090	-
Final position (number of shares)	30,365,382	1,513,000
Highest market price (in Euros)	2.910	-
Lowest market price (in Euros)	2.370	-
Average market price (in Euros)	2.679	-

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

32. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Legal reserve	539,145	502,888	539,145	502,888
Fair value reserve (cash flow hedge)	35,475	45,180	21,866	25,722
Tax effect of fair value reserve (cash flow hedge)	-7,978	-10,069	-6,708	-7,909
Fair value reserve (available for sale investments)	51,663	182,529	26,469	147,843
Tax effect of fair value reserve (available for sale investments)	-3,133	-17,845	-2,032	-15,197
Exchange differences arising on consolidation	280,356	312,823	-	-
Treasury stock reserve (EDP, S.A.)	102,009	109,636	102,009	109,636
Other reserves and retained earnings	2,034,042	1,605,761	1,239,728	1,163,205
	3,031,579	2,730,903	1,920,477	1,926,188

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	43,666	-34,697
Balance as at 30 June 2010	511,712	-310,850
Changes in fair value	-14,767	-6,700
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-1,073	-
Balance as at 31 December 2010	495,872	-313,343
Changes in fair value	19	-143,311
Transfer of impairment to profit or loss	-	18,378
Transfer to the income statement relating to assets sold	-5,952	-
Balance as at 30 June 2011	489,939	-438,276

Changes in fair value reserve attributable to the EDP Group during the six months period ended 30 June 2011 are analysed as follows:

	Group	
	Increases Euro'000	Decreases Euro'000
Ampla Energia e Serviços, S.A.	-	-105,721
Ampla Investimentos e Serviços, S.A.	-	-13,691
BCP	-	-18,378
Denerge - Desenvolvimento Energético, S.A.	-	-3,540
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-1,981
Other	19	-
	19	-143,311

Exchange difference on consolidation

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

		Exchange rates at Jun 2011		Exchange rates at Dec 2010		Exchange-rate at Jun 2010	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.445	1.403	1.336	1.326	1.227	1.327
Brazilian Real	BRL	2.260	2.288	2.218	2.331	2.208	2.384
Macao Pataca	MOP	11.585	10.889	10.697	10.611	9.842	10.632
Quetzal	GTQ	11.230	10.985	10.708	10.708	9.855	10.818
Zloty	PLN	3.990	3.953	3.975	3.995	4.147	4.002
Lei	RON	4.244	4.180	4.262	4.212	4.370	4.149
Pound	GBP	0.903	0.868	0.861	0.858	0.817	0.870

Treasury stock reserve (EDP, S.A.)

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

Dividends

On 14 April 2011, the Shareholders General Meeting of EDP, S.A. approved the dividend distribution to shareholders which ocurred on 13 May 2011 over the net profit for the year 2010 in the amount of 621,611 thousands of Euros, corresponding to a dividend of 0.17 Euros per share (including the treasury stock dividend amounting to 5,030 thousands of Euros).

33. Non-controlling interests

This caption is analysed as follows:

	Group	
	Jun 2011 Euro'000	**Dec 2010 Euro'000**
Non-controlling interests in income statement	102,637	155,676
Non-controlling interests in reserves	2,839,777	2,774,725
	2,942,414	2,930,401

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

	Group	
	Jun 2011 Euro'000	**Dec 2010 Euro'000**
EDP Renováveis Group	1,321,927	1,306,194
Energias do Brasil Group	1,561,304	1,570,666
Hidrocantábrico Group	21,474	22,428
Other	37,709	31,113
	2,942,414	2,930,401

During the six months period ending 30 June 2011, EDP Group generated profits of 102,637 thousands of Euros attributable to non-controlling interests (31 December 2010: 155,676 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 21,878 thousands of Euros, negative exchange differences of 1,679 thousands of Euros, decrease of fair value reserve of 1,774 thousands of Euros and negative variations resulting from acquisitions and share capital increases attributable to non-controlling interests totalling 2,664 thousands of Euros.

The movement booked in non-controlling interests of Energias do Brasil Group includes 74,061 thousands of Euros of profits attributable to non-controlling interests, 28,417 thousands of Euros from the negative exchange differences and a decrease of 62,228 thousands of Euros related to dividends paid. Additionally, during the six months period ended at 30 June 2011, the variation of fair value reserve associated to available for sale financial assets, has originated a decrease in the non-controlling interests of 1,263 thousands of Euros and the effect of changes in actuarial losses net of taxes has originated an increase in the non-controlling interests of 8,947 thousands of Euros.

The caption Other non-controlling interests includes 35,895 thousands of Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2010: 30,120 thousands of Euros).

34. Hydrological account

The movements in the **Hydrological account** are analysed as follows:

	Group and Company	
	Jun 2011 Euro'000	**Jun 2010 Euro'000**
Balance at the beginning of the period	75,098	112,631
Amounts received / (paid) during the period	-	-20,636
Financial charges	797	2,023
Balance at the end of the period	75,895	94,018

35. Financial debt

This caption is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Short term debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	39,322	27,284	39,322	27,284
- EDP Finance B.V.	225,000	150,000	-	-
- EDP Energias do Brasil Group	142,067	145,789	-	-
- HC Energia Group	907	907	-	-
- Renewables Group	231,107	197,893	-	-
- Generation - Portugal	11,136	11,699	-	-
- Portgás	13,490	12,820	-	-
	663,029	546,392	39,322	27,284
Non convertible bond loans:				
- EDP, S.A.	-	747,352	-	747,352
- EDP Finance B.V.	500,033	499,697	-	-
- EDP Energias do Brasil Group	15,043	92,304	-	-
	515,076	1,339,353	-	747,352
Commercial paper:				
- EDP, S.A.	277,000	766,900	6,006,000	4,963,900
- HC Energia Group	34,272	70,104	-	-
	311,272	837,004	6,006,000	4,963,900
Other loans:				
- EDP Energias do Brasil Group	6,777	7,705	-	-
- Renewables Group	3,572	4,569	-	-
- Generation - Portugal	1,231	1,228	-	-
	11,580	13,502	-	-
Accrued interest	190,494	265,079	7,203	38,079
Other liabilities:				
- Fair value of the issued debt hedged risk	-	3,121	-	3,121
	1,691,451	3,004,451	6,052,525	5,779,736

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Medium and long term debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	1,148,107	870,993	1,148,107	870,993
- EDP Finance B.V.	4,428,348	3,590,027	-	-
- EDP Energias do Brasil Group	828,046	847,051	-	-
- HC Energia Group	3,567	4,014	-	-
- Renewables Group	467,599	499,639	-	-
- Generation - Portugal	167,057	171,436	-	-
- Portgás	49,229	55,142	-	-
	7,091,953	6,038,302	1,148,107	870,993
Non convertible bond loans:				
- EDP, S.A.	431,025	428,838	431,025	428,838
- EDP Finance B.V.	8,329,939	8,080,229	-	-
- EDP Energias do Brasil Group	282,293	288,587	-	-
	9,043,257	8,797,654	431,025	428,838
Other loans:				
- Preference shares of Investco	21,852	22,651		-
- EDP Energias do Brasil Group	44,057	47,886		-
- Renewables Group	25,173	26,755		-
- Generation - Portugal	4,750	5,116		-
	95,832	102,408	-	-
	16,231,042	14,938,364	1,579,132	1,299,831
Accrued interest	7,082	-	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	-85,511	-51,169	10,229	11,544
	16,152,613	14,887,195	1,589,361	1,311,375
	17,844,064	17,891,646	7,641,886	7,091,111

EDP Group, at EDP, S.A. level, has short-term credit facilities of 230,410 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 190,410 thousands of Euros have a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being totally available as at 30 June 2011. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, from which 1,200,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousand of USD with a firm underwriting commitment, which as at 30 June 2011 is totally drawn.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 June 2011 and 31 December 2010 these loans amounted to 869,292 thousands of Euros and 862,625 thousands of Euros, respectively (amounts already included in the Group’s consolidated debt).

The nominal value of **Bond loans issued and outstanding**, as at 30 June 2011, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.						
EDP, S.A.	Mar-03	Euribor 6 months + 0.5%	n.a.	Mar-13	150,000	150,000
EDP, S.A. (ii)	May-08	Variable rate (iv)	n.a.	May-18	300,000	300,000
					450,000	450,000
Issued under the Euro Medium Term Notes program						
EDP 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	691,898	-
EDP Finance B.V.	Oct-07	Fixed rate USD 6.00 %	Net Investment	Feb-18	691,898	-
EDP Finance B.V. (i)	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon EUR (iv)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (iii) (i)	Feb-09	Fixed rate EUR 5.5%	Fair Value	Feb-14	1,000,000	-
EDP Finance B.V. (i)	Jun-09	Fixed rate JPY (iv)	Net Investment	Jun-19	72,352	-
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	691,898	-
EDP Finance B.V.	Feb-10	Variable Rate USD (iv)	Net Investment	Feb-15	69,190	-
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	-
					8,928,818	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov-01	IGPM + 10.5%	n.a.	Nov-11	15,229	-
Bandeirante	Jul-10	CDI + 1.50%	n.a.	Jun-14	172,559	-
Escelsa	Jul-07	105.0% of CDI	n.a.	Jul-14	110,615	-
					298,403	-
					9,677,221	450,000

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

Debt and borrowings by maturity**,** are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Bank loans and overdrafts:				
Up to 1 year	677,771	562,399	41,363	28,853
From 1 to 5 years	5,452,686	4,644,826	220,426	170,592
More than 5 years	1,646,349	1,393,476	927,681	700,401
	7,776,806	6,600,701	1,189,470	899,846
Bond loans:				
Up to 1 year	687,724	1,590,549	2,485	786,380
From 1 to 5 years	5,125,496	4,232,741	141,254	140,382
More than 5 years	3,832,249	4,513,744	300,000	300,000
	9,645,469	10,337,034	443,739	1,226,762
Commercial paper:				
Up to 1 year	313,949	837,607	6,008,677	4,964,503
Other loans:				
Up to 1 year	12,007	13,896	-	-
From 1 to 5 years	49,173	50,866	-	-
More than 5 years	46,660	51,542	-	-
	107,840	116,304	-	-
	17,844,064	17,891,646	7,641,886	7,091,111

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

	Jun 2011		Dec 2010	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	1,691,451	1,483,760	3,004,451	2,764,591
Medium/long term debt and borrowings - Non current	16,152,613	15,401,335	14,887,195	14,634,186
	17,844,064	16,885,095	17,891,646	17,398,777

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

As at 30 June 2011, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	1,167,647	2,558,716	2,795,588	2,737,817	6,892,845	16,152,613
Short term debt and borrowings	972,315	719,136	-	-	-	-	1,691,451
	972,315	1,886,783	2,558,716	2,795,588	2,737,817	6,892,845	17,844,064

Future payments of capital in debt and interests and guarantees are detailed in note 42.

36. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Provisions for social liabilities and benefits	1,046,042	1,104,406	-	-
Provisions for medical liabilities and other benefits	804,831	800,473	-	-
	1,850,873	1,904,879	-	-

Provisions for social liabilities and benefits as at 30 June 2011 include 1,035,736 thousands of Euros relating to retirement pension defined benefit plans (31 December 2010: 1,093,075 thousands of Euros) and 10,306 thousands of Euros (31 December 2010: 11,331 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Balance at the beginning of the period	1,104,406	1,109,347	-	-
Charge for the period	29,759	28,253	-	-
Pre-retirements (curtailments)	5,541	-	-	-
Actuarial (gains)/losses	-15,203	16,137	-	-
Charge-off	-80,072	-74,539	-	-
Transfers, reclassifications and exchange differences	1,611	3,870	-	-
Balance at the end of the period	1,046,042	1,083,068	-	-

Pre-retirements (curtailments) are related with costs of rationalising human resources and result from 24 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following of the Carregado Generation Center decommissioning process.

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

	Jun 2011			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period				
Current service cost	7,157	-	-186	6,971
Interest cost	46,721	1,915	11,268	59,904
Expected return on plan assets	-27,600	-	-9,516	-37,116
Curtailments / Settlements	5,541	-	-	5,541
Net cost for the period	31,819	1,915	1,566	35,300

	Jun 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period				
Current service cost	6,679	246	-279	6,646
Interest cost	49,122	2,312	12,969	64,403
Expected return on plan assets	-29,527	-	-13,269	-42,796
Net cost for the period	26,274	2,558	-579	28,253

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

	Group		Company	
	Jun 2011 Euro'000	Jun 2010 Euro'000	Jun 2011 Euro'000	Jun 2010 Euro'000
Balance at the beginning of the period	800,473	770,358	-	-
Charge for the period	25,951	23,988	-	-
Pre-retirements (curtailments)	380	-	-	-
Actuarial (gains)/losses	-2,674	-530	-	-
Charge-off	-19,935	-20,197	-	-
Transfers, reclassifications and exchange differences	636	5,348	-	-
Balance at the end of the period	804,831	778,967	-	-

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

	Jun 2011			Jun 2010		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period						
Current service cost	3,563	299	3,862	3,482	71	3,553
Interest cost	18,512	3,577	22,089	18,812	1,623	20,435
Curtailment	380	-	380	-	-	-
Net cost for the period	22,455	3,876	26,331	22,294	1,694	23,988

As at 30 June 2011, 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 2010.

37. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	133,484	92,406	-	-
Provision for customer guarantees under current operations	81,632	108,480	-	-
Provision for other liabilities and charges	211,313	230,308	37,400	21,867
	426,429	431,194	37,400	21,867

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

Provision for legal and labour matters and other contingencies of 133,484 thousands of Euros, includes provisions for litigation in progress and other labour contingencies of 116,690 thousands of Euros.

The provisions for legal litigations in progress against subsidiaries of EDP Group amounting to 116,690 thousands of Euros (2010: 76,392 thousands of Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 53,530 thousands of Euros (2010: 18,207 thousands of Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;

ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousands of Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro – Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of approximately 11,200 thousand Euros;

iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2004 to 2008, in a total amount of 10,627 thousands of Euros;

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

v) Provision in the amount of 33,863 thousands of Euros booked by Bandeirante with reference to 30 June 2011, related with a process from the customer White Martins, S.A. related with the existence of any effects in the electric power tariffs charged by the subsidiary Bandeirante during the period in force of Portarias 38/1986 and 45/1986 of the extinguished Departamento Nacional de Águas e Energia Eléctrica (DNAEE) ("Plano do Cruzado").

Provisions for customer guarantees under current operations of 81,632 thousands of Euros (2010: 108,480 thousands of Euros) includes essentially provisions for commercial losses.

As at 30 June 2011, Provision for other liabilities and charges on a consolidated basis of 211,313 thousands of Euros (2010: 230,308 thousands of Euros) includes the following situations:

i) The Group holds a provision of 22,503 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 46,326 thousands of Euros (2010: 53,156 thousands of Euros) to cover the costs of returning the locations and land to their original state, from which 21,894 thousands of Euros referring to the wind farms of the EDPR NA Group, 21,825 thousands of Euros to the wind farms of the EDPR EU Group and 2,607 thousands of Euros to the wind farms of the EDPR Brasil Group.

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of lands where the electric power plants are located, which amounts to 11,724 thousands of Euros and 6,735 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 amount of expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

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

The losses of these processes were estimated as possible, do not require the recognition of provisions and are periodically reassessed. On 30 June of 2011, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a second lawsuit with the client White Martins, S.A. in the amount of 20,474 thounsand Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tarrif charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit in the courts as possible, considering that costumer complaint has no legal support, and existing jurisprudence with regard to such complaints.

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

iii) Investco is involved in a legal actions of a civil nature mostly related with indemnities 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 SGPS, related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 June 2011, the amount of this Tax contingency totals 206 million Euros.

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

38. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Trade and other payables - Current:				
Suppliers	929,140	1,182,508	182,079	119,507
Accrued costs related with supplies	346,654	338,633	173,081	199,835
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	470,702	858,306	921	2,414
Advances from customers	68,214	86,935	43	43
Other payables:				
- Employees	31,338	32,579	9,726	8,023
- Concession rents	18,139	16,729	-	-
- Amount payable to the regulatory entity in Brazil	76,594	26,710	-	-
- Amount to be invested in research and development - Brazil	26,379	26,573	-	-
- Amounts payable for electricity transactions in MIBEL	30,178	68,257	30,178	68,257
Payables - related companies	107,809	90,258	-	-
Energetic efficiency program - Brazil	38,646	33,588	-	-
Holiday pay, bonus and other charges	100,647	97,246	1,778	510
Derivative financial instruments	68,072	27,310	74,642	87,216
Government grants for investment in fixed assets	2,040	1,407	-	-
Accrued income - supply energy	28,978	24,572	-	-
Accrued costs relating to the fix network utilization tariff	5,959	30,464	-	-
CO2 emission licenses	194,933	170,919	-	-
Deferred income - CMEC	-	3,769	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	83,267	173,831	-	-
Amounts payable for tariff adjustments - Gas - Portugal	5,195	-	-	-
Amounts payable for tariff adjustments - Spain	64,229	55,009	-	-
Tariff adjustment payable	14,436	14,317	-	-
Creditors - Group companies	-	-	442,802	467,188
Put options over non-controlling interest liabilities	-	234,754	-	-
Amounts payable for the acquisition of companies	211,999	210,852	-	-
Other creditors and sundry operations	218,736	367,306	32,929	32,562
	3,142,284	4,172,832	948,179	985,555

As at 31 December 2010 the Liabilities arising from written put options with non-controlling interests - Current includes the liability for the put option contracted with Caja Madrid for a 20% interest in the Genesa Group in the amount of 234,754 thousands of Euros equivalent to 20% of Genesa's equity value. During the first semester of 2011 EDP Group paid this liability, considering the exercise of the put option by Caja Madrid. According to the terms of Genesa's share purchase agreement, 50% of any capital gains arising from the sale of the shareholding acquired, following the exercise of the option, within 24 months, must be shared with Caja Madrid.

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	11,062	11,062	11,062	11,062
Deposits received from customers and other debtors	28,913	32,859	3	3
Payables to associates	108,754	144,554	-	-
Suppliers of property, plant and equipment	9,754	10,056	1,710	1,791
Government grants for investment in fixed assets	527,138	563,477	-	-
Put options over non-controlling interests liabilities	126,949	123,492	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	31,091	61,557	-	-
Amounts payable for tariff adjustments - Gas -Portugal	490	-	-	-
Energy sales contracts - EDPR NA	60,880	71,991	-	-
Deferred income - CMEC	422,704	377,508	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,483,085	1,644,048	-	-
Amounts payable for concessions	270,385	265,341	-	-
Derivative financial instruments	189,659	169,383	4,675	-
Payables - Group companies (EDP Finance BV)	-	-	3,020,124	3,207,855
Amounts payable for the acquisition of companies	211,919	210,859	-	-
Success fees payable related to companies acquisitions	73,369	76,621	-	-
Other creditors and sundry operations	51,779	57,009	883	2,003
	3,607,931	3,819,817	3,038,457	3,222,714

Deferred income - CMEC non current includes 422,704 thousands of Euros (31 December 2010: 377,508 thousands of Euros) which refers to the CMEC initial amount (833,467 thousands of Euros) net of the amortisations of initial CMEC of the years 2007 to 2011 and including financial expenses (30 June 2011: 8,986 thousands of Euros), as referred in note 15.

Government grants for investment in fixed assets current and 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).

In the caption Put options over non-controlling interests liabilities medium/long term at 30 June 2011 the Group books the put options related to interests held by non-controlling interest. This caption include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 86,467 thousands of Euros (31 December 2010: 84,149 thousands of Euros) and the put option of Energia in Natura to EDPR EU for 15% of EDPR Italia share capital of 37,490 thousands of Euros (31 December 2010: 36,494 thousands of Euros).

At the moment of the EDPR NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flows models and market assumptions at 190,400 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).

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 30 June 2011 the captions amounts payable for the acquisition of companies - Current and Non current includes the amounts of 211,298 thousands of Euros (31 December 2010: 210,852 thousands of Euros) and 211,919 thousands of Euros (31 December 2010: 210,859 thousands of Euros), respectively.

