first half 2012 report

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

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edp

corporate governance

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annexes

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

edp in the world

Employees	247
Installed Capacity (MW)*	3,422
Net Generation (GWh)	5,607
Generation from renewable sources**	100%

edp renováveis

Employees	33
Installed Capacity (MW)*	363
Net Generation (GWh)	396
Generation from renewable sources**	100%

edp renováveis

Employees	19

edp renováveis

Employees	53
Installed Capacity (MW)*	475
Net Generation (GWh)	475
Generation from renewable sources**	100%

edp renováveis

Employees	14

edp renováveis

Employees	2,692
Electricity Costumers	2,875,563
Installed Capacity (MW)*	1,878
Net Generation (GWh)	4,565
Generation from renewable sources**	100%
Electricity Distribution (GWh)	12,418

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edp renováveis

Employees	7,189
Electricity Costumers	5,977,724
Gas Costumers	284,940
Installed Capacity (MW)*	10,284
Net Generation (GWh)	8,851
Generation from renewable sources**	37%
Electricity Distribution (GWh)	22,237
Gas Distribution (GWh)	4,125

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edp renováveis

Employees	2,045
Electricity Costumers	1,013,319
Gas Costumers	765,950
Installed Capacity (MW)*	6,093
Net Generation (GWh)	7,937
Generation from renewable sources**	42%
Electricity Distribution (GWh)	4,717
Gas Distribution (GWh)	31,259

edp hc energia

edp naturgas energia

edp renováveis

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

edp

vision, values and commitments

vision

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

values

initiative
Demonstrated through behavior and attitude of our people.

trust
Of shareholders, customers, suppliers and other stakeholders.

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

excellence
In the way we implement.

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

commitments

commitment with persons

- We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.
- We promote the development of skills and merit.
- We believe that the balance between 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.

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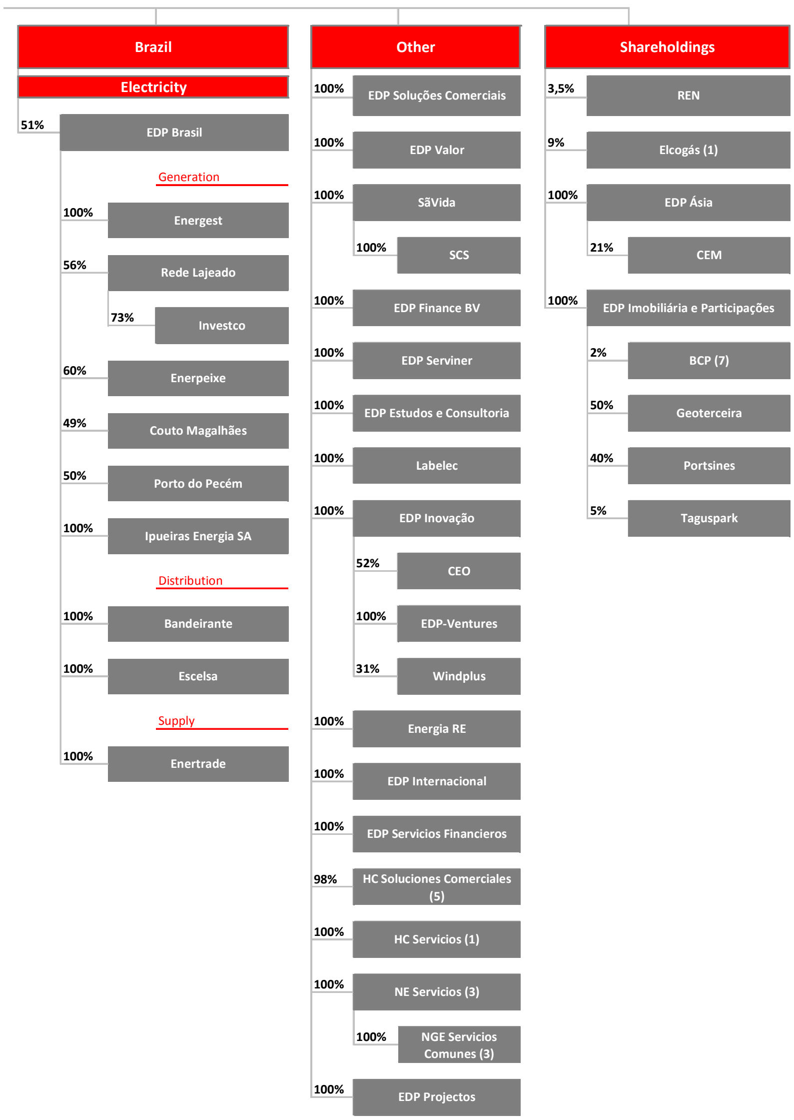
organisational structure



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 Produção and 5% by EDP Imobiliária e Participações

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

(4) Company owned 45% by EDP Brasil

(5) Companies owned 50% by HC Energía and 50% by Naturgas Energía Group

(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 Gas and 30% by Millenium

main events of the 1st half 2012

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

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

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

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

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

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

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

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

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

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

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

May-11: CTG acquires and Parpublica reduces qualified shareholding in EDP. China Three Gorges International (Europe), S.A., notified EDP - Energias de Portugal,S.A., that on the present date, it has acquired, through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP which are the object of the reference direct sale that pursued the 8th reprivatization phase of EDP, therefore, concluding the Reference Direct Sale Agreement entered into with Parpública – Participações Públicas (SGPS), S.A., on 30 December 2011. Accordingly, Parpública has reduced its qualified shareholding in EDP from 25,49% of the respective share capital and voting rights to 4,14% of the share capital and voting rights in EDP, holding a total amount of 151.517.000 shares in EDP, all of which correspond to category B shares.

May-11: Appointment of Representatives for the General Supervisory Board. The members of the General and Supervisory Board China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges International (Europe) Limited and China Three Gorges New Energy Co., Ltd. elected in the General Shareholders Meeting held on February 20th, 2012, appointed as representatives to exercise the office, Mr. Dingming Zhang, Guojun Lu, Shengliang Wu and Ya Yang, respectively.

Mai-14: Comunicação de participação qualificada da JP Morgan. A JP Morgan Chase & Co. Comunicou à EDP a constituição de uma participação qualificada, composta por 89.517.028 acções, representativas de 2,45% do capital social e dos respectivos direitos de voto da EDP.

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

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

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

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

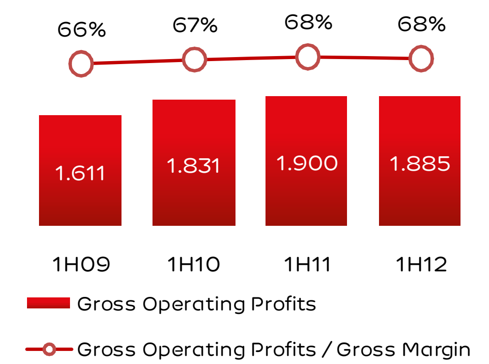
Jul-3: MFS notifies qualified shareholding in EDP. Massachusetts Financial Services Company notified EDP that, it came to hold 73,495,461 ordinary shares of EDP, which corresponds to 2.01% of EDP's share capital and 2.01% of the respective voting rights.

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

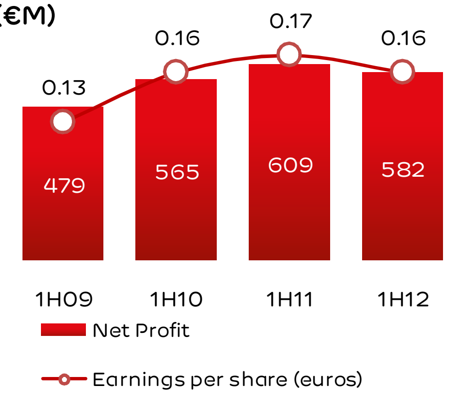
summary of key metrics

Financial Indicators	1H12	1H11	1H10	1H09
EUR thousands				
EDP Group				
Turnover	8,213,532	7,542,984	6,762,619	5,889,750
Gross operating profit	1,885,108	1,900,381	1,830,799	1,610,519
Operating profit	1,174,379	1,175,714	1,086,318	978,506
Net profit*	581,768	608,662	564,791	479,350
Operating Cash-flow	1,072,510	1,486,105	864,048	2,409,532
Operating investment	690,230	845,021	1,311,701	1,652,978
Financial Investment / (Divestiture)	-42,679	-236,687	14,807	4,111
Net assets	40,907,483	39,011,383	40,488,853	38,614,782
Equity**	7,926,921	7,692,598	7,854,558	9,978,688
Net debt***	18,018,573	16,878,631	16,344,678	14,006,568
Net debt/Gross operating profit (x)	4.8	4.4	4.5	4.3
Adjusted Net debt/Gross operating profit (x)	4.2	4.0	4.1	3.9
Financial liabilities/Equity	247%	232%	228%	163%
Earnings per share (EUR)	0.16	0.17	0.16	0.13
Dividend Yield	9.9%	6.9%	6.4%	4.5%
Market capitalisation	6,815,786	8,954,861	8,921,952	11,371,832

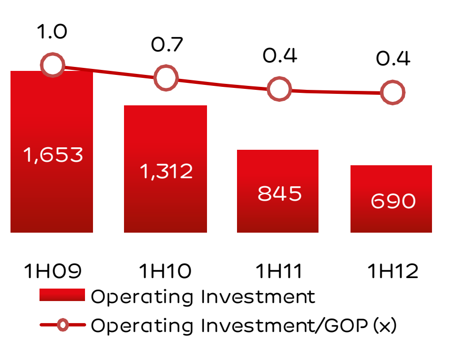
Gross Operating Profit (€M)



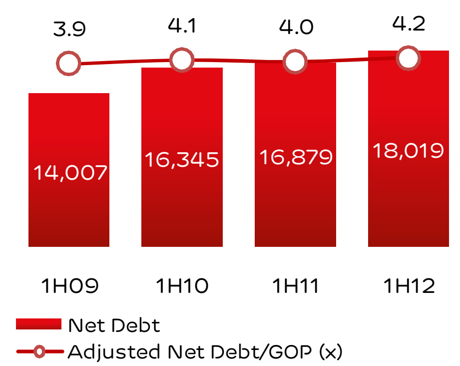
Net Profit* (€M)



Operating Investment (€M)



Net Debt*** (€M)



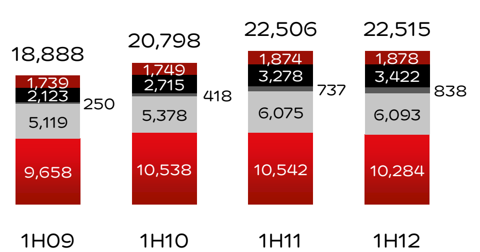
* Net Profit atributable to EDP Equity holders ** Does not include Non Controlling Interests
*** Includes Financial Debt, Cash and equivalents, short-term assets at fair value and fair value and net investment hedges
Note: the figures before 2011 are not restated according to changes in accounting policy 2a) from Annual Report 2011.

edp

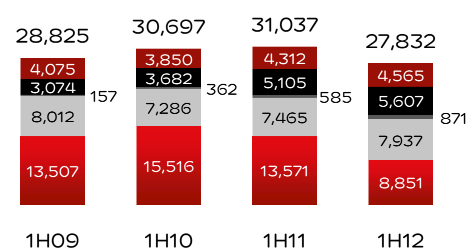
Operating Highlights

	1H12	1H11	1H10	1H09
Number of Employees*	**12,292**	**12,117**	**12,130**	**11,996**
Portugal	7,132	7,142	7,302	7,390
Spain	1,655	1,684	1,679	1,614
EDP Renováveis	829	863	792	656
EDP Brasil	2,676	2,428	2,357	2,336
Installed Capacity (MW)	**22,515**	**22,506**	**20,799**	**18,888**
Hydro	7,236	6,795	6,740	6,730
Thermal	7,643	8,354	7,925	7,078
Wind	7,169	6,887	5,665	4,632
Other	466	470	469	448
Net electricity generation (GWh)	**27,832**	**31,037**	**30,697**	**28,825**
Hydro	7,246	11,824	14,445	8,972
Thermal	9,517	9,148	7,958	13,532
Wind	9,918	8,790	6,940	5,252
Other	1,152	1,275	1,354	1,069
Electricity Distributed (GWh)	**39,433**	**40,824**	**40,568**	**37,286**
Portugal	22,237	23,576	23,871	22,671
Spain	4,717	4,952	4,804	4,543
Brazil	12,478	12,296	11,893	10,072
Gas Distributed (GWh)	**35,384**	**29,556**	**28,459**	**14,137**
Portugal	4,125	3,767	3,570	3,028
Spain	31,259	25,789	24,889	11,109
Electricity Supplied (GWh)	**30,464**	**33,179**	**34,856**	**33,176**
Portugal	14,839	17,311	20,089	21,972
Spain	10,411	10,887	10,881	7,394
Brazil	5,213	4,980	3,886	3,810
Electricity Costumers (#)	**9,866,406**	**9,895,427**	**9,770,035**	**8,702,957**
Portugal	5,977,524	6,090,875	6,102,760	6,091,149
Spain	1,013,319	1,019,747	986,990	n.a.
Brazil	2,875,563	2,784,805	2,680,285	2,611,808
Gas Supplied (GWh)	**18,593**	**19,123**	**17,156**	**11,044**
Portugal	3,131	3,933	2,565	201
Spain	15,462	15,191	14,591	10,843
Gas Costumers (#)	**1,050,890**	**1,064,762**	**1,056,612**	**835,209**
Portugal	284,940	258,649	234,984	207,931
Spain	765,950	806,113	821,628	627,278

Installed Capacity (MW)

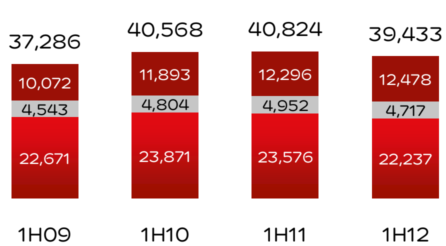


Net Generation (GWh)

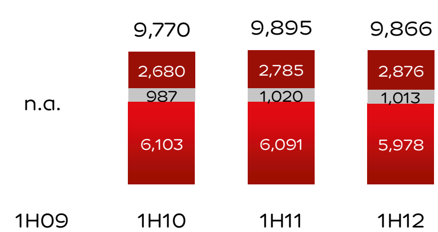


■ Portugal ■ Spain ■ Rest of Europe ■ North America ■ Brazil

Electricity Distributed (GWh)



Electricity Costumers (thousands)



■ Portugal ■ Spain ■ Brazil

* Includes Corporate Bodies

corporate governance report

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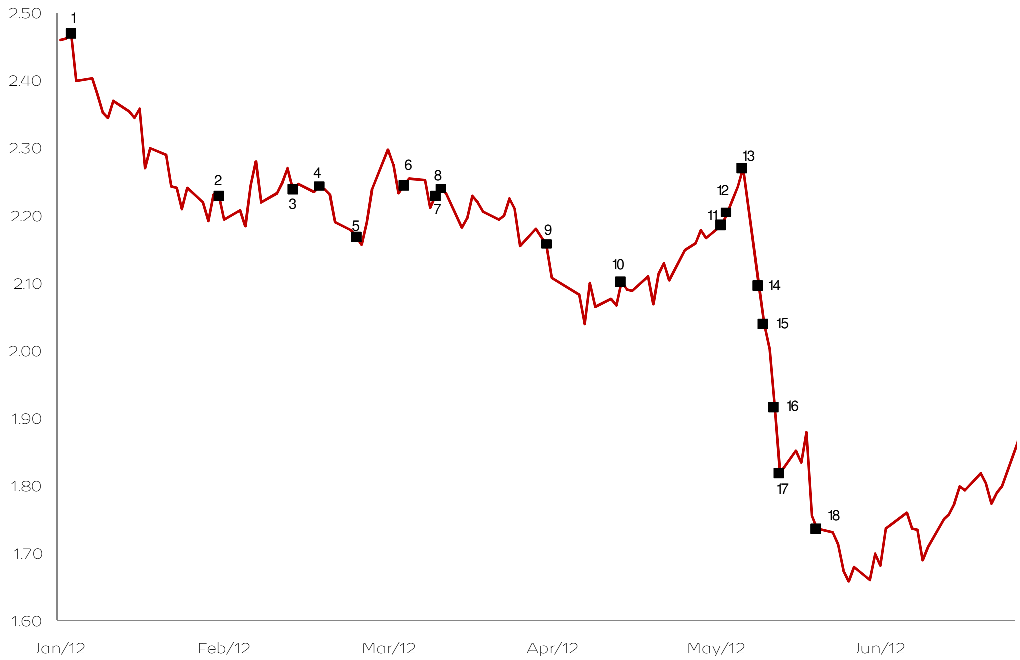
performance of edp on the stock market

Main events affecting the EDP share price in 1st half of 2012



#	Date	Description	Price (€)
1	04-Jan	Imputation to China Three Gorges of 21.35% of voting rights	2,470
2	01-Fev	Standard & Poor's downgrades EDP from "BBB" to "BB+" with negative outlook	2,230
3	15-Fev	Moody's downgrades EDP from "Baa3" to "Ba1" with negative outlook	2,239
4	20-Fev	General shareholders meeting	2,244
5	27-Fev	Appointment of representatives for the General Supervisory Board	2,169
6	08-Mar	Disclosure of the financial results for 2011	2,255
7	13-Mar	Appointment of representatives for the General Supervisory Board	2,230
8	14-Mar	Norges Bank decreases its ownership interest in the share capital of EDP	2,240
9	03-Abr	Fitch has placed all Spanish utilities and those utilities with sizeable exposure to Spain on Rating Watch Negative	2,158
10	17-Abr	Annual General Shareholders Meeting	2,102
11	04-Mai	EDP issues EUR 250 million 3 year bond	2,186
12	07-Mai	Barclays notifies significant shareholding in EDP	2,205
13	10-Mai	Disclosure of the financial results for the first quarter of 2012	2,270
14	11-Mai	CTG acquires and Parpublica reduces qualified shareholding in EDP	2,097
14	11-Mai	Appointment of Representatives of CTG for the General Supervisory Board	2,097
15	14-Mai	JP Morgan Chase notifies qualifying holding in EDP	2,040
16	16-Mai	Payment of gross dividend of EUR 0.185 per share for the 2011 financial year	1,917
17	17-Mai	Portuguese Government announces set of measures for the power sector	1,820
18	24-Mai	Barclays and JP Morgan decreases its ownership interest in the share capital of EDP	1,737