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

	Current Euro'000	Non-Current Euro'000
Balance as at 1 January 2010	1,056,236	88,479
Payment through the electricity tariff	-540,238	-
Tariff adjustment of 2009	10,698	10,698
Tariff adjustment of the period	57,228	163,810
Interest expense	12,279	550
Transfer from Non-Current to Current	44,240	-44,240
Balance as at 30 June 2010	640,443	219,297
Payments through the electric energy tariff	-540,238	-
Tariff adjustment of 2009	3,680	-10,698
Tariff adjustment for the period	12,252	-102,253
Interest expense	13,455	-550
Transfer from Non-Current to Current	44,239	-44,239
Balance as at 31 December 2010	173,831	61,557
Payments through the electric energy tariff	-122,716	-
Interest expense	1,373	313
Transfer to tariff adjustments receivable	-	-
Transfer from Non-Current to Current	30,779	-30,779
Balance as at 30 June 2011	83,267	31,091

The caption Liability to institutional investors in corporate partnership is analysed as follows:

	Group	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Deferred income related to benefits provided	614,938	635,271
Liabilities arising from institutional partnerships in US wind farms	868,147	1,008,777
	1,483,085	1,644,048

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

39. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
State and other public entities:				
- Income tax	274,430	149,183	52,091	-
- Withholding tax	33,335	59,045	808	234
- Social Security contributions	11,016	10,183	31	19
- Value added tax (VAT)	48,222	62,531	245	935
- Turnover tax (Brazil)	67,459	78,846	-	-
- Social tax (Brazil)	30,292	49,309	-	-
- Other taxes	115,880	143,259	1	-
	580,634	552,356	53,176	1,188

As at 30 June 2011, Other taxes include foreign taxes regarding HC Energia Group of 55,576 thousands of Euros, Naturgas Group of 38,537 thousands of Euros (31 December 2010: HC Energia Group 51,196 thousands of Euros and Naturgás Group of 35,140 thousands of Euros) and Energias do Brazil Group of 13,696 thousands of Euros (31 December 2010: 51,364 thousands of Euros).

40. 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	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Assets classified as held for sale				
Electricity transport equipment - Hidrocantábrico	-	30,952	-	-
Investment held in Ampla Energia e Serviços, S.A.	75,500	-	75,500	-
Investment held in Ampla Investimentos e Serviços, S.A.	9,500	-	9,500	-
	85,000	30,952	85,000	-

During the first semester of 2011 and following the approval by the Comission Nacional de la Competencia, EDP Group has concluded the sale of the electricity lines and substations belonging to Hidrocantábrico to Red Eléctrica de España ("REE"), recognising a gain of 27 millions of Euros (see note 8).

EDP Group has reclassified for Assets classified as held for sale its interest of 7.704% in the share capital of Ampla Energia e Serviços, S.A. and 7,704% in the share capital of Ampla Investimentos e Serviços, S.A. as a result of Board of Directors' decision to sell these shareholding investment. This reclassification was made only for presentation purposes, without changing the measurement criteria of these assets.

41. Derivative financial instruments

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

The fair value of the derivative financial instruments portfolio as at 30 June 2011 and 31 December 2010 is analysed as follows:

	Group		Company	
	Jun 2011 Euro'000	Dec 2010 Euro'000	Jun 2011 Euro'000	Dec 2010 Euro'000
Derivatives held for trading	17,130	25,563	29,721	21,628
Fair value hedge	-80,798	21,978	-4,675	181,949
Cash-flow hedge	-36,703	-20,107	16,624	25,083
Net Investment hedge	-415	-1,074	-	-
	-100,786	26,360	41,670	228,660

42. Commitments

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 June 2011 and 31 December 2010 , are analysed as follows:

Type	Group Jun 2011 Euro'000	Group Dec 2010 Euro'000	Company Jun 2011 Euro'000	Company Dec 2010 Euro'000
Guarantees of a financial nature				
EDP, S.A.	336,796	381,332	336,796	381,332
Hidrocantábrico Group	26,826	36,271	-	-
Brazil Group	8,745	13,244	-	-
EDP Renováveis Group	24,380	24,999	-	-
Other	3,711	3,711	-	-
	400,458	459,557	336,796	381,332
Guarantees of an operating nature				
EDP, S.A.	799,896	911,218	799,896	911,218
Hidrocantábrico Group	217,939	348,543	-	-
Brazil Group	121,400	120,663	-	-
EDP Renováveis Group	1,766,925	1,893,862	-	-
Other (Portugal)	10,529	32,280	-	-
	2,916,689	3,306,566	799,896	911,218
Total	3,317,147	3,766,123	1,136,692	1,292,550
Real guarantees	12,399	13,335	-	-

The financial guarantees contracted include, at 30 June 2011 and 31 December 2010, 310,732 thousands of Euros and 358,631 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 278,450 thousands of Euros at 30 June 2011 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 105,197 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 30 June 2011 and 31 December 2010, 454,793 thousands of Euros and 553,274 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 June 2011 and 31 December 2010 these loans amounted to 869,292 thousands of Euros and 862,625 thousands of Euros, respectively, and are included in the Group’s consolidated debt.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the balance sheet) are disclosed, as at 30 June 2011 and 31 December 2010, by maturity, as follows:

	Jun 2011 Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	21,598,832	2,244,245	7,611,384	5,149,235	6,593,968
Finance lease commitments	8,620	1,738	6,739	143	-
Operating lease commitments	1,055,059	59,664	106,911	78,384	810,100
Purchase obligations	44,545,865	4,392,410	9,538,957	6,592,417	24,022,081
Other long term commitments	2,949,787	320,621	582,775	561,423	1,484,968
	70,158,163	7,018,678	17,846,766	12,381,602	32,911,117

	Dec 2010				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	71,793,576	9,514,638	15,957,600	12,852,301	33,469,037

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 36).

As at 30 June 2011, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe,S.A., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over the shares hold by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe,S.A., a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli – Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;
- The EDP Group, through its subsidiary EDP - Energias do Brasil, acquired an interest of 3.16% in Denerge following the asset swap transaction occurred in August 2008 with Rede Group. The acquisition contract for this investment includes an option clause, to swap Denerge shares for a subscription of Rede Group shares in a potential Initial Public Offering, or an equivalent shareholding in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share;
- Soporcel holds a call option over the shares held by EDP, exercisable on 30 September 2015, with an exercise price of 5 Euros, to be paid in proportion to the shares held by Alstom Portugal, S.A. and EDP Produção S.A.;
- Soporcel holds a call option exercisable at any time of the shares held by EDP Produção, S.A. in Soporgen. This option is exercisable at any time until 31 December 2014. The exercise price is fixed depending on the date of exercise of the option;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option of the remaining 15% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
  - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
  - When EDP Renewables Italy is able to build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and 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 remain shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beggining of construction date or (ii) 31 December 2019;

- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros.

43. Share based payments

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

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

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

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

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 30 June 2010	605,477	2.22
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 30 June 2011	605,477	2.22

Information regarding stock options as at 30 June 2011:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options Euro'000
605,477	2.22	2.44	605,477	426,772

During the six months period ending 30 June 2011 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the six months period ended at 30 June 2011, EDP Group granted treasury stocks to employees (736,881 shares) totalling 2,046 thousands of Euros.

44. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 June 2011 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	915,977,598	25.05%	24.12%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	5.00%
Caixa Geral de Depósitos Group	22,169,087	0.61%	0.58%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,319,036	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	123,167,347	3.37%	3.37%
Banco Espírito Santo Group	77,003,375	2.11%	2.11%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	101,095,332	2.76%	2.76%
EDP Group (Treasury stock)	31,878,382	0.87%	
Remaining shareholders	1,547,087,454	42.32%	
	3,656,537,715	**100.0%**	

The number of shares of EDP S.A. held by company officers in 30 June 2011 and 31 December 2010 are as follows:

	2011	2010
	Nr. of shares	Nr. of shares
General and Supervisory Board		
António de Almeida	100	-
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,845	**57,745**
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	31,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	100,000	62,497
Nuno Maria Pestana de Almeida Alves	100,000	80,000
	290,116	**222,613**

Balances and transactions with subsidiaries and associates

As at 30 June 2011, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	1,471	255,000	7,069	263,540
EDP Produção Bioeléctrica	-	10,310	79	10,389
EDP Gestão da Produção	180,423	3,603,653	172,629	3,956,705
EDP Distribuição	943,796	1,484,125	17,455	2,445,376
EDP Comercial	-	52,103	80,211	132,314
EDP Finance BV	-	232,759	508,896	741,655
EDP Gás.Com	-	-	62,791	62,791
EDP Imobiliária e Participações	8,749	347,352	446	356,547
EDP Inovação	1,234	9,846	299	11,379
EDP Soluções Comerciais	11,942	-	6,684	18,626
EDP Renováveis	-	30,353	24,484	54,837
EDP Renewables Europe	-	-	11,317	11,317
EDP Serviço Universal	-	-	4,799	4,799
EDP Gás -SGPS	7,195	107,400	7,945	122,540
EDP Valor	3,962	-	4,298	8,260
Electrica Ribera del Ebro	-	-	3,231	3,231
Sãvida	4,322	-	567	4,889
Hidroeléctrica del Cantábrico	1,843	-	24,786	26,629
EDP Internacional	4,270	1,247	299	5,816
Naturgas Comercializadora	-	-	5,506	5,506
Naturgas Energía Servicios	-	-	2,350	2,350
EDP Investimentos	2,028	15,000	294	17,322
Pebble Hydro	-	-	8,054	8,054
Other	1,324	-	10,803	12,127
	1,172,559	6,149,148	965,292	8,286,999

As at 31 December 2010, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	4,330	265,000	10,466	279,796
EDP Produção Bioeléctrica	-	12,458	90	12,548
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Comercial	32,156	54,551	35,957	122,664
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás.Com	-	-	13,342	13,342
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Inovação	2,662	7,071	844	10,577
EDP Soluções Comerciais	-	-	6,588	6,588
EDP Renováveis	-	-	161,909	161,909
EDP Renewables Europe	-	-	8,162	8,162
EDP Serviço Universal	-	-	3,922	3,922
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Valor	-	-	4,743	4,743
EDP Energias do Brasil	-	-	10,643	10,643
Energin	-	-	911	911
Hidrocantábrico Energia	-	-	1,512	1,512
HDC Gestion de Energia	-	14,433	-	14,433
Hidroeléctrica del Cantábrico	1,841	131,313	7,371	140,525
EDP Internacional	2,295	1,349	749	4,393
Naturgas Comercializadora	-	-	4,226	4,226
Naturgas Energía Servicios	-	-	2,968	2,968
EDP Investimentos	1,137	15,000	538	16,675
Pebble Hydro	-	-	4,793	4,793
Portgás	-	-	1,168	1,168
Other	25	-	8,892	8,917
	325,149	6,242,157	1,394,625	7,961,931