Capital Market Indicators

Capital Market Indicators	1H2012	2011	2010	2009	2008	2007
EDP Shares on Euronext Lisbon (euros)						
Opening price	2,391	2,491	3,108	2,695	4,470	3,84
Closing price	1,864	2,391	2,491	3,108	2,695	4,47
Peak price	2,484	2,920	3,185	3,218	4,760	5,00
Minimum price	1,628	1,984	2,376	2,340	2,062	3,79
Variation in share price and reference indices						
EDP Shares	(22,0%)	(4,0%)	(19,9%)	15,3%	(39,7%)	16,4%
PS120	(14,5%)	(27,6%)	(10,3%)	33,5%	(51,3%)	16,3%
Dow Jones Eurostoxx Utilities	(7,0%)	(24,8%)	(14,7%)	15,2%	(38,1%)	18,0%
Euronext 100	3,2%	(14,2%)	1,0%	25,5%	(45,2%)	3,4%
Liquidity of EDP shares on the markets						
Volume on Euronext Lisbon (EUR million)	1.653,9	4.261,9	6.291,8	4.969,7	9.710,1	21.256,5
Mean daily volume (EUR million)	13,0	16,6	24,3	21,8	37,9	83,4
Number of shares traded (million)	796,9	1.712,8	2.367,2	1.722,3	2.761,1	5.079,7
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 period (million)	3.505,0	2.936,2	2.936,2	2.936,2	2.936,2	3.096,2
% of capital already privatised	96%	80%	80%	80%	80%	85%
Number of own shares held (treasury stock) in the period (million)	32,5	32,4	33,3	34,2	35,7	15,5
Annual rotation of capital (privatised shares)	22,7%	58,3%	80,6%	58,7%	94,0%	164,1%
EDP Market Value (EUR million)						
Market appreciation at the end of the financial year	6.815,8	8.742,8	9.108,4	11.364,5	9.854,4	16.344,7
Total shareholder profitability						
Variation in share price	(0,53)	(0,10)	(0,62)	0,41	(1,78)	0,63
Gross dividend distributed per share in the year	0,185	0,170	0,155	0,140	0,125	0,110
Total shareholder profitability	(14,3%)	2,8%	(14,9%)	20,5%	(36,9%)	19,3%
Dividends						
Dividend per share	-	0,185	0,17	0,155	0,14	0,125
Dividend yield	9,9%	7,7%	6,8%	5,0%	5,2%	2,8%

corporate bodies

1. CORPORATE GOVERNANCE STRUCTURE

1.1. Corporate Governance Model

The two-tier corporate governance model in force in EDP allows an effective separation between the exercise of supervisory and managing duties in line with the interests of EDP, its shareholders, employees and other stakeholders, thus contributing for the achievement of a degree of confidence and transparency necessary for its adequate functioning and optimization.

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, 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.

Given the requirement of EDP and ambition in terms of quality of its corporate governance practices, we tried to go beyond legal requirements and regulations in this area, particularly regarding the reporting of information. Thus, the realization of that fundamental objective, the elaboration of the Manual sought to meet the following purposes:

- Reflect critically on the recommendations of best practices defined in the Code of Corporate Governance of CMVM, to contribute actively to the improvement of the practices of EDP;
- Select the recommendations are deemed appropriate to governance model of EDP, highlighting and pointing out potential measures to implement measures towards the full adoption of best practices;
- Identify recommendations that are deemed appropriate to the interests of EDP, the reasons justifying this position, as well as pointing to other practices to achieve differently the same objectives of the recommendations of the Government Code of CMVM;
- Support the recommendations addressed in their discussions on the best governance practices to be adopted in EDP;
- Formalize a document that can assist compliance with the reporting requirements on corporate governance practices, including the annual report required by law;
- 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.

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 number 5 of article 414 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.

Pursuant to number 1 of article 9 of EDP's articles of association, independence shall be construed as "the absence of direct or indirect relations with the company or its managing body and the absence of circumstances which may affect an unbiased analysis or decision, notably as a consequence of the relevant persons holding, or acting on behalf of the holders, of a qualified stake not lower than 2% of the company's share capital, or having been designated for more than two terms of office, continuously or alternately.

Taking into consideration the necessity to clarify the interpretation of the abovementioned number 5 of article 414 of the Portuguese Companies Code, as a consequence of the existence of differing doctrinal statements, the Association of Issuers of Listed Securities (Associação de Emitentes de Valores Cotados em Mercado) requested an opinion to the CMVM, who declared that there is no decrease of independence in case "by virtue of a criterion based on the number of terms of office, analysis or decision, the members of the supervisory bodies of limited companies by shares, having been designated for a first term of Office and, continuously or alternately, for a second and third terms of Office, are designated for a fourth term of Office.

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 status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP;
- 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.

It's no consider a legal person that is a competitor of EDP, the shareholder that individually holds at least 20% of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favourable opinion of the General and Supervisory Board shall not be deemed to be a legal person that is a competitor of EDP.

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.
- 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.

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 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 fulfilment 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 fulfilment 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 fulfilment 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 number 5 of article 414 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.

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).

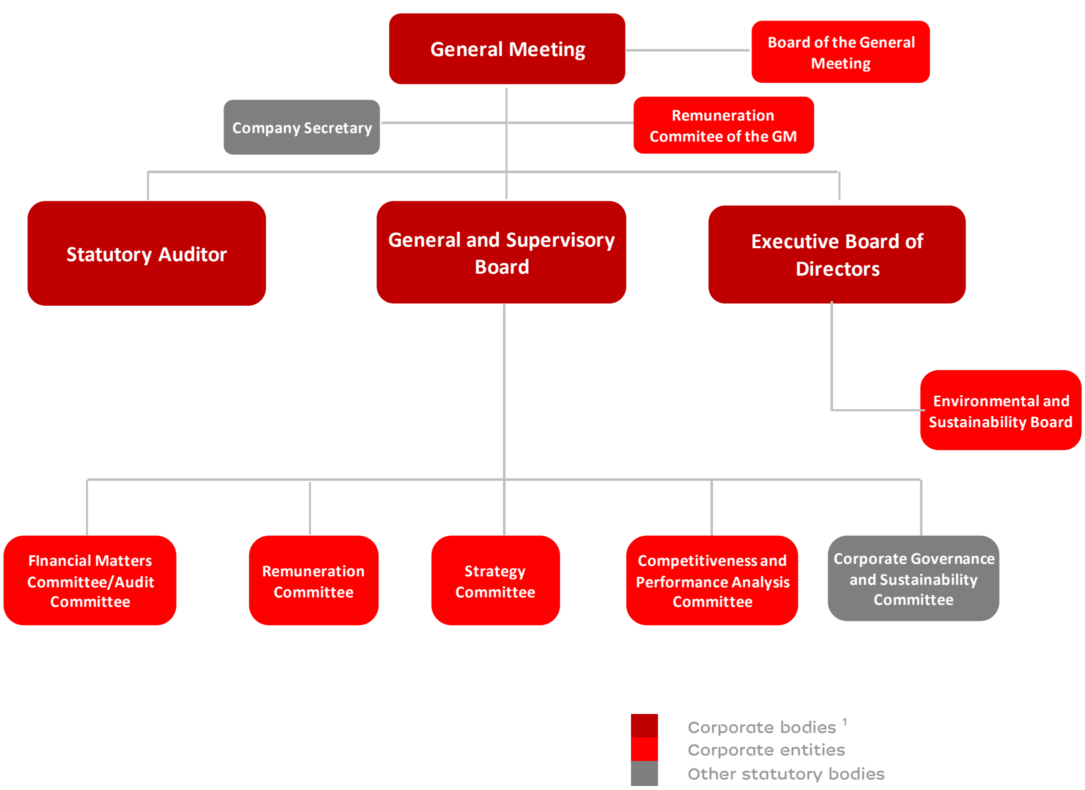
In accordance with the above-mentioned procedure, the members of the General and Supervisory Board declared at the start of their term that they were not in any situation of legal incompatibility (Article 414-A(1)a) to e), g) and h) (ex vi Article 434(4)) and Article 437(1) of the Companies Code) and 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.

At the beginning of 2012, the members of the General and Supervisory Board outgoing renewed their declarations regarding incompatibilities and independence, and on 21 February 2012 the General and Supervisory Board assessed the application to the members elected on the General Meeting held on 20 February 2012 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.

2. ORGANIC CORPORATE STRUCTURE



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

2.1. Corporate Bodies

In the General Meeting held on February 20, 2012, shareholders elected the members of the General and Supervisory Board and Executive Board of Directors for a further term of 3 years (triennial 2012/2014).

The members of the other corporate bodies, namely the Board of the General Meeting, Remuneration Committee of General Meeting, Statutory Auditor and Environment and Sustainability Board were elected at the Annual General Meeting held on April 17, 2012 also for a term of 3 years (triennial 2012/2014).

2.1.1. 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 members of the board of the General Meeting in office until April 17th,2012 were 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

At the Annual General Meeting held on April 17th,2012 were elected the members of the Board of the General Meeting for a further term of 3 years (triennial 2012/2014).

Board of the General Meeting

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

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.

The Chairman of the Board of the General Meeting has the internal human and logistic resources that are appropriate for his/her needs, namely the support of the General Secretary and Legal Department, the Investors Relations Office and the Brand and Communication Department, as well as external support from a specialised entity hired by EDP for the collection, processing and counting of votes. The logistic and administrative resources for holding the General Meeting are provided by the company, with the respective organisation being supervised by the Chairman of the Board of the General Meeting.

2.1.2. General and Supervisory Board

In the exercise of its functions, the General and Supervisory Board is especially responsible for assuring permanently the advice, monitorization and supervision of the activity of EDP's management body, in cooperation with the Executive Board of Directors and the remaining governing bodies in the pursuit of the company's interests, as determined by law and by EDP's articles of association.

The General and Supervisory Board, in office until February 20, 2012, was composed of 17 members, mostly independent.

Currently, the General and Supervisory Board is composed of 23 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, namely, 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, which includes the definition of strategy and the following operations carried out by the company or by subsidiaries are subject to favourable 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;
- Share capital increase on the Executive Board of Directors' initiative, up to the maximum limit of 10% of the current share capital;
- Conclusion of strategic partnership agreements for corporate cooperation, in the medium or long term, regarding the activities of generation, distribution and supply of electricity or natural gas.

EDP's articles of association further establish that the General and Supervisory Board shall provide parameters for the economic or strategic value assessment of the operations which shall be subject to its opinion, as well as establish prompt mechanisms for the issuing of an opinion in urgent cases or whenever it is justified by the nature of the matter and situations where the exemption of such opinion is allowed (number 7 of article 21).

The rules in force that apply to the issue and waiving of prior opinion of the General and Supervisory Board were approved on 7 May 2009, as well as the procedures for reporting and providing clarification between that Body and 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. In the first half of 2012, the General and Supervisory Board met five times. Minutes of all meetings were drawn up.

Until February 20, 2012, the General and Supervisory Board had the following composition:

	General and Supervisory Board	Independent Members	Date of First Appointment
Chairman	António de Almeida		30-03-2006
Vice-Chairman	Alberto João Coraceiro de Castro	Independent	30-03-2006
	António Sarmento Gomes Mota	Independent	15-04-2009
	Carlos Jorge Ramalho Santos Ferreira		10-04-2008
	Diogo Campos Barradas de Lacerda Machado	Independent	30-03-2006
	Eduardo de Almeida Catroga	Independent	30-03-2006
	Farid Boukhalfa (as representative of Sonatrach)		04-02-2010
	Joaquim José de Oliveira Reis (as representative of Parpública – Participações Públicas,(SGPS), S.A.)		14-04-2011
	José Manuel dos Santos Fernandes	Independent	15-04-2009
	José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)		02-06-2008
	José Maria Espírito Santo Silva Ricciardi		30-03-2006
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)		14-04-2011
	Manuel Fernando de Macedo Alves Monteiro	Independent	30-03-2006
	Mohamed Ali Al Fahim (as representative of Senfora SARL)		16-04-2010
	Ricardo José Minotti da Cruz Filipe	Independent	15-04-2009
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12-04-2007
	Vítor Fernando da Conceição Gonçalves	Independent	30-03-2006

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

After the General Shareholders Meeting of February 20, 2012, in which the members of the General and Supervisory Board were elected for the term corresponding to the three-year period 2012/2014, the General and Supervisory Board has the following composition:

General and Supervisory Board		Independent Members	Date of First Appointment
Chairman	Eduardo de Almeida Catroga	Independent	30/03/2006
Vice-Chairman	Dingming Zhang (as representative of China Three Gorges Corporation)		11/05/2012
	Guojun Lu (as representative of China International Water & Electric Corp.)		11/05/2012
	Ya Yang (as representative of China Three Gorges New Energy Co., Ltd.)		11/05/2012
	Shengliang Wu (as representative of China Three Gorges International (Europe), S.A.)		11/05/2012
	Joaquim José de Oliveira Reis (as representative of Parpública – Participações Públicas (SGPS), S.A.)		14/04/2011
	Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)		02/06/2008
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)		14/04/2011
	Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL)		16/04/2010
	Carlos Jorge Ramalho Santos Ferreira		10/04/2008
	Harkat Abderrezak (as representative of Sonatrach)		04/02/2010
	José Maria Espírito Santo Silva Ricciardi		30/03/2006
	Alberto João Coraceiro de Castro	Independent	30/03/2006
	António Sarmento Gomes Mota	Independent	15/04/2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20/02/2012
	Fernando Masaveu Herrero	Independent	20/02/2012
	Ilídio da Costa Leite de Pinho	Independent	20/02/2012
	Jorge Braga de Macedo	Independent	20/02/2012
	Manuel Fernando de Macedo Alves Monteiro	Independent	30/03/2006
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Independent	20/02/2012
	Vasco Joaquim Rocha Vieira	Independent	20/02/2012
	Vítor Fernando da Conceição Gonçalves	Independent	30/03/2006
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12/04/2007

The representatives of China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co. Ltd. and China Three Gorges International (Europe), S.A. began the office on May 11, 2012 following the entry into force of the agreement of strategic partnership celebrated on December 30, 2011 enters in force.

2.1.3. Executive Board of Directors

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 currently is comprised of 7 members. In the General Shareholders Meeting of February 20, 2012 were re-elected 5 members who held office until that date and elected two new members for the term of the triennial 2012/2014.

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. 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.

The Executive Board of Directors provides, if requested by other corporate bodies in a timely and appropriately to the request, all information required by them.

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.

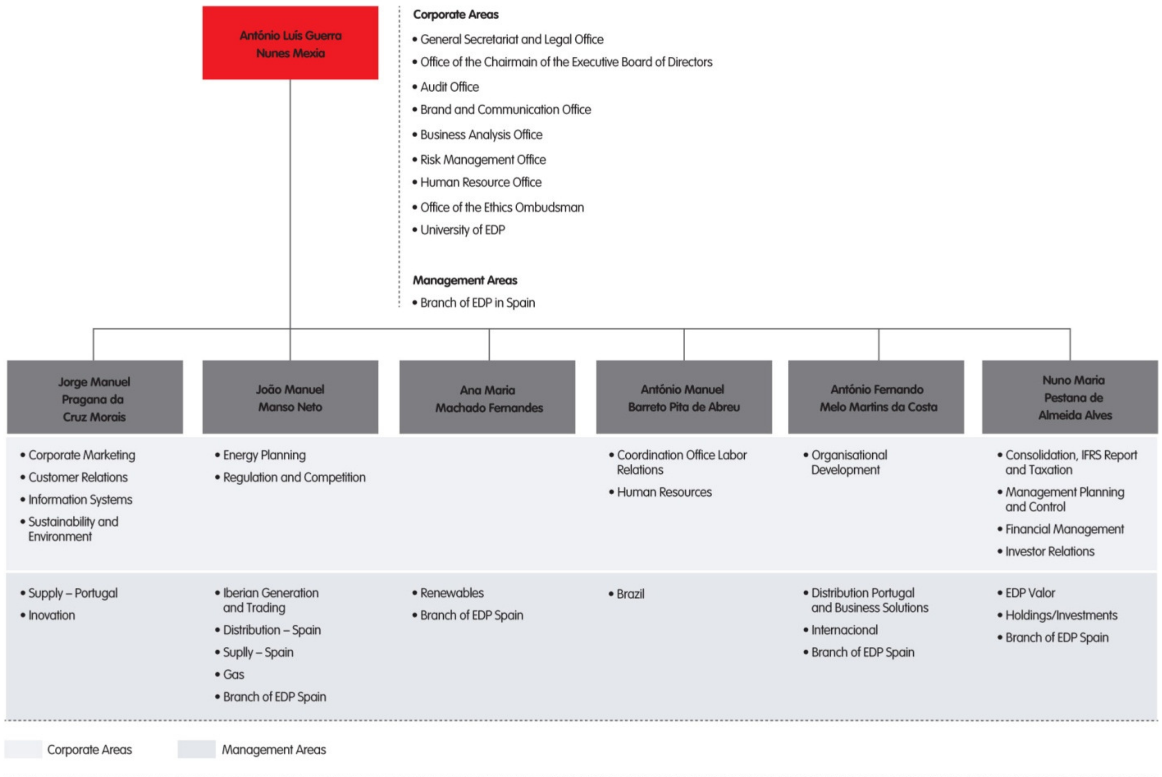
The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations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

The Chairman of the Executive Board of Directors forwards to the Chairman 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 and of the Financial Matters Committee/Audit Committee.