As at 30 June 2011, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Gestão da Produção	-	-	196,787	196,787
EDP Distribuição	-	-	59,179	59,179
EDP Comercial	1,387	-	3,292	4,679
EDP Estudos e Consultoria	-	-	9,652	9,652
EDP Finance BV	-	3,110,404	44,153	3,154,557
EDP Gás.Com	3,640	-	2,760	6,400
EDP Imobiliária e Participações	-	172,054	1,881	173,935
EDP Inovação	-	-	1,349	1,349
EDP Renováveis	-	-	4,675	4,675
EDP Renewables Europe	-	58,398	13,717	72,115
EDP Serviço Universal	229,164	-	64,938	294,102
Electrica Ribera del Ebro	-	-	7,474	7,474
Hidroeléctrica do Guadiana	1,245	-	4,382	5,627
Hidroeléctrica del Cantábrico	-	-	18,677	18,677
HDC Gestion de Energia	-	55,932	-	55,932
Naturgás	-	194,666	-	194,666
Naturgas Comercializadora	-	-	5,307	5,307
EDP Gás III SGPS	62,728	-	156	62,884
OPTEP	530	-	881	1,411
Other	1,385	1	3,614	5,000
	300,079	3,591,455	442,874	4,334,408

As at 31 December 2010, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Gestão da Produção	-	-	168,342	168,342
EDP Distribuição	-	-	45,341	45,341
EDP Comercial	-	-	1,548	1,548
EDP Estudos e Consultoria	6,624	-	6,220	12,844
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Gás.Com	-	-	4,286	4,286
EDP Imobiliária e Participações	-	-	2,731	2,731
EDP Inovação	-	-	4,981	4,981
EDP Soluções Comerciais	19,581	-	817	20,398
EDP Renováveis	-	170,387	-	170,387
EDP Renewables Europe	-	55,398	-	55,398
EDP Serviner	1,051	-	231	1,282
EDP Serviço Universal	-	-	230,712	230,712
EDP Valor	18,082	-	1,863	19,945
Electrica Ribera del Ebro	-	-	11,220	11,220
Hidroeléctrica do Guadiana	-	-	4,818	4,818
Hidroeléctrica del Cantábrico	-	5	32,071	32,076
Hidrocantábrico Energia	-	-	2,992	2,992
Labelec	499	-	672	1,171
Naturgás	-	84,492	-	84,492
Naturgas Comercializadora	-	-	2,513	2,513
EDP Gás III SGPS	62,488	-	277	62,765
ENERGIN	-	-	1,030	1,030
Soporgen	-	-	1,074	1,074
OPTEP	-	-	910	910
Sãvida	13,816	-	361	14,177
Other	100	1	1,770	1,871
	122,241	3,585,252	571,238	4,278,731

Expenses related to intra-Group transactions as at 30 June 2011, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Gestão da Produção	365	-	574,663	575,028
EDP Distribuição	-	-	5,666	5,666
EDP Estudos e Consultoria	17	-	11,520	11,537
EDP Finance BV	-	84,922	2,232	87,154
EDP Gás.Com	-	-	2,649	2,649
EDP Inovação	1	-	1,601	1,602
EDP Renováveis	-	46	155,453	155,499
EDP Renewables Europe	-	-	930	930
EDP Valor	82	-	2,339	2,421
Electrica Ribera del Ebro	-	-	9,301	9,301
Hidrocantábrico Energia	-	-	3,434	3,434
Hidroeléctrica do Guadiana	-	-	21,414	21,414
Hidroeléctrica del Cantábrico	-	-	27,206	27,206
Naturgas Comercializadora	-	-	2,829	2,829
Other	198	1,152	3,273	4,623
	663	86,120	824,510	911,293

Expenses related to intra-Group transactions as at 30 June 2010, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Gestão da Produção	43	-	466,072	466,115
EDP Distribuição	-	-	4,795	4,795
EDP Estudos e Consultoria	5	-	9,903	9,908
EDP Finance BV	-	94,704	18,441	113,145
EDP Gás.Com	-	-	1,903	1,903
EDP Inovação	-	-	1,600	1,600
EDP Renováveis	-	99	1,173	1,272
EDP Renewables Europe	-	-	11,392	11,392
EDP Valor	49	-	2,930	2,979
Electrica Ribera del Ebro	-	-	24,269	24,269
Hidrocantábrico Energia	-	-	3,007	3,007
Hidroeléctrica do Guadiana	-	-	17,109	17,109
Hidroeléctrica del Cantábrico	-	-	50,402	50,402
Other	78	206	1,685	1,969
	175	95,009	614,681	709,865

Income related to intra-Group transactions as at 30 June 2011, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	163	3,862	39	4,064
EDP Gestão da Produção	203	104,321	38,246	142,770
EDP Distribuição	5,721	34,798	19,201	59,720
EDP Comercial	64	1,235	221,409	222,708
EDP Gás.Com	-	-	84,834	84,834
EDP Imobiliária e Participações	32	2,451	157	2,640
EDP Soluções Comerciais	-	-	13,541	13,541
EDP Renováveis	-	410	5,827	6,237
EDP Renewables Europe	-	-	4,778	4,778
EDP Serviço Universal	-	-	6,441	6,441
EDP Gás - SGPS	19	2,641	1,065	3,725
EDP Valor	-	-	3,931	3,931
EDP Finance BV	-	879	349	1,228
Electrica Ribera del Ebro	-	-	7,223	7,223
Hidrocantábrico Distribuición Eléctrica S.A.U.	-	-	1,616	1,616
Hidrocantábrico Energia	-	-	1,564	1,564
HC Soluciones Comerciales	-	-	1,124	1,124
Hidroeléctrica del Cantábrico	-	-	37,191	37,191
Naturgas Energía Servicios	-	-	2,435	2,435
Naturgas Comercializadora	-	-	3,468	3,468
Other	35	857	5,885	6,777
	6,237	151,454	460,324	618,015

Income related to intra-Group transactions as at 30 June 2010, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	103	3,657	49	3,809
EDP Gestão da Produção	335	103,315	37,960	141,610
EDP Energias do Brasil	-	-	3,418	3,418
EDP Distribuição	1,663	17,207	20,168	39,038
EDP Comercial	575	349	194,200	195,124
EDP Gás.Com	-	-	33,368	33,368
EDP Imobiliária e Participações	11	2,610	193	2,814
EDP Soluções Comerciais	77	-	14,154	14,231
EDP Renováveis	-	-	323,303	323,303
EDP Renewables Europe	-	-	13,984	13,984
EDP Serviço Universal	-	-	5,680	5,680
EDP Gás - SGPS	131	1,642	916	2,689
EDP Valor	-	-	4,144	4,144
Electrica Ribera del Ebro	-	-	17,928	17,928
Hidrocantábrico Distribuición Eléctrica S.A.U.	-	-	1,292	1,292
Hidrocantábrico Energia	-	-	1,602	1,602
HC Soluciones Comerciales	-	-	1,024	1,024
HDC Gestión de Energia	-	1,515	172	1,687
Hidroeléctrica do Guadiana	-	-	849	849
Hidroeléctrica del Cantábrico	-	-	29,008	29,008
Naturgas Energía Servicios	-	-	2,218	2,218
Other	18	553	4,053	4,624
	2,913	130,848	709,683	843,444

Assets and Liabilities with related companies at 30 June 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	198,661	2,412	196,249
Jointly controlled entities	32,144	11,964	20,180
	230,805	14,376	216,429

Assets and Liabilities with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	144,794	3,600	141,194
Jointly controlled entities	30,696	12,822	17,874
	175,490	16,422	159,068

Transactions with related companies at 30 June 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	5,005	2,893	-1,372	-4
Jointly controlled entities	32,116	3,971	-11,521	-230
	37,121	6,864	-12,893	-234

Transactions with related companies at 30 June 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	4,790	1,942	-597	-4
Jointly controlled entities	28,057	3,512	-10,938	-300
	32,847	5,454	-11,535	-304

45. Fair value of financial assets and liabilities

	Group Jun 2011			Group Dec 2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	206,194	206,194	-	443,965	443,965	-
Trade receivables	2,143,244	2,143,244	-	2,187,118	2,187,118	-
Derivative financial instruments	156,945	156,945	-	223,053	223,053	-
Financial assets at fair value through profit or loss	35,827	35,827	-	35,745	35,745	-
Cash and cash equivalents (assets)	929,606	929,606	-	1,511,224	1,511,224	-
	3,471,816	3,471,816	-	4,401,105	4,401,105	-
Financial liabilities						
Loans	17,844,064	16,885,095	-958,969	17,891,646	17,398,777	-492,869
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	1,409,596	1,409,596	-	2,040,814	2,040,814	-
Derivative financial instruments	257,731	257,731	-	196,693	196,693	-
	19,511,391	18,552,422	-958,969	20,129,153	19,636,284	-492,869

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

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

46. Subsequent events

Moody´s downgrades EDP's rating

At 8 July, Moody's Investors Service ("Moody's") downgraded the senior unsecured ratings of EDP - Energias de Portugal SA ("EDP"), its finance subsidiary EDP Finance BV and its Spanish subsidiary, Hidroelectrica del Cantabrico to "Baa3"/"Prime-3" with negative outlook from "Baa1"/"Prime -2" with negative outlook.

This rating action follows the earlier downgrading of the rating of the government of the Republic of Portugal ("RoP") to "Ba2" with a negative outlook from "Baa1", on review for downgrade.

EDP sets price of secondary distribution offer of EDP Brasil's ordinary shares at 37 reais per share

At 8 July 2011, EDP Energias de Portugal ,S.A., which holds 64.8% of EDP - Energias do Brasil, S.A. ("EDP Brasil"), has set at 37 reais per share the final price for the secondary distribution offer ("Offer") of EDP Brasil's ordinary shares, which had been launched on June 27.

The effective demand of the Offer has exceeded the global amount of 19,919,510 shares initially offered (without considering the greenshoe), corresponding to 12.54% of EDP Brasil's share capital.

With this transaction, EDP decreases its shareholding in EDP Brasil from 64.8% to 52.3%, while receiving an amount of proceeds of approximately 737 million reais (corresponding approximately to 330 million of Euros, at a currency rate BRL/EUR of 2.2333, exchange rate as at liquidation date).