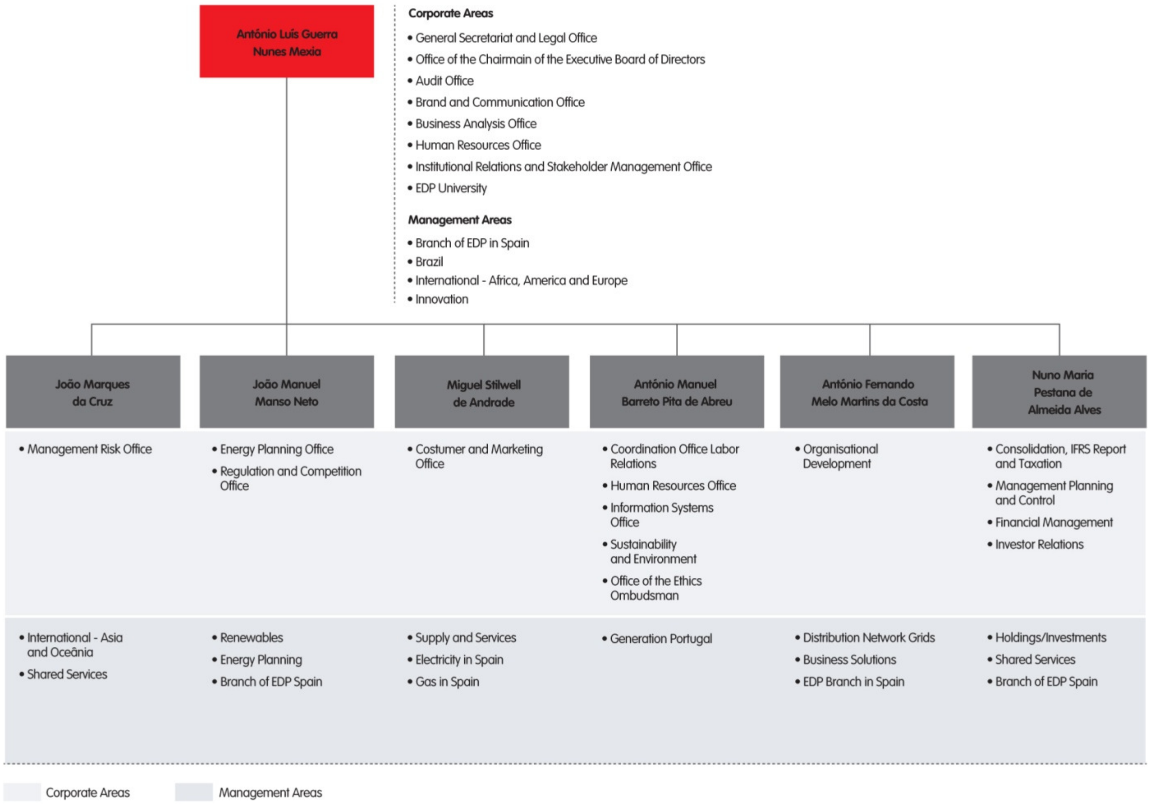
The performance of the Executive Board of Directors is assessed annually and independently by the General and Supervisory Board.

The Executive Board of Directors met 30 times in the first half of 2012. Minutes of all meetings were drawn up.

Until February 20, 2012, the Executive Board of Directors was organised in accordance with the following management and corporate areas:



After February 22, 2012, the Executive Board of Directors began to be organized according to the following management and corporate areas:



After the General Shareholder Meeting of February 20, 2012, in which they were elected new members of the Executive Board of Directors for the term of 3 years of 2012/2014, this body has the following composition:

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

The members elected at the General Meeting held on March 30, 2006 began their office on June 30, 2006 after the entry into force of the new Articles of Association and the two-tier corporate governance model

2.1.4. 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 in office until April 17, 2012 were as follows:

Statutory Auditor

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

At the Annual General meeting held on April 17, 2012 were elected the following Statutory Auditor and its alternate for the term corresponding to the three-year period 2012/2014:

Statutory Auditor

Permanent	KPMG & Associados, SROC, S.A. Represented by Vítor Manuel da Cunha Ribeirinho, ROC
Alternate	Susana de Macedo Melim de Abreu Lopes, ROC

2.1.5. 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 members of the Remuneration Committee – General Meeting in office until April 17th,2012 were as follows:

Remuneration Committee - General Meeting

Chairman	José Manuel Archer Galvão Teles
	Carlos Alberto Veiga Anjos
	Parpública – Participações Públicas, (SGPS), SA

At the Annual General meeting held on April 17, 2012 were elected the following for the term corresponding to the three-year period 2012/2014:

Remuneration Committee - General Meeting

Chairman	José Manuel Archer Galvão Teles
	José de Mello - Sociedade Gestora de Participações Sociais, S.A.
	Álvaro João Duarte Pinto Correia

In accordance with Law 28/2009, of 19 June, and EDP's By-Laws, the Remuneration Committee – General Meeting submitted to the Annual General Shareholders Meeting held on April 17,2012 the remuneration policy applicable to the corporate bodies of EDP, with the exception of the Executive Board, the proposal was approved by shareholders.

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

2.1.6. Environment and Sustainability Board

The Environment Board was set up as a corporate body in 1991. 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 Environment and Sustainability in office until April 17, 2012 was composed by the following members::

Environmental and Sustainability Board

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

In the Annual General Shareholders Meeting of April 17, 2012 the following were elected members of the Environment and Sustainability for the term corresponding to the three-year period 2012/2014:

Environmental and Sustainability Board

Chairman	Augusto Mateus
	Alberto da Ponte
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

2.1.7. 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

2.1.8. Specialised 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 specialised committees of the General and Supervisory Board, in office until February 20, 2012, were set up at the meeting of 7 May 2009. The specialised committees of the General and Supervisory Board, who took office on February 21, 2012, were established at the meetings of February 21 and May 18, 2012.

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 internal regulations, available on the EDP website (www.edp.pt).

2.1.8.1 COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

Composition, powers and functioning

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.

The Committee on Financial Matters/Audit Committee, in office until February 20th, 2012 comprise the following members:

	Financial Matters Committee/Audit Committee	Date of First Appointment
Chairman	Vítor Fernando da Conceição Gonçalves	13-07-2006
	António Sarmento Gomes Mota	07-05-2009
	Manuel Fernando de Macedo Alves Monteiro	13-07-2006

On February 21st, 2012 the General and Supervisory Board designated the members of the Committee for the term of 3 years period 2012/2014:

	Financial Matters Committee/Audit Committee	Date of First Appointment
Chairman	Eduardo de Almeida Catroga	21-02-2012
	Vítor Fernando da Conceição Gonçalves	13-07-2006
	António Sarmento Gomes Mota	07-05-2009
	Manuel Fernando de Macedo Alves Monteiro	13-07-2006

At the meeting on April 18, 2012, the General and Supervisory Board decided to change the composition of this commission which is now comprised of the following members:

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

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 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 2012, the Committee on Financial Matters/Audit Committee met 7 times. Minutes of all meetings were drawn up. No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activity, containing a description of its supervisory activities and any constraints that has been encountered, is disclosed in the EDP website integrated with the General and Supervisory Board Annual Report.

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 practised, 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. Only the members of the Committee are entitled to receive these communications.

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.

On October 27, 2011 the General and Supervisory Board has approved a new regulation, which was registered at the Portuguese Data Protection Authority and was deferred in July 6, 2012.

2.1.8.2 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 an internal regulation approved by the General and Supervisory Board.

In the first half of 2012, the committee met once. 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.

The Remuneration Committee, in office until February 20, 2012 as well as the Committee that began the office in February 21, 2012 for the term of 3 years 2012/2014, comprised the following members:

Remuneration Committee of the GSB		Date of First Appointment
Chairman	Alberto João Coraceiro de Castro	13-07-2006
	Eduardo de Almeida Catroga	13-07-2006
	José Maria Espírito Santo Silva Ricciardi	27-01-2011

In accordance with Law nº 28/2009, of June 19 and EDP's By-Laws, the Chairman of this Committee submitted, in the Annual General Meeting held on April 17,2012 for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the three-year period term (2012/2014), which was approved by shareholders.

In the first half of 2012, no natural or legal person that provides or has provided services in the last three years to anybody answering to the Board of Directors, or services directly to the Board of Directors proper or that has a current relationship as a company consultant. This statement is extensible to any natural or legal person who is related through employment or services' provision contract.

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

At the meeting on April 18, 2012 the General and Supervisory Board decided to change the composition of this commission, with effect from May 18, 2012, having been nominated Jose Maria Espirito Santo Silva Ricciardi as a member of the committee until the beginning of functions of Guojon Lu as a full member of the General and Supervisory. On May 22, 2012, the General and Supervisory Board amended the composition of the Commission, which now consisting of the following members:

Remuneration Committee of the GSB		Date of First Appointment
Chairman	Alberto João Coraceiro de Castro	13-07-2006
	Ilídio da Costa Leite de Pinho	22-05-2012
	José Maria Espírito Santo Silva Ricciardi	22-05-2012
	Guojon Lu	18-04-2012
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	18-04-2012

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

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

In the first half of 2012, the Committee met once. Minutes of all meetings were drawn up.

The Corporate Governance and Sustainability committee in office until February 20, 2012, consisted by the following members:

	Corporate Governance and Sustainability Committee	Date of First Appointment
Chairman	António de Almeida	27-06-2006
	Alberto João Coraceiro de Castro	27-06-2006
	António Sarmento Gomes Mota	07-05-2009
	Diogo Campos Barradas de Lacerda Machado	08-11-2007
	José Manuel dos Santos Fernandes	07-05-2009
	José Maria Brandão de Brito	07-05-2009
	José Maria Espírito Santo Silva Ricciardi	27-07-2006
	Mohamed Ali Ismaeil Ali Al Fahim	06-05-2010
	Ricardo José Minotti da Cruz Filipe	07-05-2009

At the meeting on April 18, 2012 the General and Supervisory Board established the Corporate Governance and Sustainability committee for the term of the 2012/2014, having decided the following composition:

	Corporate Governance and Sustainability Committee	Date of First Appointment
Chairman	Carlos Jorge Ramalho dos Santos Ferreira	18-04-2012
	Ilídio da Costa Leite de Pinho	18-04-2012
	José Joaquim de Oliveira Reis	18-04-2012
	Manuel Fernando de Macedo Alves Monteiro	18-04-2012
	Maria Celeste Lopes Cardona	18-04-2012
	Vasco Joaquim Rocha Vieira	18-04-2012
	Wu Shengliang	11-05-2012

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

2.1.8.4. STRATEGY COMMITTEE

The Strategy Committee is a specialized committee of the General and Supervisory Board with defined competences in the areas of corporate strategy, namely investments, financing and strategic partnerships. The works of the Strategy Committee are ruled by an internal regulation.

The Strategy Committee was established by the General and Supervisory Board at its meeting on April 18, 2012 and aims to oversee the following areas on a continuous basis:

- Long-term strategies and scenario;
- Strategy implementation, business planning and respective budgets;
- Major investments and divestments;
- Debt and financing;
- Strategic alliances;
- Evolution of markets and competition;
- Regulatory issues.

The commission consists by the following members:

Strategy Committee		Date of First Appointment
Chairman	Eduardo de Almeida Catroga	18-04-2012
Vice-Chairman	Zhang Dingming	11-05-2012
	Felipe Fernández Fernández	18-04-2012
	Harkat Abderezak	18-04-2012
	Jorge Braga de Macedo	18-04-2012
	José Maria Espírito Santo Silva Ricciardi	18-04-2012
	Mohamed Ali Al-Fahim	18-04-2012

In the first half of 2012, the Committee met two times. Minutes of all meetings were drawn up.

2.1.8.5. COMPETITIVENESS AND PERFORMANCE ANALYSIS COMMITTEE

The Competitiveness and Performance Analysis Committee is a specialized committee of the General and Supervisory Board with defined competences in the areas of performance and competition analysis in the markets where EDP has activity. The works of the Competitiveness and Performance Analysis Committee are ruled by an internal regulation.

The Competitiveness and Performance Analysis committee was established by the General and Supervisory Board at its meeting on April 18, 2012 and aims to monitor permanently the following matters:

- Analysis of the Company's corporate performance;
- Benchmarking the Company's corporate performance in relation to the sector's leading companies;
- Assessment of the competitiveness of EDP's business portfolio.

The commission consists by the following members:

Competitiveness and Performance Analysis Committee		Date of First Appointment
Chairman	Luís Filipe da Conceição Pereira	18-04-2012
Vice-Chairman	Yang Ya	11-05-2022
	Alberto João Coraceiro de Castro	18-04-2012
	António Sarmento Gomes Mota	18-04-2012
	Fernando Masaveu Herrero	18-04-2012

In the first half of 2012, the Committee met two times. Minutes of all meetings were drawn up.

shareholder structure and management transactions

1. CAPITAL STRUCTURE

The EDP share capital of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares, of which 3,505,020,715 are Category A shares on June 30,2012, these being ordinary shares, and 151,517,000 of which are Category B shares all with a face value of one euro each. The Category A shares account for 95.86% of the share capital and Category B shares account for 4.14%.

Ordinary shares (Category A shares) are not subject to any limitation regarding their transferability, given that pursuant to the Portuguese Securities Code shares traded in the market are freely transferrable, even though EDP's articles of association comprise provisions regarding limitations to the exercise of voting rights which are applicable both to ordinary shares (Category A shares) and to Category B shares.

Category B shares are shares to be reprivatized, which are subject to restrictions on their ownership, and may only be held by the Portuguese State or other public sector entities.

In 2011, the 8th phase of EDP's share capital reprivatization process was conducted by the Portuguese Government, as approved by Decree-Law 106-A/2011, of October 26, through the direct sale of shares representing a maximum limit of 21.35% of EDP's share capital to national and foreign entities with industrial or financial investor profile and with a perspective of stable investment in the long-term. After two phases of selection of potential investors, the Council of Ministers resolved on the sale of the whole block of shares to China Three Gorges Corporation. Parpública entered into a Direct Sale Agreement with that entity, on December 30, 2011, in order to transfer said block of shares.

The transferred block comprises ordinary shares representing approximately 5.79% of the respective share capital, special category shares, which reprivatisation process was concluded on May 11, 2012, representing approximately 3.93% of said share capital and another special category shares block representing approximately 11.62% of the share capital.

The effective transmission of special category shares transferred under the 8th phase of EDP's share capital reprivatisation process, which was conditioned upon the verification of certain events under the terms of the Direct Sale Agreement, occurred on 11 May 2012, when special category shares are no longer held by public entities, shall determine their automatic conversion into Category A shares, without the need for approval of such conversion by the respective shareholders or a resolution by the company's relevant governing body.

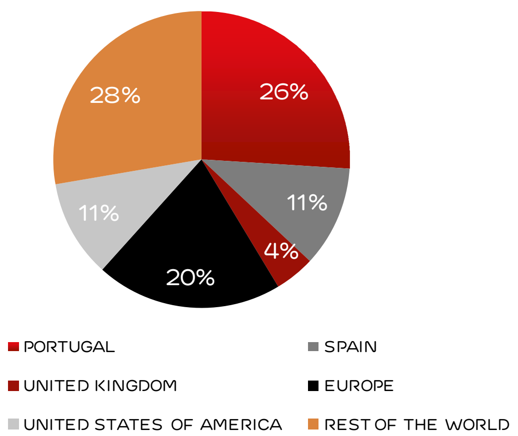
In accordance with EDP's articles of association as currently in force, votes shall not be cast when issued by a shareholder, in his own name or as a representative, above the limit of 25% of the votes corresponding to the share capital. The limit was at 20% until the respective amendment of the articles of association was resolved by the General Shareholders Meeting dated February 20, 2012.

In addition, shareholders who acquire a holding of 5% or more of the voting rights, or of the share capital, must communicate this fact to the Executive Board of Directors within a period of five work days from the date on which said holding becomes effective. They may not exercise voting rights if they have not communicated this fact.

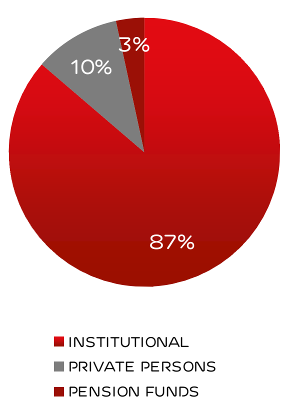
2. SHAREHOLDER STRUCTURE

The breakdown of the EDP shareholder structure by region and investor type in 30 June 2012 was as follows:

Geographic Breakdown of Shareholder Structure



Breakdown of Shareholder Structure by Investor Type



3. 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 June 30, 2012 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
CHINA THREE GORGES			
China Three Gorges International (Europe), S.A.	780.633.782	21,35%	21,35%
Total	**780.633.782**	**21,35%**	**21,35%**
China Three Gorges International (Europe) S.A. is fully owned by China Three Gorges International (Hong kong) Company Limited, which is fully owned by Three Gorges Corporation International Investment Co., Ltd. China Three Gorges Corporation directly holds 100% equity of Three Gorges Corporation International Investment Co., Ltd.			
Iberdrola Energia S.A.U.			
Iberdrola Energia S.A.U. (Iberener)	248.437.516	6,79%	6,79%
Total	**248.437.516**	**6,79%**	**6,79%**
The company Iberdrola Energía, S.A.U. is fully owned by Iberdrola, S.A.			
LIBERBANK			
Cantabrica de Inversiones de Cartera, S.L.	128.409.447	3,51%	3,51%
Liberbank, S.A.	54.848.066	1,50%	1,50%
Total	**183.257.513**	**5,01%**	**5,01%**
The company Cantabrica de Inversiones de Cartera, S.L. is fully onwed byLiberbank, S.A.			
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, SGPS, S.A.	169.692.578	4,64%	4,64%
Members of the Corporate Bodies	39.573	0,00%	0,00%
Total	**169.732.151**	**4,64%**	**4,64%**
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.			
PARPÚBLICA - PARTICIPAÇÕES PÚBLICAS, (SGPS), S.A. (1)			
Privatised shares - Category A	0	0,00%	0,00%
Non-privatised shares - Category B	151.517.000	4,14%	4,14%
Total	**151.517.000**	**4,14%**	**4,14%**
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)			
Senfora SARL	148.431.999	4,06%	4,06%
Total	**148.431.999**	**4,06%**	**4,06%**
The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.			
GRUPO MILLENNIUM BCP + FUNDO DE PENSÕES			
Members of the Corporate Bodies	28.380	0,00%	0,00%
Fundação Millennium BCP	350.000	0,01%	0,01%
Banco Comercial Português, S.A.	288.077	0,01%	0,01%
Fundo de Pensões do Grupo Millennium BCP	122.289.594	3,34%	3,34%
Total	**122.956.051**	**3,36%**	**3,36%**
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.			
SONATRACH (1)			
Sonatrach	87.007.443	2,38%	2,38%
Total	**87.007.443**	**2,38%**	**2,38%**
BANCO ESPÍRITO SANTO, S.A.			
Company's in a group relationship with BES or exercising control over the company	61.705.000	1,69%	1,69%
Banco Espírito Santo, S.A.	28.000.000	0,77%	0,77%
Members of the Corporate Bodies	3.375	0,00%	0,00%
Total	**89.708.375**	**2,46%**	**2,46%**
Qatar Holding LLC			
Qatar Holding Luxembourg II Sárl	82.868.933	2,27%	2,27%
Total	**82.868.933**	**2,27%**	**2,27%**
The company Qatar Holding Luxembourg II Sárl is fully owned by Qatar Holding LLC, a company wholly owned by Qatar Investment Authority.			
EDP (TREASURY STOCK)	**32.476.701**	**0,89%**	
REMAINING SHAREHOLDERS	**1.559.510.251**	**42,65%**	
TOTAL	**3.656.537.715**	**100,00%**	

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

(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.

4. EDP SHARES HELD BY MEMBERS OF THE CORPORATE BODIES

The table below shows the shares held by the members of the corporate bodies, before and after February 20, as well as any alterations in these between the financial years 2011 and first half of 2012, in compliance with Article 447 5) of the Companies Code.

Until February 20, 2012, the shares held by members of the corporate bodies were as follows:

	EDP - Energias de Portugal, S.A.			EDP Renováveis, S.A.		Energias do Brasil, S.A.	
	Nº Shares 30-06-2012	Nº Shares 31-12-2011	Nº Bonds 30-06-2012	Nº Shares 30-06-2012	Nº Shares 31-12-2011	Nº Shares 30-06-2012	Nº Shares 31-12-2011
General and Supervisory Board							
António de Almeida	-	100	-	-	1,200	-	0
Alberto João Coraceiro de Castro [1]	4,584	4,578	5	2,460	2,460	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0	0
Cajastur Inversiones, S.A.	183,257,513	183,257,513	0	0	0	0	0
José Maria Brandão de Brito (em representação da Cajastur Inversiones, S.A.)	-	0	-	-	0	-	0
Carlos Jorge Ramalho Santos Ferreira [2]	40,000	40,000	0	0	0	0	0
Diogo Campos Barradas de Lacerda Machado	-	260	-	-	0	-	0
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0	0
José de Mello Energia, S.A.	169,732,151	176,322,036	0	0	0	0	0
Luís Filipe da Conceição Pereira (em representação da José de Mello Energia) [3]	24,970	19,739	50	1200	1200	0	0
José dos Santos Fernandes	-	0	-	-	600	-	0
José Maria Espírito Santo Silva Ricciardi [4]	0	0	0	2,320	2,320	0	0
Manuel Fernando de Macedo Alves Monteiro	0	0	60	0	0	0	0
PARPÚBLICA - Participações Públicas (SGPS) S.A.	151,517,000	915,977,598	0	0	0	0	0
Joaquim José de Oliveira Reis (em representação da Parpública)	0	0	0	0	0	0	0
Ricardo José Minotti da Cruz Filipe	-	6,622	-	-	500	-	0
Rui Eduardo Ferreira Rodrigues Pena	2,945	1,445	35	380	380	0	0
Sonatrach	87,007,443	81,713,076	0	0	0	0	0
Farid Boukhalfa (em representação da Sonatrach)	-	0	-	-	0	-	0
Vítor Fernando da Conceição Gonçalves	3,465	3,465	0	680	680	0	0
Senfora SARL	148,431,999	148,431,999	0	0	0	0	0
Mohamed Al Fahim (em representação da Senfora SARL)	0	0	0	0	0	0	0
Executive Board of Directors							
António Luís Guerra Nunes Mexia	41,000	41,000	0	4,200	4,200	1	1
Ana Maria Machado Fernandes	-	0	0	-	1,510	1	1
António Fernando Melo Martins da Costa [5]	13,299	13,299	50	1,480	1,480	0	0
António Manuel Barreto Pita de Abreu [6]	34,549	34,549	0	1,810	1,810	41	41
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0
Jorge Manuel Pragana da Cruz Morais [7]	-	100,000	0	-	1,990	0	0
Nuno Maria Pestana de Almeida Alves	125,000	100,000	25	5,000	5,000	1	1

Notes:
1) The shares of EDP Renováveis includes 380 shares held by his wife Ana Maria Ferreira Lopes;
2) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the Executive Board of Directors of Banco Comercial Português, S.A. which had, on June 30, 2012, a qualified shareholding in EDP share capital (Please see chapter IX.3.).
3) The shares of EDP - Energias de Portugal includes 18.280 shares held by his wife, Maria Manuela Casimiro Silva Pereira who also holds all the shares of EDP Renováveis. His wife has received 5,231 shares at € 2.179 as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2011.
4) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.
5) The shares of EDP Renováveis includes 150 held by his wife, Anna Malgorzata Starzenska Martins da Costa;
6) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;
7) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barreto;

After the General Meeting of February 20, 2012, in which were elected the current members of the Corporate Bodies, the shares were held as follows:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		Energias do Brasil, S.A.	
	Nº Shares 30-06-2012	Nº Shares 31-12-2011	Nº Bonds 30-06-2012	Nº Bonds 31-12-2011	Nº Shares 30-06-2012	Nº Shares 31-12-2011	Nº Shares 30-06-2012	Nº Shares 31-12-2011
General and Supervisory Board								
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0	0	0
China Three Gorges Corporation	0	-	0	-	0	-	0	-
Dingming Zhang (representing China Three Gorges Corporation)	0	-	0	-	0	-	0	-
China International Water & Electric Corp.	0	-	0	-	0	-	0	-
Guojun Lu (representing da China International Water & Electric Corp.)	0	-	0	-	0	-	0	-
China Three Gorges New Energy Co. Ltd.	0	-	0	-	0	-	0	-
Ya Yang (representing China Three Gorges New Energy Co. Ltd.)	0	-	0	-	0	-	0	-
China Three Gorges International (Europe) S.A.	780,633,782	-	0	-	0	-	0	-
Shengliang Wu (representing China Three Gorges International (Europe) S.A.)	0	-	0	0	0	0	0	0
PARPÚBLICA - Participações Públicas (SGPS) S.A.	151,517,000	915,977,598	0	0	0	0	0	0
Joaquim José de Oliveira Reis (representing Parpública)	0	0	0	0	0	0	0	0
Cajastur Inversiones, S.A.	183,257,513	183,257,513	0	0	0	0	0	0
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	0	-	0	-	0	-	0	-
José de Mello Energia, S.A.	169,732,151	176,322,036	0	0	0	0	0	0
Luís Filipe da Conceição Pereira (representing José de Mello Energia)[3]	24,970	19,739	150	50	1200	1200	0	0
Senfora SARL	148,431,999	148,431,999	0	0	0	0	0	0
Mohamed Al Fahim (representing Senfora SARL)	0	0	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira [2]	40,000	40,000	0	0	0	0	0	0
Sonatrach	87,007,443	81,713,076	0	0	0	0	0	0
Harkat Abderrezak (representing Sonatrach)	0	0	0	0	0	0	0	0
José Maria Espírito Santo Silva Ricciardi [4]	0	0	0	0	2,320	2,320	0	0
Alberto João Coraceiro de Castro [1]	4,584	4,578	5	5	2,460	2,460	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	-	0	-	0	-	0	-
Fernando Masaveu Herrero	37,151,748	-	0	-	0	-	0	-
Ilídio da Costa Leite de Pinho	15,138,383	-	0	-	0	-	0	-
Jorge Braga de Macedo	0	-	0	-	0	-	0	-
Manuel Fernando de Macedo Alves Monteiro	0	0	60	60		0	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	0	-	0	-	0	-	0	-
Vasco Joaquim Rocha Vieira	3,203	-	0	-	380	-	0	-
Vítor Fernando da Conceição Gonçalves	3,465	3,465	0	0	680	680	0	0
Rui Eduardo Ferreira Rodrigues Pena	2,945	1,445	35	35	380	380	0	0
Executive Board of Directors								
António Luís Guerra Nunes Mexia	41,000	41,000	0	0	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves	125,000	100,000	25	25	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0	0
António Manuel Barreto Pita de Abreu [6]	34,549	34,549	0	0	1,810	1,810	41	41
António Fernando Melo Martins da Costa [5]	13,299	13,299	50	50	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz	3,878	-	0	0	0	0	0	0
Miguel Stilwell de Andrade (8)	111,576	-	0	0	0	0	0	0

Notes:
1) The shares of EDP Renováveis includes 380 shares held by his wife Ana Maria Ferreira Lopes;
2) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the International Strategic Board of Banco Comercial Português, S.A. Banco Comercial Português, S.A. which had, on June 30, 2012, a qualified shareholding in EDP share capital (Please see chapter IX.3.).
3) The shares of EDP - Energias de Portugal includes 23.511 shares held by his wife, Maria Manuela Casimiro Silva Pereira who also holds all the shares of EDP Renováveis. His wife has received 5,231 shares at € 2.179 as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2011.
4) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.
5) The shares of EDP Renováveis includes 150 held by his wife, Anna Malgorzata Starzenska Martins da Costa;
6) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;
7) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barreto;

During first half of 2012, the following members of the Corporate Bodies performed the following trade operations of EDP shares:

Corporate Body	Company	Security	Date	Quantity	Operation	Avg. Purchase
Executive Board of Directors						
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal	Shares	25/05/2012	25,000	Purchase	1.750
Miguel Stilwell de Andrade (1)	EDP - Energias de Portugal	Shares	10/05/2012	10,378	Purchase	2.179
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	28/05/2012	40,000	Purchase	1.77
General and Supervisory Board						
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	29/02/2012	654,021	Sale	2.171
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	01/03/2012	434,800	Sale	2.208
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	06/03/2012	1,108,100	Sale	2.258
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	07/03/2012	445,400	Sale	2.227
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	09/03/2012	1,110,000	Sale	2.250
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	12/03/2012	600,000	Sale	2.223
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	01/06/2012	2,987,448	Purchase	1.666
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	05/06/2012	590,000	Purchase	1.695
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	11/06/2012	1,418,000	Purchase	1.744
Rui Eduardo Ferreira Rodrigues Pena	EDP - Energias de Portugal	Shares	04/06/2012	1,500	Purchase	1.707
Luís Filipe da Conceição Pereira	EDP - Energias de Portugal	Bonds	21/03/2012	100	Purchase	93.25
Luís Filipe da Conceição Pereira (1)	EDP - Energias de Portugal	Shares	10/05/2012	5,231	Purchase	2.179

Notas:

1) This shares were delivered to EDP Group employees, as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2011, which potential attribution is decided on an annual basis by the Executive Board of Directors, in accordance with standards previously set out.

financial report

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

edp group's business evolution

1. EDP GROUP

In the first six months of 2012, the EDP Group net profit attributable to equity holders reached EUR 582 million, compared with EUR 609 million in the same period of 2011.

Net profit attributable to equity holders of EDP decreased 4% year-on-year, mainly reflecting negative financial results impacted by the increase in the average cost of and a rise in average net debt.

Income Statement – EDP Group

EUR Million	1H12	1H11	Δ %	1H11 (1)
Gross Profit	**2,789**	**2,788**	**0%**	**2,788**
Supplies and services	446	421	6%	421
Personnel costs	295	293	1%	289
Costs with social benefits	36	73	-52%	32
Other operating costs (net)	128	100	28%	100
Net Operating costs	**904**	**887**	**2%**	**842**
EBITDA	**1,885**	**1,900**	**-1%**	**1,945**
Provisions	7	20	-67%	20
Net Depreciation and amortisation	704	704	-0%	704
EBIT	**1,174**	**1,176**	**-0%**	**1,221**
Capital gains/(losses)	3	10	-72%	10
Financial Results	(353)	(266)	-33%	(311)
Results from associated companies	10	12	-11%	12
Pre-tax profit	**835**	**932**	**-10%**	**932**
Income taxes	159	220	-28%	220
Net Profit for the period	676	711	-5%	711
Net Profit attribut. to EDP shareholders	**582**	**609**	**-4%**	**609**
Non-controlling interests	94	103	-8%	103

(1) Includes reclassification related to the change in accounting policy as described in financial note 2A)

EDP consolidated EBITDA amounted €1,885 million reflecting the EUR 27 million gain booked in the first half 2011(from the sale of transmission assets to REE) and a change in accounting policy, as from September 2011, as to the interest cost and estimated return of the pension fund assets: the respective amounts, accounted as operational expenses in the first half 2011(EUR 45 million), are now accounted at financial results level (EUR 46 million in the first half 2012). Adjusted for these impacts, EBITDA was 1.7% lower year-on-year, as higher EBITDA from wind operations (+EUR 94 million) was more than offset by lower EBITDA from Brazil (-EUR 95 million), liberalised activities and long-term contracted (-EUR 10 million each). Forex impact on EBITDA was negligible (-EUR 2 million). EBITDA generated outside Portugal accounted for 60% of EBITDA in the first half 2012.

EBITDA – EDP Group

EUR Million	1H12	1H11	Δ %
Long-Term Contracted Generation Iberia	402.3	412.6	-2%
Liberalised Activities Iberia	182.1	192.1	-5%
Regulated Networks Iberia	520.0	524.4	-1%
Wind Power	503.5	409.2	23%
Brazil	297.9	392.4	-24%
Other	(20.7)	(30.3)	32%
Consolidated	**1,885.1**	**1,900.4**	**-1%**

EBITDA from long-term contracted generation, **related to Costs for the Maintenance of the Equilibrium System (CMEC) and special regime,** was 2% lower year-on-year at EUR 402 million in the first half 2012, as the impact from lower output from our mini-hydro plants (-58% year-on-year derived from very dry weather, particularly in the first quarter 2012) offset the positive impact from higher inflation, higher-than-contracted availability at our CMEC plants and the commissioning of Sines DeNOx facilities. Long-term contracted generation first half of 2012 financial statements reflect a change in accounting policy as to the interest cost and estimated return of the pension fund assets: these costs, accounted as operating costs in the first half 2011(EUR 6.5 million), are now accounted at financial results level (-EUR 7.4 million in the first half 2012).

Gross profit from PPA/CMEC rose 0.6% (+EUR 3 million) to EUR 441 million in the first half 2012, supported by higher inflation, higher-than-contracted availability at our CMEC plants (+5% in hydro, +8% in thermal) and by the commissioning of Sines DeNOx facilities. These impacts were nevertheless mitigated by lower results with fuel procurement (+EUR 0.3 million in the first half of 2011, -EUR 4.1 million in the first half 2012) and the ongoing depreciation of the assets base.

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.

Regulatory receivables from CMEC (revisibility) increased from EUR 390 million in December 2011 to EUR 523 million in June 2012 driven by: (1) EUR 153 million recovered through tariffs in the first half 2012 related to 2011 negative deviations and (2) EUR 286 million negative deviation in the first half 2012 between gross profit defined by CMECs and gross profit achieved in the market propelled by extreme dry weather (hydro production factor fell 67% short of an average year). This amount is due to be received in up to 24 months through TPA tariffs, paid by all Portuguese electricity consumers.

Gross profit from special regime fell 28% year-on-year, to EUR 46 million in the first half 2012, penalised by very low output at our mini-hydro plants: in spite of virtually flat volumes in the second quarter of 2012 (year-on-year), first half of 2012 volumes fell by 58% year-on-year penalised by a very dry first quarter 2012.

EBITDA from liberalised activities fell by 5% to EUR 182 EUR in the first half 2012, supported by flat performance in the electricity business and lower gross profit in the gas supply business (-EUR 16 million). In the fourth quarter 2011, EDP kicked-off operations in two out of eight hydro plants under construction: the repowering of Picote II (246MW in November 2011) and of Bemposta II (191MW in December 2011), both in Portugal. These projects will improve the water management in Douro basin, allowing us to produce more electricity in an average hydro year and to reap more fruits from peak-hour demand and prices.

In the **electricity business**, gross profit was flat year-on-year at EUR 373 million in the first half 2012 reflecting the mixed impact from: (i) lower total volumes (-8% mainly driven by volumes sold in Portugal's wholesale market), and lower results from hedging, on the one hand; (ii) higher unit margins earned before hedging (+21% year-on-year), higher other revenues namely from capacity payments in Spain, on the other hand.

Output from our generation plants (excluding hydro pumping) declined 22%, to 6.2TWh in the first half 2012, as lower production at our CCGT (-2.8TWh) outweighed the rise in coal production (+1.0TWh), leading to a 3% decline in total CO2 emissions (15% short of free allowances in the period). In late 2011 we have reinforced our low-cost generation portfolio with the start up of two hydro repowerings: Picote II and Bemposta II. Average production cost advanced to €41/MWh (+7% year-on-year) in the first half 2012, driven by a more expensive generation mix (lower weight of hydro), higher fuel costs, lower CCGT output and more intense pumping activity.

Output from our coal plants surged by 50% in the first half 2012, reflecting our coal cost-competitiveness vis-a-vis CCGTs, higher demand for thermal capacity in the period and by the implementation of RDL 1221/2010 in Spain (February 2011). Average load factor was 16pp higher year-on-year, at 49% in the first half 2012. Since February 26, 2011, our Soto 3 plant is producing electricity under the terms of RDL 1221/2010: while the Resolution 20651, of December 30, 2011, defined a total committed production in 2012 at Soto 3 of 1,4TWh, RD13/2012 dictated a 10% cut to this remuneration. Our average production cost reached €37/MWh (+21% year-on-year), driven by higher coal and net CO2 costs.

Output from our CCGT plants dropped by 65% in the first half 2012, impacted by higher production cost. Average production cost reached €82/MWh in the first half 2012, driven by higher average gas cost and lower production.

Output from our hydro plants fell by 9% year-on-year. The rise in average cost of hydro production from €1.4/MWh to €10.9/MWh derived from the more intense pumping activity (238GWh in the first half 2012 versus 108GWh in the first half 2011) and low hydro output, in a context of low reservoir levels and scarce hydro resources.

Output from our nuclear plants rose by 3.5% in the first half 2012 backed by an average load factor of 81% (+2pp year-on-year), despite the 5-week programmed outage for fuel recharged.