Full exercise of *Greenshoe* from secondary distribution offer of EDP Brasil's ordinary shares

Within the secondary distribution offer ("Offer") of EDP- Energias do Brasil, S.A. (EDP Brasil) ordinary shares , on July 12, was exercised in full the option to purchase additional shares (grrenshoe) relating to na allotment of 1,991,950 shares, corresponding to 10% of the shares initially offered in the Offer by Morgan Stanley S.A., as a stabilizing agent, after notification to the coordinators of the offer (BES Investimento do Brasil S.A. - Banco de Investimento, Banco Itau BBA S.A. and Banco Santander (Brazil) S.A.).

The allotment of the shares were sold at the same price of the initially offer, which is 37 reais, and provide to EDP - Energias de Portugal, S.A. ("EDP") an additional gross proceeds of aproximately 73.7 million of reais (corresponding approximately to 33 million of Euros at a currency rate BRL/EUR of 2.2333, exchange rate as at liquidation date).

With the completion of this offering, considering full exercise of the greenshoe, EDP will receive a gross amount of approximately 810.7 million of reais (corresponding to approximately 363 million of euros to the currency rate above).

With the completion of this offering, EDP decreases its shareholding in EDP Brasil from 64.8% to 51%.

EDP Renováveis establishes new institutional partnership structure for 99 MW in the US

On 13 July 2011, EDP Group, through its subsidiary EDP Renewables North America LLC, has signed an agreement to secure institutional equity financing from Bank of America Corporation and Paribas North America, INC., in exchange for a partial interest in its 99 MW Timber Road II wind farm, currently being commissioned in the State of Ohio.

Notice to Convene Meeting

On 21 July 2011, as requested by the shareholders Parpública - Participações Públicas (SGPS), S.A. and Capitalpor - Participações Portuguesas, SGPS, S.A., all shareholders of EDP - Energias de Portugal, S.A. were convened to a general meeting that will occur on 25 August 2011, with the purpose of discussing the amendment of the EDP By-Laws.

47. Recent accounting standards and interpretations issued

In May 2010, the IASB published the Annual Improvement Project that implied changes to the standards and interpretations in force. The referred changes are in most cases applicable for the Group for 2011, as follows:

• Changes to IFRS 1 - First - time Adoption of International Financial Reporting Standards,effective from 1 January 2011;
• Changes to IFRS 3 - Business Combinations, effective from 1 January 2011;
• Changes to IFRS 7 - Financial Instruments: Disclosures, effective from 1 January 2011;
• Changes to IAS 1 - Presentation of Financial Statements, effective from 1 January 2011;
• Changes to IAS 21 - The Effects of Changes in Foreign Exchange Rates, effective from 1 January 2011;
• Changes to IAS 28- Investments in Associates, effective from 1 January 2011;
• Changes to IAS 31- Interests in Joint Ventures, effective from 1 January 2011;
• Changes to IAS 32 - Financial Instruments: Presentation, effective from 1 January 2011;
• Changes to IAS 34 - Interim Financial Reporting, effective from 1 January 2011;
• Changes to IAS 39 - Financial Instruments: Recognition and Measurement, effective from 1 January 2011;
• Changes to IFRIC 13 - Customer Loyalty Programmes, effective from 1 January 2011.

No significant impact in the Group resulted from the adoption of these changes with exception of the impacts of the adoption of IFRS 3 - Business Combinations, which are disclosed and reflected in the consolidated financial statements at 30 June 2011.

The Group has also decided against the early application of the following standards and interpretations, which are expected to be endorsed by the European Union until the end of 2011:

• IFRS 1 (Amendment) - First-time Adoption of International Reporting Standards;
• IFRS 7 (Amendment) - Financial Instruments: Disclosures;
• IFRS 9 - Financial Instruments;
• IFRS 10 - Consolidated Financial Statements;
• IFRS 11 - Joint Arrangements;
• IFRS 12 - Disclosures of Interests in Other Entities;
• IFRS 13 - Fair Value Measurement;
• IAS 1 (Amendment) - Presentation of Financial Statements;
• IAS 12 (Amendment) - Income tax;
• IAS 19 (Amendment) - Employee Benenfits;
• IAS 27 - Separate Financial Statements;
• IAS 28 - Investments in Associates and Joint Ventures.

48. EDP Branch in Spain

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

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

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

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

The statement of financial position of the Branch as at 30 June 2011 and 31 December 2010 is analysed as follows:

	EDP Branch	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Property, plant and equipment	136	104
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
Other	60	60
Deferred tax assets	32,821	-
Other debtors	401	144,462
Total Non-Current Assets	4,955,105	5,066,313
Trade receivables	16,905	15,253
Debtors and other assets	294,335	343,553
Tax receivable	20,244	20,211
Cash and cash equivalents	-	15,661
Total Current Assets	331,484	394,678
Total Assets	5,286,589	5,460,991

	EDP Branch	
	Jun 2011 Euro'000	Dec 2010 Euro'000
Equity	1,752,946	1,797,905
Financial debt	3,024,799	3,207,855
Deferred tax liabilities	4,255	-
Total Non-Current Liabilities	3,029,054	3,207,855
Financial debt	6,465	33
Trade and other payables	497,808	454,192
Tax payable	316	1,006
Total Current Liabilities	504,589	455,231
Total Liabilities	3,533,643	3,663,086
Total Equity and Liabilities	5,286,589	5,460,991

49. Segmental reporting

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

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

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

The Group internal reporting system produces reports with business segments organised by geography and responsibility area for each member of the Board of Directors.

Based on these reports, the Board of Directors assumes the function of Chief Operating Decision Maker ("CODM"), evaluating the performance of the various segments and deciding on resource allocations to each identified segment.

The Group manages its activities based on several business segments, which involve essentially the following products/services: Electricity, Gas and Other Operations.

The segments defined by the Group are the following:

• Iberian Generation
• Iberian Distribution
• Iberian Supply
• EDP Renováveis
• EDP - Energias do Brasil
• Iberian Gas
• Other Operations

The EDP Group makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Energias do Brasil).

The **Iberian Generation** segment corresponds to the activity of electricity generation in Portugal and Spain. This segment includes, namely, the following companies:

• EDP - Gestão da Produção de Energia, S.A.
• Electrica de la Ribera del Ebro, S.A.
• Hidroeléctrica Del Cantábrico, S.L.
• Central Térmica Ciclo Combinado Grupo 4, S.A.
• Patrimonial de La Ribera del Ebro, S.L.

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

• EDP Distribuição de Energia, S.A.
• EDP Serviço Universal, S.A.
• Fuerzas Electricas Valencianas, S.A.
• Electra de Llobregat Energía, S.L.
• HDC Explotacion Redes
• Hidrocantábrico Distribucion Eléctrica, S.A.U.

The **Iberian Supply** segment corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the iberian distribution activity. This segment includes, namely, the following companies:

• EDP Comercial - Comercialização de Energia, S.A.
• Hidrocantábrico Energia, S.A.U.
• EDP Soluções Comerciais, S.A.

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

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

The **Gas** segment includes the gas distribution and supply activities in Portugal and Spain. This segment includes, namely, the following companies:

• EDP Gás, SGPS
• Portgás - Soc. de Produção e Distribuição de Gás, S.A.
• EDP Gás Serviço Universal, S.A.
• Naturgás Energia Transporte, S.A.U.
• Naturgás Comercializadora, S.A.
• Naturgás Energia Distribución, S.A.U.
• Naturgás Energia Grupo, S.A.

The **Other operations** segment includes the centralised management of financial investments and the remaining activities not included in the businesses segments, namely the centralised management of human resources, logistic platforms and shared service centers.

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

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

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

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

50. 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.

EDP Group Activity by Business Segment

Information by Business Segment – six months period ended 30 June 2011

(Amounts in thousands of Euros)

Electricity

	Iberian Generation				Iberian Distribution *			Iberian Supply			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Ajustamentos	Total
Turnover	1,265,069	1,008,187	-15,664	2,257,592	2,603,159	90,534	2,693,693	523,572	936,667	-422	1,459,817
Revenues form external customers	873,898	328,795	-	1,202,693	2,400,045	-	2,400,045	444,250	917,758	-422	1,361,586
Revenues from transactions with other operating segments	391,171	679,392	-15,664	1,054,899	203,114	90,534	293,648	79,322	18,909	-	98,231
Cost of electricity	-329,753	-630,320	-3	-960,076	-1,952,443	-	-1,952,443	-429,753	-875,847	-	-1,305,600
Cost of gas	-	-	-	-	-	-	-	-1,809	-3,733	-	-5,542
Change in inventories and cost of raw materials and consumables used	-371,956	-201,101	17,841	-555,216	-3,785	-15	-3,800	-4,042	-13,665	-	-17,707
	563,360	176,766	2,174	742,300	646,931	90,519	737,450	87,968	43,422	-422	130,968
Revenue from assets assigned to concessions	529	-	-	529	117,227	-	117,227	-	-	-	-
Expenditure with assets assigned to concessions	-529	-	-	-529	-117,227	-	-117,227	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)											
Other operating income	5,466	2,800	-	8,266	47,841	48,711	96,552	5,050	3,610	-	8,660
Supplies and services	-45,171	-29,370	986	-73,555	-163,434	-25,160	-188,594	-57,886	-24,838	422	-82,302
Personnel costs	-37,903	-16,268	-	-54,171	-62,961	-9,666	-72,627	-20,212	-4,726	-	-24,938
Employee benefits	-17,883	-786	-	-18,669	-38,179	-891	-39,070	-2,762	-127	-	-2,889
Other operating expenses	-10,053	-19,015	402	-28,666	-141,288	-2,446	-143,734	-6,010	-14,888	-	-20,898
	-105,544	-62,639	1,388	-166,795	-358,021	10,548	-347,473	-81,820	-40,969	422	-122,367
	457,816	114,127	3,562	575,505	288,910	101,067	389,977	6,148	2,453	-	8,601
Provisions	-102	3,708	-	3,606	-5,848	-	-5,848	-5,734	1,100	-	-4,634
Depreciation and amortisation expense	-130,230	-76,578	-	-206,808	-123,847	-15,265	-139,112	-7,470	-2,127	-	-9,597
Compensation of amortisation and depreciation	3,953	222	-	4,175	-	558	558	10	-	-	10
	331,437	41,479	3,562	376,478	159,215	86,360	245,575	-7,046	1,426	-	-5,620
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	-	-	-	-	-
Other financial income	191,946	38,401	-38,890	191,457	282	1	283	7	43	-	50
Interest revenue	1,074	4,419	-	5,493	10,150	29	10,179	162	785		947
Other financial expenses	-167,658	-10,801	39,191	-139,268	-349	-33	-382	-40	-148	-	-188
Interest expense	-79,761	-19,774	-	-99,535	-40,928	-2,601	-43,529	-1,307	-5,492		-6,799
Share of profit in associates	208	257	-	465	-	-	-	-	-	-	-
Profit before Income tax	277,246	53,981	3,863	335,090	128,370	83,756	212,126	-8,224	-3,386	-	-11,610
Income tax expense	-82,805	-23,819	1,920	-104,704	-18,531	-25,167	-43,698	1,223	937	-	2,160
Net profit for the period	**194,441**	**30,162**	**5,783**	**230,386**	**109,839**	**58,589**	**168,428**	**-7,001**	**-2,449**	**-**	**-9,450**
Attributable to:											
Equity holders of EDP	194,072	32,123	5,783	231,978	109,849	56,768	166,617	-7,001	-2,380	-	-9,381
Non-controlling Interests	369	-1,961	-	-1,592	-10	1,821	1,811	-	-69	-	-69
Net profit for the period	**194,441**	**30,162**	**5,783**	**230,386**	**109,839**	**58,589**	**168,428**	**-7,001**	**-2,449**	**-**	**-9,450**
Assets											
Property, plant and equipment	4,101,343	1,914,858	-	6,016,201	97,755	692,077	789,832	37,847	13,133	-	50,980
Intangible assets + Goodwill	1,814,025	606,922	-	2,420,947	2,351,667	235,854	2,587,521	4,244	1	-	4,245
Investments in associates	1,044	2,002	-	3,046	-	-	-	-	-	-	-
Current assets	629,382	835,395	-369	1,464,408	1,250,323	162,814	1,413,137	265,992	533,937	-422	799,507
Equity and Liabilities											
Equity and non-controlling Interests	2,079,707	2,102,156	-156,903	4,024,960	381,428	528,729	910,157	1,885	-145,464	-	-143,579
Current liabilities	904,641	1,169,663	-369	2,073,935	1,382,986	193,178	1,576,164	243,220	472,594	-422	715,392
Other Information:											
Increase of the period											
Property, plant and equipment	135,705	3,874	-	139,579	5,371	31,417	36,788	1,531	2,768	-	4,299
Intangible assets + Goodwill	189,085	17,545	-	206,630	117,227	5	117,232	3,732	-	-	3,732
Material non-cash items:											
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-