The average sourcing cost rose 9% year-on-year in the first half 2012 backed by (i) higher generation costs (+7% due to a more expensive generation mix, higher fuel costs and more intense pumping activity); and (ii) higher cost of electricity purchases (+7%), mainly driven by higher pool prices. The average selling price advanced 11% in the first half 2012 supported by higher prices realised in the wholesale market (+13% year-on-year, on the back of higher pool prices and higher unitary contribution from complementary services) and higher selling prices to retail clients (+11% year-on-year).

In the **electricity supply business in Spain**, volumes supplied to our clients in the free market decreased 4% year-on-year to 10.0TWh in the first half 2012 while the number of clients supplied went up by 4% year-on-year, translating EDP's strategy to focus on most attractive clients, even though at the expense of lower volumes.

In the **electricity supply business in Portugal**, volumes supplied to EDP clients in the free market increased by 4% year-on-year to 4.6TWh in the first half 2012, supported by some large industrial clients' contracting in mid 2011 and a 48% increase of our electricity clients base.

In the **gas business**, the fall in gas supply gross profit was due to lower volumes sold (-3% year-on-year mainly derived from Portuguese operations) and to a contraction in average unit margin derived from rising gas costs and tough competition.

Volumes of **gas supplied to our clients in the free market in Spain** increased 2% year-on-year to 15.5TWh in the first half 2012, whereas the number of clients supplied went down by 5% in the same period, which reflects our selective clients contacting policy in a though market environment.

Volumes of **gas supplied to our clients in the free market in Portugal** fell 20% year-on-year to 3.1TWh in the first half 2012, reflecting lower demand and the company's strategy to focus on most attractive smaller clients in a tough market environment.

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

EBITDA from regulated networks Iberia decreased 1% year-on-year to EUR 520 million reflecting: (i) the sale of transmission assets to REE (+EUR 27 million) in the first quarter 2011, (ii) EUR 21 million intra-group real estate gain in the first half 2011 (no impact at consolidated level) and (iii) change in accounting policy as to the interest cost and estimated return of the pension fund assets: the respective amounts, so far accounted as operational expenses (EUR 29 million in the first half 2011), are now accounted at financial results level (EUR 29 million in the first half 2012). Excluding these impacts, EBITDA increased 3% year-on-year (+EUR 14 million) impacted by rise in Portugal distribution grid regulated revenues following an increase in rate of return from 8.56% to 10.3% (best forecast based on the evolution of average Portugal 5Y CDS) which compensated a 7% decrease of regulated revenues in electricity distribution in Spain following the recent regulatory measures in Spain (RDL 13/2012).

EBITDA from distribution in Portugal (electricity distribution and last resource supply activities) increased 11% to EUR 322 million. Note that EDP changed its accounting policy as to the interest cost and estimated return of the fund assets: the respective amounts, so far accounted as operating costs, are now accounted at financial results level. This implied a downward adjustment of costs with social benefits by EUR 29 million in the first half 2012 in this business area. Excluding the impact from this reclassification in the first half 2011(EUR 29 million) and a EUR 21 million intra-group real estate gain in the first half 2011(no impact at consolidated level), EBITDA increased by 8% (+EUR 25 million). The increase in EBITDA was supported by higher regulated rate of return on assets and lower sensitivity to changes in consumption.

In the first half 2012, electricity distributed was 5.7% lower year-on-year driven by the residential, SME and public lighting segments, following the increase in taxation over electricity consumption (VAT up from 6% to 23% in October 2011). The 0.6% decline in the number of supply points had an immaterial impact at gross profit level.

Distribution grid regulated revenues increased EUR 43 million to EUR 632 million in the first half 2012, essentially on the back of: (1) a EUR 25 million positive impact due to an increase of return on RAB (10.3% for 2012 on a preliminary base versus 8.56% in 2011). The new asset remuneration was set on a preliminary base indexed to average Portuguese Republic 5Y CDS between October 2011 and September 2012, and (2) a EUR 7 million negative impact from volumes distributed below ERSE forecast.

Last resort supplier (EDP SU) regulated revenues decreased by 10% to EUR 47 million due to the switching of clients to liberalized suppliers, especially in the industrial segment, in line with the calendar of increasing liberalization of the Portuguese electricity supply market. In July 1, 2012, a new stage was reached in the process of liberalisation of electricity supply in Portugal. From this date, EDP SU, the last resort supplier, cannot execute new contracts with clients requiring contacted power ≥10.35 kVA while EDP SU's current clients ≥10.35 kVA were penalised from this date onwards with a 2% average tariff increase in order to incentive their transfer to a liberalised supplier. The regulator should announce a new tariff increase for EDP SU clients ≥10.35kVA from October 2012 onwards. Volume of electricity supplied by our last resort supplier fell 21% year-on-year to 10.2TWh and as a result market share in electricity supply dropped from 55% in the first half 2011to 46% in the first half 2012.

Regulatory receivables from electricity Distribution and last resort supply in Portugal increased from EUR 720m in December 2011 to EUR 1,255m in June 2012 is driven by: (1) EUR 153m mainly due to higher than expected differential between purchase and sale prices from special regime production (€68.5/MWh in the first half 2012 versus €46.6/MWh assumed by ERSE), (2) EUR 486m regarding deferral of €972m tariff deficit by Dec-12, (3) EUR 158m essentially due to negative tariff deviation generated in electricity distribution activity related to payment of ex-ante tariff deficit of EUR 141m to REN, that EDP Distribuição will receive in 2013 through tariffs; (4) EUR 298m recovered through first half of 2012 tariffs referent to negative previous years deviations.

Regarding future evolution of regulatory receivables in both distribution and last resort supply activities implicit in ERSE's final version for 2012 tariffs we would highlight: (1) deferral of special regime premiums amounting to EUR 972m by Dec-12 to be fully recovered though 2013-2016 tariffs and remunerated at 6.3% annual return; (2) creation of an ex-ante tariff deficit of EUR 141m related to CMECs deviations remunerated at 4.0% annual return to be recover in 2013; (3) collection of EUR 564m through to 2012 tariffs related to negative deviations incurred in previous years.

EBITDA from our electricity distribution activity in Spain decreased 37% (EUR 37m) year-on-year to EUR 64m in the first half of 2012 mainly reflecting: i) negative impact from RDL 13/2012 which implied a 9% decrease of regulated revenues that totaled EUR 77 million in the first half 2012 and ii) the inclusion of EUR 27m non-recurrent gain related to the sale of transmission assets to REE in the first quarter 2011. Excluding this last impact, EBITDA fell 13% year-on-year (EUR 10 million).

In December 2011, the Spanish government published a Ministerial Order with the remuneration for the electricity distribution regulated activity. Regulated revenues attributable to HC Distribución for the year 2012 amount to EUR 169.3 million (excluding transmission). In March 2012, Spanish government published RDL 13/2012 which reduced regulated revenues attributable to HC Distribución for the year 2012 to EUR 151.4 million (-11%).

Electricity distributed by HC Distribución, essentially in the region of Asturias, decreased by 4.7% year-on-year due to lower demand from the domestic and industrial segment.

Regulatory receivables by EDP Group in Spain by the end of June 2012, amounted to EUR 470 million (including interests / financial updates): i) EUR 121 million regarding 2012 tariff deficit; ii) EUR 212 million regarding 2011 tariff deficit and iii) EUR 138 million from the 2010 tariff deficit. In the first half 2012, a total amount of €3.3 billion of the Spanish deficit was securitised by FADE (the fund in charge of the securitization) of which EUR 168 million were entitled to our subsidiary HC Energia. In June 2012, total Spanish electricity sector deficit pending of securitization amount to EUR 7 billion.

EBITDA from gas regulated networks in Spain went up 4% year-on-year (+EUR 4 million) to €108 million in the first half 2012, due mostly to a 3% increase of regulated revenues (+EUR 4 million) and a 7% decrease in net operating costs backed by a 5% decrease in personnel costs reflecting a decrease of the number of employees.

Regulated revenues rose 3% year-on-year backed by a 1% increase in the number supply points and the 2% increase of our network's extension. The 21% increase of volume of gas distributed through the distribution network to 31.3 GWh due to the connection to our network of refinery from a new client Repsol in Cartagena (Murcia region).

EBITDA from gas regulated activities in Portugal decreased 15% year-on-year (-EUR 5 million) to EUR 26 million in the first half 2012 due to accounting in 2011 of tariff deviations generated in the period and deviations from previous years in the first half 2011(Decree-law published in Portugal, which allow tariff deviations to be accounted on the same way as electricity). Gas volumes distributed in Portugal went up 10% year-on-year supported by the 9% year-on-year increase in the number of supply points, justified by a systematic effort of client connection on existing grids in the region operated by EDP.

In June 2011, the Portuguese regulator (ERSE) set the gas tariffs for Portugal for the year going from July 2011 to June 2012, defining a 9% return on assets resulting on annual regulated revenues of EUR 65 million. ERSE set a 3.9% average last resort tariff increase for small clients and a 6.6% average access tariff decrease for large clients.

In June 2012, ERSE set the gas tariffs for the regulatory period from July 2012 to June 2013 proposing a 6.9% average last resort tariff increase for small clients resulting on annual regulated revenues of EUR 69 million.

EDP Renováveis owns and operates EDP Group wind power assets (8 countries) and develops projects for potential wind farms (11 countries). The two main markets in which EDP Renováveis operates are United States of America (39% of EDP Renováveis' EBITDA in the first half 2012) and Spain (36%). Other markets include Portugal (12%), France, Poland, Romania, Belgium and Brazil (the latter 5 representing 13% of EDP Renováveis' EBITDA in the first half 2012).

EDP Renováveis' EBITDA rose 23% year-on-year (+EUR 94 million) to EUR 504 million in the first half 2012, reflecting a 4% increase of installed capacity, +282MW to 7,169MW by June 2012, a 32% average load factor in the first half 2012, up 1pp year-on-year, and a stronger average selling price, up 10% year-on-year to €61/MWh, driven not only by higher prices in most of the countries where EDP Renováveis operates but also by a higher weight of electricity produced in Europe, which was sold at above-average prices.

Major contributors to this EBITDA growth were: (1) the US market (+EUR 36 million), reflecting a EUR 15 million positive contribution from forex (8% year-on-year appreciation of the USD versus the EUR), 144MW of additional capacity (51% of total additions), higher average load factors (+1pp year-on-year to 38%) and an increase of the average selling price (+3% year-on-year to USD46/MWh); (2) European markets ex-Iberia (+EUR 33 million year-on-year), following 101MW of new capacity (36% of total additions; Romania: +57MW; Poland: +22MW; France: +22MW), higher average load factors (+2pp year-on-year to 25%) and higher average selling prices (+11% year-on-year to €106/MWh); and (3) Spain (+EUR 29 million year-on-year, including hedging results), reflecting 21MW of additional capacity (8% of total added), higher average load factors (+1pp to 28%) and higher average selling prices (+7% year-on-year to €88/MWh). In Portugal, EBITDA increased 5% Year-on-year (+EUR 3 million), reflecting 16MW of new capacity (6% of total additions), a stable average load factor of 27% and higher average selling prices (+5% year-on-year to €107/MWh).

In **United States of America**, installed capacity rose 144MW (+4% year-on-year). Average load factor went up 1pp year-on-year to 38% in the first half 2012, given better wind resources in the Central and Eastern regions. Output generated under PPA contracts increased 17% year-on-year, while output exposed to merchant prices went down 9% year-on-year, reflecting the positive contribution from the start of the PPAs signed over the last periods for 359MW of merchant capacity (184MW which PPA started in January 2012 and 175MW which PPA started in June 2012). Average selling price (excluding revenues from PTCs) for energy sold through PPA/Hedged increased 4% year-on-year to USD52/MWh, reflecting the price escalators annual updates. Average selling price in merchant power markets dropped 17% year-on-year to USD25/MWh due to particularly low gas prices in the first half 2012 (-36% year-on-year to $2.74/MMBtu). Overall, average selling price in US increased 3% year-on-year to USD46/MWh in the first half 2012, as the higher volumes generated under PPAs, which recorded better prices, compensated for the low merchant prices.

In **Spain**, wind farms are remunerated under two regimes: (1) the transitory regime (for capacity installed before 2008), under which wind producers receive a unit tariff equal to 'achieved pool price + fixed premium (€38.3/MWh)' – beginning 2013, wind farms under the transitory regime will be transferred to the RD 661/2007 regime; (2) RD 661/2007 regime (for capacity installed after 2008), offering two tariff options: (a) 'average price achieved in the pool + premium (€20.1/MWh reflecting a temporary 35% cut until Dec-12)' with a cap (€94.3/MWh) and a floor (€79.1/MWh); or (b) a fixed tariff (€81.3/MWh). All tariffs set by RD661/2007 (including cap, floor & premium) are updated at CPI-X and guaranteed for 20 years.

EDP Renováveis expanded its portfolio in Spain by 21MW. Average load factor improved 1pp year-on-year to 28% in the first half 2012, with the stronger wind resource of the second quarter 2012 more than offsetting the poorer first quarter of 2012. Average selling price for capacity under the transitory regime reached €89/MWh (excluding hedging results), up 1% year-on-year, following a slight improvement of average achieved pool prices (+2% year-on-year), while average selling price for capacity under RD661/2007 was €84/MWh. Note that out of the total 2.6TWh produced in the first half 2012, 83% were sold without exposure to market prices, through hedges (916GWh), fixed tariffs (1,193GWh) or fixed floor mechanism (86GWh), while only 17% (444GWh) were sold at market prices plus €38.3/MWh premium. Overall, average selling price in Spain, including hedging results, rose 7% year-on-year to €88/MWh, reflecting better hedging prices (€52/MWh versus €44/MWh), the strategic decision of choosing the tariff option under the RD 661/2007, inflation indexation of regulated prices under RD 661/2007 and higher achieved pool prices.

In January 2012, the Spanish Government introduced a moratorium on the payment of the premium to all not pre-registered new wind power projects, while maintaining the status quo and long-term remuneration to the installed capacity and pre-registered projects. As of June 2012, EDP Renováveis had 100MW under construction in Spain, pre-registered and to be installed in 2012.

In **Portugal**, as of June 2012, EDP Renováveis' installed capacity totaled 615MW (+16MW year-on-year), all remunerated under the old tariff regime, set for 15 years, and according to which tariffs are indexed to both CPI and operating hours. In first half of 2012 load factor was stable at 27% following a strong second quarter of 2012, which more than compensated a below average first quarter of 2012. Wind production increased 1% year-on-year, driven by a 30% year-on-year growth in second quarter of 2012, while average tariff rose 5% year-on-year to €107/MWh, reflecting inflation indexation. As of June 2012, ENEOP had an installed capacity of 830MW (332MW attributable to EDP Renováveis) and 116MW (46MW attributable to EDP Renováveis) under construction.

In **European markets out of Iberia**, over the last 12 months, EDP Renováveis installed a total of 101MW increasing its capacity to 838MW as of June 2012. Electricity output rose 49% year-on-year to 871GWh in the first half 2012, reflecting the new capacity brought on line and higher average load factors, up 2pp to 25% in the first half 2012, with all geographies posting a positive contribution. Average selling prices increased 11% year-on-year to €106/MWh, driven by the strong increase of prices in Romania (+65% year-on-year in local currency) and its higher weight of wind production (27% versus 17% in first half of 2011).

In **France**, EDP Renováveis has 306MW of installed capacity (+22MW year-on-year). Wind power in France is sold through fixed tariffs indexed to inflation for 15 years. In the first half 2012, EDP Renováveis average tariff in France was €88/MWh (+3% year-on-year). In **Belgium**, our 57MW wind farm sells its power through a 5 year PPA (2014 maturity) at a fixed selling price of €112/MWh.

In **Poland**, EDP Renováveis has 2 wind farms in operation totaling 190MW of capacity: i) the 120MW Margonin wind farm, which power is sold in the spot market and for which EDP Renováveis has a 15 years long term contract for the sale of the green certificates (GCs); and ii) the 70MW Korsze wind farm, which output is sold through a 10 year PPA. In the first half 2012, average selling price in Poland was PLN423/MWh, down 6% year-on-year mostly due to the different pricing contract structure of the new 70MW korsze wind farm, installed in 2011.

In **Romania**, EDP Renováveis has 285MW of capacity (+57MW year-on-year). Wind power production is sold at 'market price plus GC'. The trading value of GCs is subject to a floor and a cap set in Euros (for 2012, the floor was set at €28.2/MWh and the cap at €57.4/MWh). In 2010 the government approved the entitlement to wind producers of 2 GCs per MWh produced until 2017. The full implementation of the second GC (approved by law in July 2011) only happened in late 2011. In the first half 2012, average selling price in Romania reached RON600/MWh, up 65% year-on-year given the full implementation of the second green certificate, which makes the Romanian market one of the most attractive for wind development.

In **Italy**, by the end of June 2012, EDP Renováveis had 40MW under construction.

In **Brazil**, EDP Renováveis has 84MW of installed capacity, all remunerated under the PROINFA program through a fixed tariff updated to inflation over 20 years. In the first half of 2012, average load factor went up 1pp year-on-year to 25%, given the positive contribution of the 70MW Tramandaí wind farm installed in May 2011 but offset by lower wind resource in the second quarter 2012. Average selling price increased 2% year-on-year to $R279/MWh, following the annual inflation update.

EDP Energias do Brasil's contribution to consolidated EBITDA decreased 24% (-EUR 95 million). In local currency, EDP Energias do Brasil's EBITDA decreased 20% year-on-year driven by a decline on the gross profit in our distribution business on the back of tariff deviation impact (-R$186 million in the first half 2012 versus +$R36 million in the first half of 2011) and including the positive impact of the allocation of higher contracted volumes in the first half 2012 versus first half of 2011 in our generation business. Foreign exchange contributed negatively with –EUR 16 million in EDP Energias do Brasil's EBITDA in Euro terms, as the Real depreciated 5% against the Euro. EDP Energias do Brasil's financial statements reflect a change in accounting policy as to the interest cost and estimated return of the fund assets: the respective amounts, accounted in the first half 2011as operating costs, are now accounted at financial results level (R$14 million in the first half 2012 and R$12 million in the first half of 2011).