	EDP Renováveis					EDP Energias do Brasil					
	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total
Turnover	325,166	162,771	3,811	-398	491,350	231,788	885,190	193,387	1,311	-122,069	1,189,607
Revenues form external customers	291,128	162,771	3,413	-	457,312	126,073	883,256	179,232	1,046	-	1,189,607
Revenues from transactions with other operating segments	34,038	-	398	-398	34,038	105,715	1,934	14,155	265	-122,069	-
Cost of electricity	-1,011	-1,676	-71	-	-2,758	-43,031	-526,118	-180,776	-9	122,069	-627,865
Cost of gas	-	-	-	-	-	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-2,962	-	-	1	-2,961	-392	-669	-	-	391	-670
	321,193	161,095	3,740	-397	485,631	188,365	358,403	12,611	1,302	391	561,072
Revenue from assets assigned to concessions	-	-	-	-	-	-	63,633	-	-	-	63,633
Expenditure with assets assigned to concessions	-	-	-	-	-	-	-63,633	-	-	-	-63,633
	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)											
Other operating income	5,838	71,706	7,007	-1,652	82,899	1,029	8,741	2,043	-	-	11,813
Supplies and services	-49,154	-48,930	-11,284	1,980	-107,388	-11,848	-64,697	-857	-6,118	-	-83,520
Personnel costs	-9,964	-10,004	-4,219	-	-24,187	-8,688	-36,509	-1,366	-4,622	-	-51,185
Employee benefits	-258	-741	-204	-	-1,203	-745	-9,841	-75	-376	-	-11,037
Other operating expenses	-11,546	-13,441	-1,592	70	-26,509	-890	-28,775	-947	-4,099	-	-34,711
	-65,084	-1,410	-10,292	398	-76,388	-21,142	-131,081	-1,202	-15,215	-	-168,640
	256,109	159,685	-6,552	1	409,243	167,223	227,322	11,409	-13,913	391	392,432
Provisions	285	-	-	-	285	-336	-12,731	295	4,866	-4,593	-12,499
Depreciation and amortisation expense	-107,730	-109,264	-1,545	-683	-219,222	-37,961	-42,212	-35	-3,982	4,201	-79,989
Compensation of amortisation and depreciation	747	7,201	-	-	7,948	668	5,831	-	-	-	6,499
	149,411	57,622	-8,097	-682	198,254	129,594	178,210	11,669	-13,029	-1	306,443
Gain/(losses) on the sale of financial assets	10,139	-	-	-	10,139	-	-	-	-	-	-
Other financial income	2,451	5,068	263,339	-255,812	15,046	16,150	6,099	434	161,400	-161,585	22,498
Interest revenue	5,576	501	133,783	-127,074	12,786	7,412	27,148	446	7,177	-1,791	40,392
Other financial expenses	-7,729	-37,395	-252,015	251,653	-45,486	-34,911	-31,648	-363	-1,174	-	-68,096
Interest expense	-133,704	326	-75,576	128,642	-80,312	-20,801	-31,992	-186	-2,692	1,791	-53,880
Share of profit in associates	3,375	-	-	-	3,375	-	-	-	-	-599	-599
Profit before Income tax	29,519	26,122	61,434	-3,273	113,802	97,444	147,817	12,000	151,682	-162,185	246,758
Income tax expense	-5,943	-	-17,296	-238	-23,477	-21,614	-48,818	-4,086	840	-	-73,678
Net profit for the period	**23,576**	**26,122**	**44,138**	**-3,511**	**90,325**	**75,830**	**98,999**	**7,914**	**152,522**	**-162,185**	**173,080**
Attributable to:											
Equity holders of EDP	22,080	26,122	44,773	-3,466	89,509	45,598	98,999	7,914	152,522	-162,185	142,848
Non-controlling Interests	1,496	-	-635	-45	816	30,232	-	-	-	-	30,232
Net profit for the period	**23,576**	**26,122**	**44,138**	**-3,511**	**90,325**	**75,830**	**98,999**	**7,914**	**152,522**	**-162,185**	**173,080**
Assets											
Property, plant and equipment	5,042,604	4,454,917	185,389	39,104	9,722,014	2,366,706	189	281	1,098	-61	2,368,213
Intangible assets + Goodwill	738,703	554,312	1,688	12,724	1,307,427	358,644	936,807	434	140,722	-36,639	1,399,968
Investments in associates	54,643	1,680	-	-	56,323	-	-	-	12,388	-1,882	10,506
Current assets	766,255	103,237	525,604	-588,217	806,879	277,061	687,961	64,298	181,953	-140,577	1,070,696
Equity and Liabilities											
Equity and non-controlling Interests	460,118	3,104,685	5,186,040	-3,279,253	5,471,590	1,564,400	734,097	22,133	1,668,887	-1,072,250	2,917,267
Current liabilities	970,740	179,814	288,654	-587,824	851,384	338,002	671,318	49,311	28,092	-140,674	946,049
Other Information:											
Increase of the period											
Property, plant and equipment	151,515	123,242	62,926	-	337,683	58,500	-	-	326	-	58,826
Intangible assets + Goodwill	5	-	3	-	8	1,276	63,633	24	41	-	64,974
Material non-cash items:											
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-

	Gas – Iberian Activity						EDP
	Portugal	Spain	Adjustments	Total	Other operations **	Adjustments	Group
Turnover	341,001	793,848	-90,183	1,044,666	134,521	-1,728,262	7,542,984
Revenues form external customers	208,202	695,972	-	904,174	6,841	-947	7,521,311
Revenues from transactions with other operating segments	132,799	97,876	-90,183	140,492	127,680	-1,727,315	21,673
Cost of electricity	-	-100,714	-	-100,714	-18	1,283,626	-3,665,848
Cost of gas	-289,013	-518,998	89,799	-718,212	-	89,396	-634,358
Change in inventories and cost of raw materials and consumables used	-32	-7,200	-	-7,232	-2,343	134,898	-455,031
	51,956	166,936	-384	218,508	132,160	-220,342	2,787,747
Revenue from assets assigned to concessions	14,071	-	-	14,071	-	-	195,460
Expenditure with assets assigned to concessions	-14,071	-	-	-14,071	-	-	-195,460
	-	-	-	-	-	-	-
Other operating income / (expenses)							
Other operating income	975	3,812	-164	4,623	17,015	-47,229	182,599
Supplies and services	-6,813	-26,297	536	-32,574	-88,601	235,490	-421,044
Personnel costs	-2,552	-13,049	-	-15,601	-55,036	5,163	-292,582
Employee benefits	-158	-291	-	-449	-5,130	5,091	-73,356
Other operating expenses	-1,567	-9,339	12	-10,894	-16,104	-1,467	-282,983
	-10,115	-45,164	384	-54,895	-147,856	197,048	-887,366
	41,841	121,772	-	163,613	-15,696	-23,294	1,900,381
Provisions	-10	-9,607	-	-9,617	1,216	7,069	-20,422
Depreciation and amortisation expense	-6,133	-30,253	-	-36,386	-6,955	-26,053	-724,122
Compensation of amortisation and depreciation	-	636	-	636	51	-	19,877
	35,698	82,548	-	118,246	-21,384	-42,278	1,175,714
Gain/(losses) on the sale of financial assets	-	-	-	-	233	-	10,372
Other financial income	1,305	2,838	-	4,143	688,227	-676,598	245,106
Interest revenue	641	1,355	-	1,996	345,266	-264,982	152,077
Other financial expenses	-2,133	-3,040	-	-5,173	-199,207	171,678	-286,122
Interest expense	-3,805	-12,479	-	-16,284	-339,882	263,073	-377,148
Share of profit in associates	1,453	130	-	1,583	6,366	599	11,789
Profit before Income tax	33,159	71,352	-	104,511	479,619	-548,508	931,788
Income tax expense	-6,540	-11,142	-	-17,682	41,672	-1,082	-220,489
Net profit for the period	**26,619**	**60,210**	**-**	**86,829**	**521,291**	**-549,590**	**711,299**
Attributable to:							
Equity holders of EDP	20,512	55,081	-	75,593	526,329	-614,831	608,662
Non-controlling Interests	6,107	5,129	-	11,236	-5,038	65,241	102,637
Net profit for the period	**26,619**	**60,210**	**-**	**86,829**	**521,291**	**-549,590**	**711,299**
Assets							
Property, plant and equipment	4,278	814,472	-	818,750	247,453	-4,023	20,009,420
Intangible assets + Goodwill	370,654	704,560	-	1,075,214	338,593	769,677	9,903,592
Investments in associates	28,242	3,457	-	31,699	682,972	-629,533	155,013
Current assets	158,193	615,756	-3,948	770,001	3,265,998	-3,560,654	6,029,972
Equity and Liabilities							
Equity and non-controlling Interests	286,922	1,822,973	-	2,109,895	5,806,412	-10,461,690	10,635,012
Current liabilities	159,994	700,248	-3,948	856,294	2,023,369	-3,628,218	5,414,369
Other Information:							
Increase of the period							
Property, plant and equipment	1,984	17,273	-	19,257	53,627	-25,370	624,689
Intangible assets + Goodwill	14,072	837	-	14,909	117,811	-	525,296
Material non-cash items:							
Impairment of available for sale financial assets	-	-	-	-	-18,378	-	-18,378

* Include Last Resource Supply in Portuga

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 475,222 thousands of Euros in Portugal, 50,674 thousands of Euros out of Portugal and 433 thousands of Euros related with adjustments between segmer

EDP Group Activity by Business Segment

Information by Business Segment – six months period ended 30 June 2010

(Amounts in thousands of Euros)

Electricity

	Iberian Generation				Iberian Distribution *			Iberian Supply		
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total
Turnover	1,055,350	868,915	-3,333	1,920,932	2,501,133	82,521	2,583,654	425,546	953,575	1,379,121
Revenues form external customers	754,953	258,947	2,148	1,016,048	2,364,238	-	2,364,238	349,406	906,152	1,255,558
Revenues from transactions with other operating segments	300,397	609,968	-5,481	904,884	136,895	82,521	219,416	76,140	47,423	123,563
Cost of electricity	-225,218	-490,568	-	-715,786	-1,825,848	204	-1,825,644	-328,918	-909,157	-1,238,075
Cost of gas	-	-255	-	-255	-	-	-	-18	-3,827	-3,845
Change in inventories and cost of raw materials and consumables used	-207,670	-177,065	6,203	-378,532	-4,248	-301	-4,549	-2,390	-11,894	-14,284
	622,462	201,027	2,870	826,359	671,037	82,424	753,461	94,220	28,697	122,917
Revenue from assets assigned to concessions	686	-	-	686	94,821	-	94,821	-	-	-
Expenditure with assets assigned to concessions	-686	-	-	-686	-94,821	-	-94,821	-	-	-
	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)										
Other operating income	3,966	2,056	-	6,022	24,165	14,351	38,516	3,551	14,416	17,967
Supplies and services	-47,693	-28,669	951	-75,411	-160,935	-25,217	-186,152	-59,598	-22,473	-82,071
Personnel costs	-40,041	-15,884	925	-55,000	-72,253	-9,777	-82,030	-18,808	-4,391	-23,199
Employee benefits	-10,474	-777	-	-11,251	-36,438	-1,422	-37,860	-2,542	-111	-2,653
Other operating expenses	-9,742	-11,525	110	-21,157	-141,961	-2,267	-144,228	-7,960	-12,062	-20,022
	-103,984	-54,799	1,986	-156,797	-387,422	-24,332	-411,754	-85,357	-24,621	-109,978
	518,478	146,228	4,856	669,562	283,615	58,092	341,707	8,863	4,076	12,939
Provisions	-5,255	-4,507	-	-9,762	-2,365	-	-2,365	-11,812	-3,905	-15,717
Depreciation and amortisation expense	-155,027	-60,480	-	-215,507	-118,738	-24,773	-143,511	-8,962	-1,424	-10,386
Compensation of amortisation and depreciation	3,953	230	-	4,183	-	2,164	2,164	10	-	10
	362,149	81,471	4,856	448,476	162,512	35,483	197,995	-11,901	-1,253	-13,154
Gain/(losses) on the sale of financial assets	-	4	-	4	-	-	-	-	-	-
Other financial income	303,298	26,713	-26,608	303,403	238	-	238	11	203	214
Interest revenue	268	3,931	-	4,199	12,963	170	13,133	43	112	155
Other financial expenses	-285,473	-30,505	61,675	-254,303	-199	-19	-218	-44	-214	-258
Interest expense	-86,873	-14,941	-	-101,814	-28,021	-494	-28,515	-1,014	-2,265	-3,279
Share of profit in associates	143	117	-	260	-	-	-	-	-	-
Profit before Income tax	293,512	66,790	39,923	400,225	147,493	35,140	182,633	-12,905	-3,417	-16,322
Income tax expense	-77,084	-26,194	-6,666	-109,944	-10,289	-11,540	-21,829	4,028	588	4,616
Net profit for the period	**216,428**	**40,596**	**33,257**	**290,281**	**137,204**	**23,600**	**160,804**	**-8,877**	**-2,829**	**-11,706**
Attributable to:										
Equity holders of EDP	215,978	41,544	33,257	290,779	137,204	22,854	160,058	-8,390	-2,742	-11,132
Non-controlling Interests	450	-948	-	-498	-	746	746	-487	-87	-574
Net profit for the period	**216,428**	**40,596**	**33,257**	**290,281**	**137,204**	**23,600**	**160,804**	**-8,877**	**-2,829**	**-11,706**

	EDP Renováveis					EDP Energias do Brasil					
	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total
Turnover	275,651	135,805	1,873	-422	412,907	191,749	778,502	129,722	1,279	-85,373	1,015,879
Revenues form external customers	263,553	135,805	1,451	-	400,809	114,401	776,754	124,058	666	-	1,015,879
Revenues from transactions with other operating segments	12,098	-	422	-422	12,098	77,348	1,748	5,664	613	-85,373	-
Cost of electricity	-96	-448	-62	-	-606	-33,140	-453,329	-120,996	-	85,373	-522,092
Cost of gas	-	-	-	-	-	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-1,531	-	-	211	-1,320	-20	-474	-	-	-	-494
	274,024	135,357	1,811	-211	410,981	158,589	324,699	8,726	1,279	-	493,293
Revenue from assets assigned to concessions	-	-	-	-	-	-	59,482	-	-	-	59,482
Expenditure with assets assigned to concessions	-	-	-	-	-	-	-59,482	-	-	-	-59,482
	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)											
Other operating income	4,981	58,929	1,112	315	65,337	51	5,419	3,388	2,310	-59	11,109
Supplies and services	-40,708	-42,986	-8,070	626	-91,138	-11,320	-58,393	-936	-6,303	-	-76,952
Personnel costs	-8,697	-9,722	-4,178	-	-22,597	-7,410	-32,505	-1,173	-4,194	-	-45,282
Employee benefits	-146	-997	-54	-	-1,197	-595	-7,644	-57	-331	-	-8,627
Other operating expenses	-8,424	-9,266	-85	-681	-18,456	-2,782	-24,742	-335	-4,515	-	-32,374
	-52,994	-4,042	-11,275	260	-68,051	-22,056	-117,865	887	-13,033	-59	-152,126
	221,030	131,315	-9,464	49	342,930	136,533	206,834	9,613	-11,754	-59	341,167
Provisions	46	-	-	-	46	218	-1,590	-	-435	-	-1,807
Depreciation and amortisation expense	-96,370	-103,915	-890	-470	-201,645	-30,863	-37,956	-34	-4,087	1,079	-71,861
Compensation of amortisation and depreciation	535	4,226	-	-1	4,760	-	-	-	-	-	-
	125,241	31,626	-10,354	-422	146,091	105,888	167,288	9,579	-16,276	1,020	267,499
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	-	-	-	-	-
Other financial income	14,763	3,559	223,633	-223,186	18,769	12,713	6,279	2	139,754	-137,035	21,713
Interest revenue	4,152	235	117,707	-116,705	5,389	3,261	32,560	243	4,937	-1,540	39,461
Other financial expenses	-25,749	-36,556	-235,098	231,433	-65,970	-32,292	-14,427	-433	-1,237	-1,932	-50,321
Interest expense	-101,880	1,604	-68,121	121,457	-46,940	-21,828	-15,479	-11	-311	32	-37,597
Share of profit in associates	3,287	-	-	-	3,287	-	-	-	-	-387	-387
Profit before Income tax	19,814	468	27,767	12,577	60,626	67,742	176,221	9,380	126,867	-139,842	240,368
Income tax expense	-5,284	-	-8,602	-2,528	-16,414	-17,653	-61,102	-3,207	3,949	76	-77,937
Net profit for the period	**14,530**	**468**	**19,165**	**10,049**	**44,212**	**50,089**	**115,119**	**6,173**	**130,816**	**-139,766**	**162,431**
Attributable to:											
Equity holders of EDP	12,825	468	19,549	10,055	42,897	26,838	115,119	6,173	130,816	-139,766	139,180
Non-controlling Interests	1,705	-	-384	-6	1,315	23,251	-	-	-	-	23,251
Net profit for the period	**14,530**	**468**	**19,165**	**10,049**	**44,212**	**50,089**	**115,119**	**6,173**	**130,816**	**-139,766**	**162,431**