In **electricity distribution in Brazil**, the EBITDA in the first half of 2012 decreased by 49% year-on-year, due to the negative impact of tariff deviation (-R$222 million) on the back of Bandeirante's tariff freezing from October 2011 to October 2012. On the other hand, given that the new regulatory methodology, which implies a decrease in the RoR, was not applied to Bandeirante's tariffs from October 2011 to October 2012, an estimated amount of R$103 million, regarding first half of 2012, will be returned to tariffs according to the preliminary figures from the public consultation documents issued by ANEEL in July 2012, thereby almost offsetting the tariff deviation impact. In addition, gross profit was negatively impacted by R$29 million on the back of a court decision that re-established ANEEL's normative resolution which defines that the compensations received from industrial clients for surpassing the energy demand set in their contracts must be registered as investment subsidies grants. Adjusted by these impacts and by the change in the accounting policy regarding social benefits, the EBITDA for first half of 2012 and first half of 2011 would have been R$374 million and R$493 million, respectively, or -24% in the first half of 2012 versus first half of 2011.

In October 2011 the regulator decided to keep Bandeirante's tariffs unchanged, as the new methodology for the 3rd Tariff Review cycle was not fully decided. Meanwhile, the discussion about this new methodology, resulted in the publication by ANEEL in November 2011 of a new regulatory framework in which change Return on RAB from 9.95% to 7.5% after taxes. This new methodology will only be applicable to the next regulatory period (Bandeirante in October 2012 but with retroactive effects from October 2011 onwards and Escelsa from August 2013 onwards). Bandeirante's regulatory review is currently under public consultation with a preliminary impact of -3.55% in Bandeirante's tariffs having implicit a RAB of R$1,489 million (+22% versus the regulatory review in 2007).

Volume of electricity sold rose 3.6% year-on-year reflecting an increase in the residential, commercial and other of 6.5%, justified by the increase of 3.2% in the number of clients and also of the consumption of electricity per capita on the back of low unemployment rate and increase of the families' income. This was partially offset by a drop of 4% in the industrial segment, as a consequence of a reduced industrial activity in Bandeirante's concession area, as well as migration of clients to the free market. Electricity distributed, went up by 1.5%, recovering in the second quarter 2012, but being penalized by the energy distributed to clients in the free market, mostly industrials, due to the industrial activity slowdown in the Bandeirante's concession area and due to stoppages for maintenance work and the restart of autoproduction of some clients.

In **electricity generation activities in Brazil,** EBITDA increased by 22% reflecting essentially the inflation update on PPA's and higher volumes sold in the first half 2012 versus first half 2011. Installed capacity went up by 4MW due to the conclusion of a part of Mascarenhas' repowering (4MW) in the second quarter 2012.

Electricity volumes sold rose 4.1% in the first half 2012, reflecting the increase of the installed capacity and also the allocation of PPA's yearly contracted volumes which implied that gross profit increased by R$89 million. By December 2011 it was expected a rise in the spot price in the first quarter 2012. Thus, the distribution companies decided on a flattish yearly allocation versus 2011, demanding higher volumes on electricity contracted for the first half of 2012 versus first half of 2011. The dry weather felt on the first half of 2012 led to a significant rise in the spot market price. (R$115.4/MWh in the first half 2012 versus R$27.0/MWh in first half of 2011).

Average selling price increased 6% year-on-year in the first half 2012 supported by the update of prices to inflation. Almost all EDP Energias do Brasil's installed capacity is contracted under PPA long term contracts with an average maturity of 15 years.

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 2012, EBITDA in supply grew by 13% to R$30 million as a result of compensation received from a client due to the cancelling of the energy contract (R$6 million) and increase of volumes by 5% which was more than compensated by a decrease in the unit margins due to higher costs of energy purchased.

EDP Group´s net controllable operating costs (supply and services, personnel costs, costs with social benefits and other operating costs (net)) advanced 1.9% (+EUR 17 million), to EUR 904 million in the first half 2012, driven by €27m one-off gain booked in the first half 2011(sale of transmission assets to REE). Operating costs (supply and services, personnel costs, costs with social benefits), in turn, were 1% lower year-on-year as the impact from the aforementioned change in accounting policy (-EUR 45 million in first half of 2011) outstood higher costs stemming from larger base of operations and forex impact at EDP Renováveis (+EUR 16 million).

Financial Results declined 33% (-EUR 87 million), to EUR 353 million in the first half of 2012, following a 10bp increase of the average cost of debt, from 3.9% in the first half 2011 to 4.0% in the first half 2012 and an increase by 4% in average net debt. Note that first half of 2012 financial statements reflect a change in accounting policy as to the interest cost and estimated return of the pension fund assets: the respective amounts, accounted in the first half 2011as operating costs, are now accounted at financial results level (EUR 46 million in the first half 2012 versus EUR45 million in first half of 2011).

Consolidated capex amounted to EUR 690 million in the first six months of 2012, following a deceleration in expansion capex (-25% year-on-year to EUR 402 million), prompted by wind operations. In line with EDP's strategy to invest in risk controlled activities, long-term contracted/regulated activities absorbed 68% of capex. Maintenance capex totaled EUR 288 million in the first half 2012, mostly devoted to regulated networks.

EUR Million	1H12	1H11	Δ %
Long-Term Contracted Generation Iberia	18.1	32.3	-44%
Liberalised Activities Iberia	207.6	153.1	36%
Regulated Networks Iberia (1)	184.2	166.6	11%
Wind Power	109.4	345.0	-68%
Brazil	159.0	123.8	28%
Other	11.9	24.3	-51%
EDP Group	**690.2**	**845.0**	**-18%**
Expansion Capex	**402.2**	**534.7**	**-25%**
Maintenance Capex	**288.1**	**310.3**	**-7%**

(1) 1H11 value related to centralised management of financial investments was reclassified to "other"

Capex in new wind capacity (27% of expansion capex), at EDP Renováveis level, totaled EUR109 million and was mainly incurred in the construction of new capacity in US (34%), Spain (18%), Romania (14%), Poland (11%), Portugal (8%) and France (5%).

Capex in new hydro capacity in Portugal (45% of expansion capex) totaled EUR 178 million in the first half 2012, the bulk of which (EUR 159 million) devoted to construction/repowering works in 6 plants in Portugal (1,710MW due in 2012/15): 3 repowerings (1,203MW) and 3 new plants (507MW). Alqueva II (256MW, 86% of capex already incurred), is due to come on stream in fourth quarter 2012.

In Brazil, EDP already paid EUR 589 million in its 360MW share in Pecém coal plant; and EUR 80 million in the repowering of Mascarenhas and initial construction works of Jari hydro plant (373MW due in 2015).

As at June 2012, the Group's gross nominal debt totaled EUR 19,254 million. When compared to December 2011, the Group's debt was nearly EUR 846 million higher, mostly due to dividends paid, regulatory receivables and to the execution of the planned investment programme.

The amount of cash and equivalents and others as at June 2012 stood at EUR 1,442 million, which was held, mainly, at EDP S.A. and EDP Finance BV (EUR 845 million), the Group's Brazilian subsidiaries (EUR 271 million) and EDP Renewables (EUR 261 million).

EDP Group's consolidated net debt at the end of the first semester amounted to EUR 18,019 million.

EUR Million	Jun-12	Dec-11	Δ %
Debt - Short term	**3,262**	**2,706**	**21%**
Bonds	1,326	1,655	-20%
Bank loans	1,574	724	117%
Other loans	15	15	4%
Commercial paper	347	312	11%
Debt - Long term	**15,992**	**15,702**	**2%**
Bonds	8,961	8,817	2%
Bank loans	6,944	6,791	2%
Other loans	88	94	-7%
Nominal debt	**19,254**	**18,408**	**5%**
Interest accrued	220	304	-28%
Fair value hedge adjustments	115	72	59%
Fair Value of Hedging Derivatives	(128)	(105)	22%
Debt under IFRSs	**19,461**	**18,680**	**4%**
Cash and equivalents and others	**1,442**	**1,732**	**-17%**
Net Debt	**18,019**	**16,948**	**6%**

In terms of maturity, EDP Group's nominal debt breaks down into 17% in short-term and 83% in medium and long-term.

During the first semester 2012, EDP maintained its policy of centralizing funding at EDP S.A. and EDP Finance BV, which represented 87% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings (7%) and project finance debt (mainly from the subsidiaries of the EDP Renewables Group – 5%, and EDP Produção Group - 1%).

In the first semester of 2012, EDP S.A. issued a new retail bond in the Portuguese market in the amount of EUR 250 million, for a 3 year period. This issue allowed EDP to strengthen its liquidity position.

During 2012 the Group received EUR 168 million from the FADE, the Spanish Electricity Deficit Amortisation Fund, through its subsidiary HC Enegía.

In the first quarter, the Group contracted three project finance for wind farms in Spain, in the total amount of EUR177 million.

Maintaining a prudent financial management policy, by June 2012, EDP had access to EUR 856 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.

In the first half of 2012, the average cost of debt of the EDP Group was 4.0% per year and approximately 46% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency of EDP at 72%. The USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 20%.

Rating

In February 2012, following the downgrade of the sovereign, Standard & Poor's ("S&P") downgraded EDP's rating to "BB+" from "BBB" with negative Outlook and Moody's downgraded EDP's rating to "Ba1" from "Baa3" with negative Outlook.

In April 2012, Fitch placed all utilities with sizeable exposure to Spain, including EDP, on Rating Watch Negative, following the measures adopted by the Spanish Government as part of its 2012 budget presentation.

EDP's credit rating stands as at June 2011 three notches above the Republic of Portugal by Fitch, two notches by Moody's and one notch by S&P, reflecting maximum notch differential allowed between EDP and the Republic of Portugal, by the Credit Rating Agencies methodology.

	S&P	Last update	Moody's	Last update	Fitch	Last update
EDP S.A. and EDP Finance BV	BB+/OUT-/B	01/02/2012	Ba1/OUT-/NP	16/02/2012	BBB+ / RWN- / F2	03/04/2012
HC Energia			Ba1/OUT-/NP	16/02/2012	BBB+ / RWN- / F2	03/04/2012
Bandeirante	brAA+/Stab	30/04/2012	Baa3/Aa1.br/Stab	23/05/2011		
Escelsa	BB+/brAA+/Stab	03/05/2011	Baa3/Aa1.br/Stab	05/05/2011		
EDP Brasil			Ba1/Aa2.br/Stab	05/05/2011		

Condensed Financial Statements

30 June 2012

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EDP - Energias de Portugal

Consolidated Income Statement
for the six months periods ended 30 June 2012 and 2011

Thousands of Euros	Notes	2012	2011 *
Turnover	6	8,213,532	7,542,984
Cost of electricity	6	-4,172,342	-3,665,848
Cost of gas	6	-713,096	-634,358
Changes in inventories and cost of raw materials and consumables used	6	-538,852	-455,031
		2,789,242	2,787,747
Revenue from assets assigned to concessions	7	178,853	195,460
Expenditure with assets assigned to concessions	7	-178,853	-195,460
		-	-
Other operating income / (expenses)			
Other operating income	8	154,369	182,599
Supplies and services	9	-445,589	-421,044
Personnel costs and employee benefits	10	-330,231	-321,061
Other operating expenses	11	-282,683	-282,983
		-904,134	-842,489
		1,885,108	1,945,258
Provisions	12	-6,751	-20,422
Depreciation, amortisation expense and impairment	13	-717,107	-724,122
Compensation of amortisation and depreciation	13	13,129	19,877
		1,174,379	1,220,591
Gains / (losses) on the sale of financial assets		2,857	10,372
Financial income	14	366,187	397,183
Financial expenses	14	-719,228	-708,147
Share of profit in associates		10,464	11,789
Profit before income tax		834,659	931,788
Income tax expense	15	-158,940	-220,489
Net profit for the period		675,719	711,299
Attributable to:			
Equity holders of EDP		581,768	608,662
Non-controlling Interests	32	93,951	102,637
Net profit for the period		675,719	711,299
Earnings per share (Basic and Diluted) - Euros	29	**0.16**	**0.17**

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

LISBON, 26 JULY 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 30 June 2012 and 2011

(Thousands of Euros)

	2012		2011	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	581,768	93,951	608,662	102,637
Exchange differences arising on consolidation	-64,817	-106,507	-32,467	-30,096
Fair value reserve (cash flow hedge)	-55,952	-10,512	-9,705	718
Tax effect from the fair value reserve (cash flow hedge)	16,040	3,047	2,091	-366
Fair value reserve (available for sale investments)	309	-347	-130,866	-3,978
Tax effect from the fair value reserve (available for sale investments)	380	118	14,712	651
Actuarial gains / (losses)	12,761	3,955	4,321	13,556
Tax effect from the actuarial gains / (losses)	-2,557	-1,345	-6,641	-4,609
Other comprehensive income for the period, net of income tax	-93,836	-111,591	-158,555	-24,124
Total comprehensive income for the period	487,932	-17,640	450,107	78,513

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 30 June 2012 and 31 December 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	16	20,673,304	20,708,313
Intangible assets	17	6,575,196	6,800,478
Goodwill	18	3,337,546	3,327,257
Investments in associates	20	162,806	160,306
Available for sale investments	21	160,865	171,313
Deferred tax assets	22	386,954	511,414
Trade receivables	24	94,397	108,610
Debtors and other assets from commercial activities	25	2,482,138	2,108,393
Other debtors and other assets	26	512,833	402,025
Total Non-Current Assets		34,386,039	34,298,109
Inventories	23	315,169	346,060
Trade receivables	24	2,035,350	2,043,671
Debtors and other assets from commercial activities	25	1,745,741	1,495,616
Other debtors and other assets	26	319,620	505,694
Tax receivable	27	450,117	644,819
Financial assets at fair value through profit or loss		192	212
Cash and cash equivalents	28	1,441,889	1,731,524
Assets classified as held for sale	41	213,366	201,924
Total Current Assets		6,521,444	6,969,520
Total Assets		40,907,483	41,267,629
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-106,467	-111,430
Share premium	29	503,923	503,923
Reserves and retained earnings	31	3,291,159	2,935,840
Consolidated net profit attributable to equity holders of EDP		581,768	1,124,663
Total Equity attributable to equity holders of EDP		7,926,921	8,109,534
Non-controlling Interests	32	3,180,095	3,277,245
Total Equity		11,107,016	11,386,779
Liabilities			
Financial debt	34	16,122,398	15,786,411
Employee benefits	35	1,759,213	1,823,158
Provisions	36	379,143	415,149
Hydrological correction account	33	62,885	69,142
Deferred tax liabilities	22	897,815	954,002
Institutional partnerships in USA wind farms	37	1,792,163	1,783,861
Trade and other payables from commercial activities	38	1,366,145	1,289,436
Other liabilities and other payables	39	344,179	361,101
Total Non-Current Liabilities		22,723,941	22,482,260
Financial debt	34	3,466,693	2,998,698
Trade and other payables from commercial activities	38	2,663,658	3,296,680
Other liabilities and other payables	39	464,102	535,077
Tax payable	40	458,342	546,806
Liabilities classified as held for sale	41	23,731	21,329
Total Current Liabilities		7,076,526	7,398,590
Total Liabilities		29,800,467	29,880,850
Total Equity and Liabilities		40,907,483	41,267,629

LISBON, 26 JULY 2012

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 April to 30 June 2012 and 2011

Thousands of Euros	2012	2011 *
Turnover	3,801,373	3,528,012
Cost of electricity	-1,888,000	-1,633,857
Cost of gas	-322,476	-299,441
Changes in inventories and cost of raw materials and consumables used	-239,298	-238,340
	1,351,599	1,356,374
Revenue from assets assigned to concessions	84,582	109,197
Expenditure with assets assigned to concessions	-84,582	-109,197
	-	-
Other operating income / (expenses)		
Other operating income	71,260	75,804
Supplies and services	-229,309	-212,779
Personnel costs and employee benefits	-160,718	-164,761
Other operating expenses	-151,198	-140,194
	-469,965	-441,930
	881,634	914,444
Provisions	-3,752	-18,035
Depreciation, amortisation expense and impairment	-359,688	-358,821
Compensation of amortisation and depreciation	6,033	12,618
	524,227	550,206
Gains / (losses) on the sale of financial assets	2,857	10,139
Financial income	173,743	190,240
Financial expenses	-359,956	-345,068
Share of profit in associates	6,822	5,955
Profit before income tax	347,693	411,472
Income tax expense	-79,941	-97,104
Net profit for the period	267,752	314,368
Attributable to:		
Equity holders of EDP	244,525	266,273
Non-controlling Interests	23,227	48,095
Net profit for the period	267,752	314,368
Earnings per share (Basic and Diluted) - Euros	**0.07**	**0.07**

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

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THE OFFICIAL ACCOUNTANT
N.º 17,713

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EDP - Energias de Portugal

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

(Thousands of Euros)

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2010	**10,784,959**	**3,656,538**	**503,923**	**502,888**	**2,794,322**	**35,111**	**164,684**	**312,823**	**-115,731**	**7,854,558**	**2,930,401**
Comprehensive income:											
Net profit for the period	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**
Comprehensive income:											
Net profit for the period	620,680	-	-	-	516,001	-	-	-	-	516,001	104,679
Changes in the fair value reserve (cash flow hedge) net of taxes	-64,793	-	-	-	-	-56,264	-	-	-	-56,264	-8,529
Changes in the fair value reserve (available for sale investments) net of taxes	-4,813	-	-	-	-	-	-7,554	-	-	-7,554	2,741
Actuarial gains/(losses) net of taxes	14,319	-	-	-	37,908	-	-	-	-	37,908	-23,589
Exchange differences arising on consolidation	-191,482	-	-	-	-	-	-	-92,039	-	-92,039	-99,443
Total comprehensive income for the period	373,911	-	-	-	553,909	-56,264	-7,554	-92,039	-	398,052	-24,141
Dividends attributable to non-controlling interests	-58,779	-	-	-	-	-	-	-	-	-	-58,779
Purchase and sale of treasury stock	-1,038	-	-	-	2,288	-	-	-	-3,326	-1,038	-
Changes resulting from acquisitions/sales and equity increases	41,841	-	-	-	-239	-	-	-	-	-239	42,080
Sale without loss of control of EDP Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other reserves arising on consolidation	612	-	-	-	617	-	-	-	-	617	-5
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the period	675,719	-	-	-	581,768	-	-	-	-	581,768	93,951
Changes in the fair value reserve (cash flow hedge) net of taxes	-47,377	-	-	-	-	-39,912	-	-	-	-39,912	-7,465
Changes in the fair value reserve (available for sale investments) net of taxes	460	-	-	-	-	-	689	-	-	689	-229
Actuarial gains/(losses) net of taxes	12,814	-	-	-	10,204	-	-	-	-	10,204	2,610
Exchange differences arising on consolidation	-171,324	-	-	-	-	-	-	-64,817	-	-64,817	-106,507
Total comprehensive income for the period	470,292	-	-	-	591,972	-39,912	689	-64,817	-	487,932	-17,640
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-80,072	-	-	-	-	-	-	-	-	-	-80,072
Purchase and sale of treasury stock	-2,125	-	-	-	-5,072	-	-	-	2,947	-2,125	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Changes resulting from acquisitions/sales and equity increases	500	-	-	-	-	-	-	-	-	-	500
Other reserves arising on consolidation	140	-	-	-	92	-	-	-14	-	78	62
Balance as at 30 June 2012	**11,107,016**	**3,656,538**	**503,923**	**578,435**	**3,262,805**	**-67,000**	**42,049**	**56,638**	**-106,467**	**7,926,921**	**3,180,095**