	Gas – Iberian Activity						
	Portugal	Spain	Adjustments	Total	Other operations **	Adjustments	EDP Group
Turnover	233,786	648,802	-90,246	792,342	116,160	-1,458,376	6,762,619
Revenues form external customers	105,322	602,988	-	708,310	6,573	134,067	6,901,482
Revenues from transactions with other operating segments	128,464	45,814	-90,246	84,032	109,587	-1,592,443	-138,863
Cost of electricity	-	-89,930	-	-89,930	-	1,145,424	-3,246,709
Cost of gas	-188,155	-399,364	88,084	-499,435	-	88,220	-415,315
Change in inventories and cost of raw materials and consumables used	-	-1,595	-	-1,595	-54	29,191	-371,637
	45,631	157,913	-2,162	201,382	116,106	-195,541	2,728,958
Revenue from assets assigned to concessions	14,796	-	-	14,796	-	-	169,785
Expenditure with assets assigned to concessions	-14,796	-	-	-14,796	-	-	-169,785
	-	-	-	-	-	-	-
Other operating income / (expenses)							
Other operating income	706	2,090	-13	2,783	31,820	-47,827	125,727
Supplies and services	-5,457	-28,306	482	-33,281	-86,405	226,843	-404,567
Personnel costs	-3,019	-13,493	-	-16,512	-52,216	397	-296,439
Employee benefits	-117	-272	-	-389	-4,552	5,683	-60,846
Other operating expenses	-1,785	-10,062	152	-11,695	-17,334	3,232	-262,034
	-9,672	-50,043	621	-59,094	-128,687	188,328	-898,159
	35,959	107,870	-1,541	142,288	-12,581	-7,213	1,830,799
Provisions	-5	114	-	109	-18,282	8,500	-39,278
Depreciation and amortisation expense	-5,689	-31,811	-	-37,500	-6,887	-30,567	-717,864
Compensation of amortisation and depreciation	-	1,524	-	1,524	20	-	12,661
	30,265	77,697	-1,541	106,421	-37,730	-29,280	1,086,318
Gain/(losses) on the sale of financial assets	-	-846	-	-846	6,761	-1,110	4,809
Other financial income	974	374	-	1,348	742,059	-779,464	308,280
Interest revenue	433	380	-	813	290,267	-220,247	133,170
Other financial expenses	-1,123	-932	-	-2,055	-409,457	386,596	-395,986
Interest expense	-2,801	-178	-	-2,979	-268,783	211,508	-278,399
Share of profit in associates	1,300	135	-	1,435	8,157	387	13,139
Profit before Income tax	29,048	76,630	-1,541	104,137	331,274	-431,610	871,331
Income tax expense	-8,287	-21,944	447	-29,784	5,853	13,525	-231,914
Net profit for the period	**20,761**	**54,686**	**-1,094**	**74,353**	**337,127**	**-418,085**	**639,417**
Attributable to:							
Equity holders of EDP	17,451	51,422	-1,094	67,779	340,196	-464,966	564,791
Non-controlling Interests	3,310	3,264	-	6,574	-3,069	46,881	74,626
Net profit for the period	**20,761**	**54,686**	**-1,094**	**74,353**	**337,127**	**-418,085**	**639,417**

Information by Business Segment – 31 December 2010

(Amounts in thousands of Euros)

	Iberian Generation				Iberian Distribution *			Iberian Supply		
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total
Assets										
Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70
Current assets	833,779	1,143,934	-417	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994
Equity and Liabilities										
Equity and non-controlling Interests	2,157,999	2,100,706	-156,903	4,101,802	414,554	471,611	886,165	9,007	-143,126	-134,119
Current liabilities	810,804	1,387,548	-417	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721
Other Information:										
Increase of the period										
Property, plant and equipment	119,945	26,298	-	146,243	18,679	27,297	45,976	374	1,353	1,727
Intangible assets + Goodwill	152,566	15,175	-	167,741	97,200	18	97,218	-	-	-
Material non-cash items:										
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-

	EDP Renováveis					EDP Energias do Brasil					
	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total
Assets											
Property, plant and equipment	5,000,280	4,814,548	125,479	41,464	9,981,771	2,393,016	201	308	854	-61	2,394,318
Intangible assets + Goodwill	751,975	600,317	1,718	12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916
Investments in associates	44,054	1,817	-	-	45,871	1,267	-	-	11,358	-1,299	11,326
Current assets	759,626	199,503	679,763	-378,327	1,260,565	275,912	809,403	51,482	250,008	-109,798	1,277,007
Equity and Liabilities											
Equity and non-controlling Interests	442,303	3,146,741	5,141,393	-3,336,926	5,393,511	1,746,295	757,366	20,051	1,655,012	-1,270,196	2,908,528
Current liabilities	1,071,940	428,332	180,192	-388,290	1,292,174	352,153	812,680	39,023	89,778	-113,344	1,180,290
Other Information:											
Increase of the period											
Property, plant and equipment	290,706	527,736	22,284	-	840,726	62,497	774	-	-81	-	63,190
Intangible assets + Goodwill	76,705	-	-	1	76,706	1,189	57,397	-	-	-	58,586
Material non-cash items:											
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-

	Gas – Iberian Activity						
	Portugal	Spain	Adjustments	Total	Other operations **	Adjustments	EDP Group
Assets							
Property, plant and equipment	2,620	825,679	-	828,299	212,199	17,401	20,323,583
Intangible assets + Goodwill	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318
Investments in associates	26,789	3,877	-	30,666	658,107	-601,570	146,871
Current assets	144,160	521,714	-26,928	638,946	3,481,394	-3,751,939	7,281,625
Equity and Liabilities							
Equity and non-controlling Interests	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959
Current liabilities	138,886	654,880	-25,864	767,902	3,519,791	-3,587,306	7,729,639
Other Information:							
Increase of the period							
Property, plant and equipment	865	26,005	-	26,870	35,668	-	1,160,400
Intangible assets + Goodwill	14,942	-	-	14,942	281,700	-	696,893
Material non-cash items:							
Impairment of available for sale financial assets	-	-	-	-	-	-	-

* Include Last Resource Supply in Portuga

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 303,339 thousands of Euros in Portugal, 30,574 thousands of Euros out of Portugal and 6,283 thousands of Euros related with adjustments between segmer

XI. LIMITED REVIEW REPORT ISSUED BY THE INDEPENDENT AUDITOR REGISTERED IN CMVM

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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Av. Praia da Vitória, 71 - A, 11°
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Portugal

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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM
(This report is a free translation to English from the Portuguese version)

INTRODUCTION

1. In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim consolidated financial information for the six month period ended 30 June 2011, of EDP – Energias de Portugal, S.A. which includes: the Management Report, the consolidated balance sheet (with a total assets of Euros 39,011,383 thousand and total equity attributable to the shareholders of Euros 7,692,598 thousand including a consolidated net profit of Euros 608,662 thousand) and the consolidated statement of income, cash flows, changes in equity and comprehensive income for the six month period then ended and in the corresponding notes to the financial statements.

2. The amounts included in the consolidated financial statements and the additional financial information were derived from the accounting records.

RESPONSIBILITIES

3. The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting principles;

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

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4. Our responsibility is to verify the consolidated financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

KPMG

SCOPE

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

   a) mainly, inquiries and analytical procedures performed to review:

      - the feasibility of the assertions included in the interim consolidated financial information;
      - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
      - application of the going concern principle;
      - the presentation of the interim consolidated financial information;
      - if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

   b) substantive tests on material non current transactions.

6. Our work included also the verification of the consistency of the consolidated financial information contained in the Management Report with the remaining documents mentioned above.

7. We consider that our work provides a reasonable basis to issue the report on the interim financial information.

CONCLUSION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2011, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 28 July 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Jean-éric Gaign (ROC nr. 1013)

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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

INTRODUCTION

1. In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim financial information for the six month period ended 30 June 2011, of EDP – Energias de Portugal, S.A. which includes: the Management Report, the balance sheet (with a total assets of Euros 18,264,950 thousand and total equity of Euros 6,444,013 thousand including a net profit of Euros 465,084 thousand) and the statement of income, cash flows and changes in equity and comprehensive income for the six month period then ended and in the corresponding notes to the financial statements.

2. The amounts included in the financial statements and the additional financial information were derived from the accounting records.

RESPONSIBILITIES

3. The Executive Board of Directors is responsible for:

   a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

   b) the preparation of financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

   c) the adoption of adequate accounting principles;

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

   e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4. Our responsibility is to verify the financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

SCOPE

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

   a) mainly, inquiries and analytical procedures performed to review:

      - the feasibility of the assertions included in the interim financial information;
      - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
      - application of the going concern principle;
      - the presentation of the interim financial information;
      - if the interim financial information is complete, true, current, clear, objective and fair; and

   b) substantive tests on material non current transactions.

6. Our work included also the verification of the consistency of the financial information contained in the Management Report with the remaining documents mentioned above.

7. We consider that our work provides a reasonable basis to issue the report on the interim financial information.

CONCLUSION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2011, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 28 July 2011

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Jean-éric Gaign (ROC nr. 1013)

XII. STATEMENTS OF RESPONSIBILITY FOR THE FINANCIAL INFORMATION AND MANAGEMENT INTERIM REPORT

EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 1st semester of 2011 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 28th of July 2011

António Luís Guerra Nunes Mexia, Chairman

Ana Maria Machado Fernandes

António Fernando Melo Martins da Costa

António Manuel Barreto Pita de Abreu

João Manuel Manso Neto

Jorge Manuel Pragana da Cruz Morais

Nuno Maria Pestana de Almeida Alves

EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer
Corporate Centre

STATEMENT

With reference to 1st semester of 2011 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 28th of July 2011

Conselho Geral e de Supervisão

DECLARATION

Pursuant article 246° of Securities Code (CVM), to the best knowledge of each of the signatories, the information referred in article 246°, n.° 1, paragraph a) of CVM, on 2011 first semester, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP – Energias de Portugal, S.A**. and subsidiaries included in the consolidation perimeter, and that the interim management report includes a fair review of the information required pursuant to article 246°, n.° 2 of CVM, including an indication of important events that have occurred during 2011 first semester, and the impact on the respective financial statements, together with a description of the principal risks and uncertainties for the remaining six months of 2011.

Lisbon, 28th July 2011

António de Almeida – *Chairman*

Alberto João Coraceiro de Castro – *Vice-Chairman*

António Sarmento Gomes Mota

Carlos Jorge Ramalho dos Santos Ferreira

Diogo Campos Barradas de Lacerda Machado

Eduardo de Almeida Catroga

Farid Boukhalfa (*as representative of Sonatrach*)

Joaquim José de Oliveira Reis (*as representative of Parpública – Participações Públicas (SGPS), S.A.*)

José Maria Brandão de Brito (*as representative of Cajastur Inversiones, SA*)

José Maria Espírito Santo Silva Ricciardi

José Manuel dos Santos Fernandes

Manuel Fernando de Macedo Alves Monteiro

Mohamed Al Fahim (*as representative of Senfora Sarl*)

Luís Filipe da Conceição Pereira (*as representative of José de Mello Energia, S.A.*)

Ricardo José Minotti da Cruz Filipe

Rui Eduardo Ferreira Rodrigues Pena

Vítor Fernando da Conceição Gonçalves