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

EDP - Energias de Portugal

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

Thousands of Euros	Group Jun 2012	Group Jun 2011	Company Jun 2012	Company Jun 2011
Operating activities				
Cash receipts from customers	7,501,403	7,042,385	968,682	1,061,196
Proceeds from tariff adjustments securitization	167,936	358,465	-	-
Payments to suppliers	-5,913,298	-5,433,656	-1,133,701	-1,118,884
Payments to personnel	-487,917	-434,841	-18,380	-29,072
Concession rents paid	-124,020	-118,712	-	-
Other receipts / (payments) relating to operating activities	-38,435	167,395	9,570	18,719
Net cash from operations	1,105,669	1,581,036	-173,829	-68,041
Income tax received / (paid)	-33,159	-94,931	16,410	-5,025
Net cash from operating activities	1,072,510	1,486,105	-157,419	-73,066
Investing activities				
Cash receipts relating to:				
Financial assets	9,006	27,019	-	-
Property, plant and equipment and intangible assets	4,702	40,140	2,428	634
Investment grants	17,421	393	-	-
Interest and similar income	45,333	55,799	158,340	293,496
Dividends	10,712	8,288	688,301	732,209
	87,174	131,639	849,069	1,026,339
Cash payments relating to:				
Financial assets	-51,685	-263,706	-1,681	-968
Changes in cash resulting from consolidation perimeter variations	5	665	-	-
Property, plant and equipment and intangible assets	-1,085,796	-1,230,254	-8,929	-38,639
	-1,137,476	-1,493,295	-10,610	-39,607
Net cash from investing activities	-1,050,302	-1,361,656	838,459	986,732
Financing activities				
Receipts / (payments) relating to loans	868,727	279,894	-65,692	52,927
Interest and similar costs including hedge derivatives	-390,475	-314,081	-127,248	-204,049
Governmental grants received	3,206	1,574	-	-
Share capital increases by non-controlling interests	-	3,720	-	-
Receipts / (payments) relating to derivative financial instruments	-934	-16,519	9,780	-6,434
Dividends paid to equity holders of EDP	-670,829	-616,581	-670,829	-616,581
Dividends paid to non-controlling interests	-99,641	-91,189	-	-
Treasury stock sold / (purchased)	-2,125	2,117	-74	4,162
Receipts / (payments) from wind activity institutional partnerships - USA	-6,670	-7,343	-	-
Net cash from financing activities	-298,741	-758,408	-854,063	-769,975
Changes in cash and cash equivalents	-276,533	-633,959	-173,023	143,691
Effect of exchange rate fluctuations on cash held	-13,102	-21,919	-38	105
Cash and cash equivalents at the beginning of the period	1,731,524	1,588,163	661,609	142,675
Cash and cash equivalents at the end of the period (*)	1,441,889	932,285	488,548	286,471

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

EDP - Energias de Portugal, S.A.

Company Income Statement
for the six months periods ended 30 June 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	1,035,513	1,186,435
Cost of electricity	6	-841,147	-893,526
Changes in inventories and cost of raw materials and consumables used	6	-160,980	-236,215
		33,386	56,694
Other operating income / (expenses)			
Other operating income	8	7,309	3,314
Supplies and services	9	-92,290	-86,675
Personnel costs and employee benefits	10	-6,182	-7,068
Other operating expenses	11	-9,390	-9,374
		-100,553	-99,803
		-67,167	-43,109
Provisions	12	-5,874	3,593
Depreciation, amortisation expense and impairment	13	-6,832	-4,404
		-79,873	-43,920
Financial income	14	974,802	978,439
Financial expenses	14	-370,392	-514,810
Profit before income tax		524,537	419,709
Income tax expense	15	100,373	45,375
Net profit for the period		624,910	465,084

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

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at 30 June 2012 and 2011

Thousands of Euros	2012	2011
Net profit for the period	624,910	465,084
Fair value reserve (cash flow hedge)	-20,748	-3,856
Tax effect from the fair value reserve (cash flow hedge)	6,009	1,201
Fair value reserve (available for sale investments)	-340	-121,374
Tax effect from the fair value reserve (available for sale investments)	496	13,165
Other comprehensive income for the period, net of income tax	-14,583	-110,864
Total comprehensive income for the period	610,327	354,220

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	16	197,369	200,749
Intangible assets	17	12	16
Investments in subsidiaries	19	9,708,954	9,708,783
Available for sale investments	21	43,248	42,544
Investment property		11,445	11,468
Deferred tax assets	22	87,520	18,344
Debtors and other assets from commercial activities	25	1,772	179
Other debtors and other assets	26	5,127,095	4,848,129
Total Non-Current Assets		15,177,415	14,830,212
Inventories	23	2,084	807
Trade receivables	24	112,600	149,073
Debtors and other assets from commercial activities	25	236,760	260,829
Other debtors and other assets	26	4,339,054	2,645,774
Tax receivable	27	150,313	162,377
Cash and cash equivalents	28	488,548	661,609
Total Current Assets		5,329,359	3,880,469
Total Assets		20,506,774	18,710,681
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-100,372	-105,335
Share premium	29	503,923	503,923
Reserves and retained earnings	31	1,991,210	1,895,855
Net profit for the period		624,910	785,804
Total Equity		6,676,209	6,736,785
Liabilities			
Financial debt	34	1,845,319	1,777,527
Provisions	36	85,076	72,172
Hydrological correction account	33	62,885	69,142
Trade and other payables from commercial activities	38	2,297	3,410
Other liabilities and other payables	39	2,485,335	2,447,314
Total Non-Current Liabilities		4,480,912	4,369,565
Financial debt	34	7,169,998	5,700,385
Trade and other payables from commercial activities	38	370,842	508,693
Other liabilities and other payables	39	1,808,396	1,393,531
Tax payable	40	417	1,722
Total Current Liabilities		9,349,653	7,604,331
Total Liabilities		13,830,565	11,973,896
Total Equity and Liabilities		20,506,774	18,710,681

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

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 April to 30 June 2012 and 2011

Thousands of Euros	2012	2011
Turnover	474,363	558,651
Cost of electricity	-390,088	-408,847
Changes in inventories and cost of raw materials and consumables used	-71,181	-136,581
	13,094	13,223
Other operating income / (expenses)		
Other operating income	3,702	1,611
Supplies and services	-50,960	-45,986
Personnel costs and employee benefits	-3,082	-3,294
Other operating expenses	-8,572	-1,096
	-58,912	-48,765
	-45,818	-35,542
Provisions	-2,350	-88
Depreciation, amortisation expense and impairment	-3,403	-2,260
	-51,571	-37,890
Financial income	758,431	750,962
Financial expenses	-183,860	-292,710
Profit before income tax	523,000	420,362
Income tax expense	21,336	16,935
Net profit for the period	544,336	437,297

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EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2010	**6,702,149**	**3,656,538**	**503,923**	**502,888**	**1,997,977**	**17,813**	**132,646**	**-109,636**
Comprehensive income:								
Net profit for the period	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**
Comprehensive income:								
Net profit for the period	320,720	-	-	-	320,720	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-12,690	-	-	-	-	-12,690	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-14,220	-	-	-	-	-	-14,220	-
Total comprehensive income for the period	293,810	-	-	-	320,720	-12,690	-14,220	-
Purchase and sale of treasury stock	-1,038	-	-	-	2,288	-	-	-3,326
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the period	624,910	-	-	-	624,910	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-14,739	-	-	-	-	-14,739	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	156	-	-	-	-	-	156	-
Total comprehensive income for the period	610,327	-	-	-	624,910	-14,739	156	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-2,125	-	-	-	-5,072	-	-	2,947
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 30 June 2012	**6,676,209**	**3,656,538**	**503,923**	**578,435**	**2,039,583**	**-12,271**	**10,373**	**-100,372**

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

NOTES TO THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1. ECONOMIC ACTIVITY OF EDP GROUP

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

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

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

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

Activity in the energy sector in Portugal

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

The investment incentives for power generation resulting from capacity payments applicable to thermal power plants were suspended until 2013, corresponding to the compliance date of the measures foreseen in the Financial Assistance Program for the energy sector. After that date the capacity payments amount shall correspond to € 6000/MW/year. The capacity payments are also maintained for new hydro power plants, during a period of 10 years, in an amount calculated considering the current criteria for national supply coverage set out in regulations, which shall be reduced in fifty percent for capacity repowering in hydro plants with reversible pumping.

Activity in the energy sector in Spain

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

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

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

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

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

2. ACCOUNTING POLICIES

a) Basis of presentation

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

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 26 July 2012. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the six months period ended 30 June 2012 were prepared in accordance with IFRS as adopted by the E.U. until 30 June 2012 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2011.

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

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

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

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

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

Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset. For consistency purposes, this presentation has been applied to all statements of financial position presented (see note 37).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, there was a change in accounting policy on employee benefits - pensions, which lead to the restatement of comparative figures for 30 June 2011.

Change in accounting policy

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

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

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

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

As at 30 June 2012, the effect of this change results in an impact of 46 million of Euros in financial results against a decrease on employee benefits costs. As at 30 June 2011, EDP Group restated its employee benefits costs for comparative purposes, resulting in a decrease of approximately 44.9 millions of Euros against a increase of negative financial results in the same amount (see notes 10 and 14).

b) Basis of consolidation

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

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

Subsidiaries

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

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

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

Associates

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

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

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

Borrowing costs and other directly attributable costs

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

Government grants

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

Transfers of assets from customers

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

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

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

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

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

m) Accounts receivable

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

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

n) Employee benefits

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

Pensions

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Segment reporting

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

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

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

x) Tariff adjustments

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

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

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

y) CO2 licenses and greenhouse effect gas emission

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

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

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

z) Cash Flow Statement

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

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

aa) Group concession activities

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

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

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

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

Financial Asset Model

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

Intangible Asset Model

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

Mixed Model

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

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

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

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

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

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

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

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

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

Contractual Stability Compensation — Revisable mechanism

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

Review of the useful life of the assets

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

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

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

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

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

Tariff adjustments

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

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

Tariff deficit

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

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

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

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

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

Impairment of long term assets and Goodwill

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

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

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

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

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

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

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

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

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

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 2012 and 2011, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

	Jun 2012			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	24,388	-29,808	-3,247	3,969
PLN	5,945	-7,267	-	-
	30,333	-37,075	-3,247	3,969

	Jun 2011			
	Results		Equity	
Thousands of Euros	+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

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

Interest rate risk management

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

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

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 16 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 46% of the Group's liabilities are fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

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 2012 and 2011 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Jun 2012			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-19,082	19,082	-	-
Unhedged debt	-77,174	77,174	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	48,501	-49,581
Trading derivatives (accounting perspective)	-6,784	3,259	-	-
	-103,040	99,515	48,501	-49,581

	Jun 2011			
	Results		Equity	
Thousands of Euros	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

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

Counterparty credit risk management

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

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

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

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

Liquidity risk management

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

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO_2) and fuel (coal, brent, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps and forwards of electricity and fuels to fix prices.

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

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

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

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

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

	P@R Distribution by risk factor	
Thousands of Euros	Jun 2012	Dec 2011
Risk factor:		
Negociation	2,000	2,000
Fuel	21,000	45,000
CO2	3,000	1,000
Electricity	24,000	19,000
Hydrological	44,000	19,000
Diversification effect	-50,000	-66,000
Total	44,000	20,000

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 2012 and 31 December 2011 the EDP Group's exposure to credit risk rating ia as follows:

	Jun 2012	Dec 2011
Credit risk rating (S&P):		
AAA to AA-	5.70%	12.44%
A+ to A-	81.76%	81.15%
BBB+ to BBB-	10.45%	3.43%
BB+ to B-	0.64%	0.47%
No rating assigned	1.45%	2.51%
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 2012 and 31 December 2011 is as follows:

	VaR	
Thousands of Euros	Jun 2012	Dec 2011
Exchange rate risk	2,421	677
Interest rate risk	3,465	3,747
Covariation	-1,778	-604
Total	4,108	3,820

5. CONSOLIDATION PERIMETER

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

Companies acquired:
- EDP Inovação, S.A. acquired 30% of the share capital of EIDT - Engenharia, Inovação e Desenvolvimento Tecnológico, S.A., through its subsidiary EDP Ventures, S.G.P.S., S.A.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of Pietragalla Eolico S.R.L.;
- EDP Renewables Canada, Ltd. acquired 100% of the share capital of the following companies:
  - Eolia Renewable Energy Canada Ltd.;
  - 0867242 BC Ltd.;
  - South Branch Wind Farm Inc.

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

Companies merged:
- EDP Finance Company (Ireland), Ltd. was merged into EDP Servicios Financieros España, S.A.

Companies incorporated:
- Central Eólica Baixa do Feijão I, S.A.;
- Central Eólica Baixa do Feijão II, S.A.;
- Central Eólica Baixa do Feijão III, S.A.;
- Central Eólica Baixa do Feijão IV, S.A.;
- MFW Gryf SP. ZO.O;
- MFW Neptun SP. ZO.O;
- MFW Pomorze SP. ZO.O;
- EDP Renewables Canada LP Ltd.;
- EDP Renewables Canada GP Ltd.;
- SBWFI GP Inc.;
- South Dundas Wind Farm LP.

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

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Electricity and network access	7,260,272	6,641,937	862,916	979,825
Gas and network access	898,896	810,439	99,926	82,540
Other	54,364	90,608	72,671	124,070
	8,213,532	7,542,984	1,035,513	1,186,435

During the first semester of 2012, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net revenue of 797,392 thousands of Euros (income in 30 June 2011: 357,509 thousands of Euros) regarding the tariff adjustments of the period (see notes 25 and 38), as described under accounting policy - note 2 x).

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

	Jun 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	4,129,680	1,650,358	1,189,318	198,422	92,494	7,260,272
Gas and network access	132,838	766,058	-	-	-	898,896
Other	29,996	17,525	6,697	-	146	54,364
	4,292,514	2,433,941	1,196,015	198,422	92,640	8,213,532

	Jun 2011					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network accesses	3,651,798	1,583,434	1,187,965	162,771	55,969	6,641,937
Gas and network accesses	211,013	599,426	-	-	-	810,439
Other	72,294	13,108	5,054	-	152	90,608
	3,935,105	2,195,968	1,193,019	162,771	56,121	7,542,984

Following the revision of the Commercial Relations Code, from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production acquired under the applicable legislation, buying in the market all the electricity needed to supply its customers. Following this amendment, the prior periods energy purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover by its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 30 June 2012 the energy from special regime producers sold in the market totals 424 million of Euros.

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

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

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Cost of electricity	4,172,342	3,665,848	841,147	893,526
Cost of gas	713,096	634,358	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	249,706	146,094	-	-
Gas	239,125	264,050	155,303	183,080
Cost of consumables used	7,899	71,558	-	-
Own work capitalised	-42,310	-47,237	-	-
Other	84,432	20,566	5,677	53,135
	538,852	455,031	160,980	236,215
	5,424,290	4,755,237	1,002,127	1,129,741

On a company basis, Cost of electricity includes costs of 435,876 thousands of Euros (30 June 2011: 502,657 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

7. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

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

	Group	
Thousands of Euros	Jun 2012	Jun 2011
Revenue from assets assigned to concessions	178,853	195,460
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-129,795	-144,124
Personnel costs capitalized (see note 10)	-43,157	-44,046
Capitalised interest expense from financial debt (see note 14)	-5,901	-7,290
	-178,853	-195,460
	-	-

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

	Jun 2012			Jun 2011		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	142,001	36,852	178,853	131,827	63,633	195,460
Expenditure with assets assigned to concessions	-142,001	-36,852	-178,853	-131,827	-63,633	-195,460
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Gains on fixed assets	9,434	31,915	559	357
Reversal of adjustments	10,082	25,265	12	-
Customers contributions	16,010	15,941	-	-
Income arising from institutional partnerships - EDPR NA	71,051	60,951	-	-
Other operating income	47,792	48,527	6,738	2,957
	154,369	182,599	7,309	3,314

The caption Reversal of Adjustments includes 9,087 thousands of Euros (30 June 2011: 25,234 thousands of Euros) related to Doubtful debtors and 995 thousands of Euros (30 June 2011: 31 thousands of Euros) regarding Debtors and other assets.

Customers contributions includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 14,650 thousands of Euros (30 June 2011: 14,288 thousands of Euros), as referred in accounting policy 2h).

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

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 38). This liability is depreciated over the period of the agreements against other operating income. As at 30 June 2012, the amortisation for the period amounts to 4,900 thousands of Euros (30 June 2011: 5,125 thousands of Euros).

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

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Supplies and services:				
Consumables and communications	28,063	26,077	5,586	5,470
Rents and leases	56,770	53,269	23,952	22,873
Maintenance and repairs	153,785	143,617	8,889	7,033
Specialised works:				
- Commercial activity	73,051	68,915	2,682	3,184
- IT services, legal and advisory fees	42,862	40,379	15,189	11,987
- Other services	26,655	17,334	6,415	6,103
Provided personnel	-	-	22,194	23,500
Other supplies and services	64,403	71,453	7,383	6,525
	445,589	421,044	92,290	86,675

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Personnel costs				
Board of Directors remuneration	8,612	8,664	2,631	2,648
Employees' remuneration	256,324	247,718	664	769
Social charges on remuneration	62,329	61,435	215	190
Performance, assiduity and seniority bonus	35,364	37,020	1,598	2,338
Other costs	12,723	15,293	838	741
Own work capitalised:				
- Assigned to concessions (see note 7)	-43,157	-44,046	-	-
- Other	-37,482	-37,382	-	-
	294,713	288,702	5,946	6,686
Employee benefits				
Pension plans costs	14,718	17,844	149	313
Medical plans costs and other benefits	4,334	3,862	61	66
Cost of rationalising human resources	3,744	5,921	-	-
Other	12,722	4,732	26	3
	35,518	32,359	236	382
	330,231	321,061	6,182	7,068

Pension plans costs include 6,145 thousands of Euros (30 June 2011: 6,971 thousands of Euros) related to defined benefit plans (see note 35) and 8,573 thousands of Euros (30 June 2011: 10,873 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 4,334 thousands of Euros (30 June 2011: 3,862 thousands of Euros) related to the net charge of the period. The cost of rationalising human resources results essentially from the project for restructuring of EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante.

Other employee benefits include costs with medical services of employees in the amount of 5,039 thousands of Euros (30 June 2011: 3,576 thousands of Euros), and insurance costs among other assigned benefits.

Following the change in accounting policy, occurred in September 2011, for the booking of employee benefits costs, in June 2012 the financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 23,201 thousands of Euros and 22,795 thousands of Euros, respectively, are presented in the caption of financial expenses (see notes 14 and 35). Consistently, the comparative figures with reference to 30 June 2011, in the amount of 22,788 thousands of Euros and 22,089 thousands of Euros, respectively, were reclassified from personnel costs and employee benefits to financial expenses.

11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Concession rents paid to local authorities and others	140,792	127,486	-	-
Direct and indirect taxes	51,780	60,230	455	357
Impairment losses on doubtful debts and others	36,546	31,288	-	10
Donations	12,192	12,199	7,598	7,641
Other operating costs	41,373	51,780	1,337	1,366
	282,683	282,983	9,390	9,374

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

12. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Charge for the period	19,762	46,986	6,650	1,675
Write-back for the period	-13,011	-26,564	-776	-5,268
	6,751	20,422	5,874	-3,593

13. DEPRECIATION,AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Property, plant and equipment:				
Buildings and other constructions	7,395	6,330	1,453	297
Plant and machinery	462,545	458,255	13	11
Other	38,891	33,317	5,362	4,092
Impairment loss	8,979	8	-	-
	517,810	497,910	6,828	4,400
Intangible assets:				
Other rights	1,809	2,398	4	4
Concession rights and impairment	38,246	43,673	-	-
Intangible assets related to concessions - IFRIC 12	159,242	180,141	-	-
	199,297	226,212	4	4
	717,107	724,122	6,832	4,404
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-13,129	-19,877	-	-
	703,978	704,245	6,832	4,404

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

During the first half of 2012 an impairment loss of 8,563 thousands of Euros was booked on fixed assets under construction related to wind generation assets in Spain, considering management's decision to postpone the operation start up of those assets, as a result of the regulatory changes recently issued in Spain (see note 16).

14. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Financial income				
Interest income from bank deposits and other applications	32,363	39,474	13,663	16,446
Interest income from loans to subsidiaries and related parties	5,413	3,270	209,039	157,849
Interest from derivative financial instruments	68,865	69,509	9,899	19,049
Derivative financial instruments	106,202	115,894	186,066	166,959
Other interest income	27,835	32,204	325	1,667
Income from equity investments	4,910	3,202	552,416	458,750
Foreign exchange gains	33,748	38,713	3,376	157,611
CMEC	37,413	41,721	-	-
Other financial income	49,438	53,196	18	108
	366,187	397,183	974,802	978,439
Financial expenses				
Interest expense on financial debt	392,007	373,312	155,708	149,902
Capitalised borrowing costs:				
Assigned to concessions (see note 7)	-5,901	-7,290	-	-
Other	-61,798	-64,897	-	-
Interest from derivative financial instruments	57,832	53,114	9,485	16,155
Derivative financial instruments	116,931	141,727	177,086	315,387
Other interest expense	24,113	21,224	4,514	4,154
Foreign exchange losses	53,856	20,669	9,216	5,195
CMEC	9,120	8,986	-	-
Unwinding of liabilities	56,005	54,824	-	-
Unwinding of pension liabilities	23,201	22,788	-	-
Unwinding of medical liabilities and other plans	22,795	22,089	-	-
Other financial expenses	31,067	61,601	14,383	24,017
	719,228	708,147	370,392	514,810
Financial income / (expenses)	-353,041	-310,964	604,410	463,629

The caption Other financial Income - CMEC totalling 37,413 thousands of Euros includes, 9,488 thousands of Euros related to interest of the initial CMEC (30 June 2011: 9,540 thousands of Euros) included in the annuity for 2012, and 27,925 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 June 2011: 28,815 thousands of Euros). As at 30 June 2012 the caption Other financial Income - CMEC also includes 3,366 thousands of Euros related to revisibility.

Other financial expenses - CMEC, in the amount of 9,120 thousands of Euros (30 June 2011: 8,986 thousands of Euros), relate to the unwinding of the initial CMEC, booked against Deferred Income (see note 38).

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

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

As at 30 June 2011, the financials components of pension liabilities, medical liabilities and other benefits in the amounts of 22,788 thousands of Euros and 22,089 thousands of Euros, respectively were reclassified from personnel costs and employee benefits to financial expenses (see notes 10 and 35).

Other financial expenses, on a consolidated basis, includes a impairment of available for sale financial investments in the amount of 8,918 thousands of Euros and refers essentially to impairment with the investments held in BCP and Rede Energia, in the amounts of 5,495 thousands of Euros (30 June 2011: 18.378 thousands of Euros) and 3,391 thousands of Euros, respectively, as a result of the listed price decrease of these shares (see note 21).

Other financial expenses, on a company basis, includes an impairment loss of financial investments of 7,613 thousands of Euros (30 June 2011: 20,242 thousands of Euros) to cover the negative equity of subsidiary companies.

15. INCOME TAX

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

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

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

Royal Decree-Law 12/2012, published on March 31, 2012, provides for the implementation of a set of measures aimed to reduce the public deficit,namely a general limitation for the deduction of the net financial expenses to 30% of the adjusted operational profit. Additionally, the maximum annual rate of goodwill amortization is established at 1% for the tax years of 2012 and 2013.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43,1 million of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 million of Euros in 2011. On 24 April 2012, an additional favourable decision was issued regarding the municipal surcharge of 2010 on the amount of 12,7 million of Euros, which was recorded as an income in the second quarter of 2012.

As at 30 June 2012, the total amount of Municipal surcharge paid in excess in 2008, 2009 and 2011, regarding which EDP is still awaiting for a decision on the administrative and legal procedures, amounts to 20,4 million of Euros.

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

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Current tax	-44,638	-140,786	1,519	51,506
Deferred tax	-114,302	-79,703	98,854	-6,131
	-158,940	-220,489	100,373	45,375

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

	Jun 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	834,659	221,185
Tax losses and tax credits	0.2%	6,509	1,725
Dividends	1.8%	56,430	14,954
Tax benefits	-1.9%	-60,506	-16,034
Non deductible provisions and amortisations for tax purposes	-2.3%	-71,328	-18,902
Diferences between tax and accounting gains and losses	-0.1%	-3,125	-828
Fair value of financial instruments and financial investments	1.3%	42,057	11,145
Financial investments in associates and subsidiaries	-8.4%	-265,238	-70,288
Autonomous taxation	0.2%	6,423	1,702
State surcharge	0.4%	14,125	3,743
Other adjustments, tax differencial and changes in estimates	1.3%	39,766	10,538
Effective tax rate and total income tax	19.0%	599,772	158,940

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

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

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

	Jun 2011		
Thousands of Euros	Rate	Tax basis	Tax
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
Differences 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 reconciliation between the nominal and the effective income tax rate for the Company, as at 30 June 2012, is analysed as follows:

	Jun 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	524,537	139,002
Non deductible provisions and amortisations for tax purposes	0.3%	6,275	1,663
Tax losses and tax credits	-5.7%	-112,226	-29,740
Dividends	-29.5%	-583,600	-154,654
Autonomous taxation and tax benefits	0.0%	-732	-194
State surcharge	2.3%	45,596	12,083
Financial investments in associates and subsidiaries	-12.9%	-255,181	-67,623
Other adjustments and changes in estimates	-0.1%	-3,434	-910
Effective tax rate and total income tax	-19.1%	-378,765	-100,373

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

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

	Jun 2011		
Thousands of Euros	Rate %	Tax basis	Tax
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 effective income tax rate for the EDP Group and EDP, SA is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Profit before tax	834,659	931,788	524,537	419,709
Income tax	-158,940	-220,489	100,373	45,375
Effective income tax rate	19.0%	23.7%	-19.1%	-10.8%

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Cost:				
Land and natural resources	173,375	176,310	74,619	75,026
Buildings and other constructions	532,285	551,944	93,731	95,906
Plant and machinery:				
Hydroelectric generation	8,665,915	8,036,060	254	254
Thermoelectric generation	7,683,603	7,752,912	-	-
Renewable generation	11,206,353	10,899,201	-	-
Electricity distribution	1,321,201	1,990,302	-	-
Gas distribution	1,114,592	1,100,039	-	-
Other plant and machinery	116,016	114,955	181	165
Other	787,602	775,526	109,589	109,323
Assets under construction	2,894,340	2,731,386	16,728	12,432
	34,495,282	34,128,635	295,102	293,106
Accumulated depreciation and impairment losses:				
Depreciation charge	-508,831	-1,019,320	-6,828	-11,154
Accumulated depreciation in previous years	-13,293,602	-12,390,019	-90,905	-81,203
Impairment losses	-8,979	-5,058	-	-
Impairment losses in previous years	-10,566	-5,925	-	-
	-13,821,978	-13,420,322	-97,733	-92,357
Carrying amount	20,673,304	20,708,313	197,369	200,749

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

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
Cost:							
Land and natural resources	176,310	2,425	-505	-87	-4,628	-140	173,375
Buildings and other constructions	551,944	76	-2,469	2,892	-20,429	271	532,285
Plant and machinery	29,893,469	4,939	-107,997	271,871	48,327	-2,929	30,107,680
Other	775,526	7,353	-7,492	13,010	-787	-8	787,602
Assets under construction	2,731,386	496,038	-1,998	-289,430	-38,481	-3,175	2,894,340
	34,128,635	510,831	-120,461	-1,744	-15,998	-5,981	34,495,282

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses:							
Buildings and other constructions	155,315	7,395	-1,865	-	-4,345	224	156,724
Plant and machinery	12,699,358	471,108	-106,443	-	5,145	-2,256	13,066,912
Other	565,649	39,307	-6,036	-	-1,143	565	598,342
	13,420,322	517,810	-114,344	-	-343	-1,467	13,821,978

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

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

Transfers of 1,744 thousands of Euros relates with assets of the gas transmission business in Spain which were transferred to non-current assets held for sale (see note 41).

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL) and the appreciation of the American Dollar (USD) and Zloty (PLN) against the Euro, during the six months period ended at 30 June 2012.

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

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

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

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

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
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
Other	805,664	8,766	-20,100	22,522	-2,240	-74,943	739,669
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

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 June
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
Other	596,922	33,325	-15,645	-	-1,287	-43,657	569,658
	12,559,381	497,910	-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 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 described in the note 3 - Critical accounting estimates and judgements in preparing the financial statements.

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

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Cost:						
Land and natural resources	75,026	-	-407	-	-	74,619
Buildings and other constructions	95,906	-	-2,386	-	211	93,731
Plant and machinery	419	16	-	-	-	435
Other	109,323	638	-490	118	-	109,589
Assets under construction	12,432	4,414	-	-118	-	16,728
	293,106	5,068	-3,283	-	211	295,102

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses:						
Buildings and other constructions	22,473	1,453	-1,851	-	211	22,286
Plant and machinery	169	13	-	-	-	182
Other	69,715	5,362	-396	-	584	75,265
	92,357	6,828	-2,247	-	795	97,733

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

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
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
Other	122,278	2,019	-550	121	19	123,887
Assets under construction	82,951	9,865	-	-75,655	-	17,161
	276,698	37,209	-1,091	-	251	313,067

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 June
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	297	-210	-	232	17,713
Plant and machinery	145	11	-	-	-	156
Other	94,054	4,092	-386	-	4	97,764
	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.

17. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Cost:				
Concession rights	15,347,240	15,463,265	-	-
CO2 licenses	288,848	359,058	-	-
Other intangibles	97,511	97,157	100	100
Intangible assets in progress	601,877	563,295	-	-
	16,335,476	16,482,775	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights	-197,488	-453,887	-	-
Amortisation of industrial property and other intangibles	-1,809	-3,406	-4	-8
Accumulated amortisation in previous years	-9,560,983	-9,225,004	-84	-76
	-9,760,280	-9,682,297	-88	-84
Carrying amount	6,575,196	6,800,478	12	16

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

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

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

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Cost:							
Concession rights:							
Distribution and generation Brazil	1,448,562	-	-	-	-46,693	-	1,401,869
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,371,528	10,976	-	-	-	25	1,382,529
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	359,058	130,157	-200,367	-	-	-	288,848
Assigned to concessions (IFRIC 12):							
Intangible assets	12,493,994	12	-13,104	90,602	-157,843	-	12,413,661
Intangible assets in progress	191,760	178,812	-142	-144,444	-4,499	-	221,487
Other intangibles	97,157	99	-11	192	184	-110	97,511
Other intangible assets in progress	371,535	9,733	-35	-192	-894	243	380,390
	16,482,775	329,789	-213,659	-53,842	-209,745	158	16,335,476

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Accumulated amortisation and impairment losses:							
Concession rights	675,011	38,246	-	-	-7,450	-	705,807
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	159,242	-7,734	-	-106,061	-	9,023,689
Other rights	29,044	1,809	-	-	-56	-13	30,784
	9,682,297	199,297	-7,734	-	-113,567	-13	9,760,280

Transfers of intangible assets assigned to concessions in the amount of 53,842 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the application of revised amortisation rates in the Brasilian electricity sector, as result of the useful lives revision for the assets allocated to concessions by "Agência de Energia Elétrica" (ANEEL), in the amount of 13,491 thousands of Euros (32,572 thousands of Brazilian Reais) during the first semester of 2012.

Acquisitions / Increases of CO2 Licences as at 30 June 2012 includes 109,026 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 21,131 thousands of Euros of licences purchased at market. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 458 thousands of Euros sold in the market.

In the caption "Hydric Portugal", the acquisitions of 10,976 thousands of Euros (30 June 2011: 23,077 thousands of Euros) relates to the power enhancement performed during 2012 in the hydroelectric plant of Alqueva. In 2011 the negative movement in Perimeter variations/Regularisations of 4,618 thousands of Euros relates to the fact that the power enhancements predicted contractually in Pedrogão have not been performed, which implies a revision of concession rent.

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

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Cost:							
Concession rights:							
Distribution and generation Brazil	1,254,421	-	-	-	-10,225	-	1,244,196
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,320,346	23,077	-	-	-	-4,618	1,338,805
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	289,557	-224,938	-	-	-	276,849
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	14,648	-19,539	123,563	-47,153	-	12,380,402
Intangible assets in progress	257,298	180,812	-688	-169,413	-2,638	-	265,371
Other intangibles	93,411	90	-22	-	-1,981	-105	91,393
Other Intangible assets 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

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 June
Accumulated amortisation and impairment losses:							
Concession rights	597,280	43,673	-	-	-1,636	-	639,317
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	180,141	-12,223	-	-29,760	-	8,836,978
Other rights	25,629	2,398	-21	-	-363	28	27,671
	9,321,729	226,212	-12,244	-	-31,759	28	9,503,966

Transfers in the amount of 45,850 thousands of Euros are 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 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 and 44,721 thousands of Euros sold in the market.

18. GOODWILL

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

Thousands of Euros	Group	
	Jun 2012	Dec 2011
HC Energia Group	1,905,874	1,916,548
EDP Renováveis Group	1,333,202	1,311,133
EDP Brasil Group	56,321	57,427
Other	42,149	42,149
	3,337,546	3,327,257

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

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 June
HC Energia Group	1,916,548	-	-10,674	-	-	-	1,905,874
EDP Renováveis Group	1,311,133	4,828	-24	-	17,265	-	1,333,202
EDP Brasil Group	57,427	-	-	-	-1,106	-	56,321
Other	42,149	-	-	-	-	-	42,149
	3,327,257	4,828	-10,698	-	16,159	-	3,337,546

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

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 June
HC Energia Group	1,908,476	3,155	-	-	-	-	1,911,631
EDP Renováveis Group	1,343,294	-	-12,846	-	-43,877	-	1,286,571
EDP Brasil Group	58,991	-	-	-	-357	-	58,634
Other	38,418	3,732	-	-	-	-	42,150
	3,349,179	6,887	-12,846	-	-44,234	-	3,298,986

HC Energia Group

During the first semester of 2012, the goodwill from Hidrocantabrico Group decreased by 10,674 thousands of Euros (30 June 2011: increase of 2,318 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

In the six months period ended 30 June 2011, the decrease in EDP Renováveis Group goodwill in the amount of 12,846 thousands of Euros, results from the redefinition of the final price of the liability related with the written put option of Caja Madrid over the non-controlling interest held by this entity over Genesa in the amount of 3,363 thousands of Euros and the disposal of Subgrupo Veinco in the amount of 9,483 thousands of Euros.

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

Thousands of Euros	EDP Renováveis Group Jun 2012	EDP Renováveis Group Dec 2011
Goodwill in EDPR Europe Group	703,250	697,691
Goodwill in EDPR North America Group	628,491	611,882
Goodwill in EDPR Brazil Group	1,461	1,560
	1,333,202	1,311,133

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

Thousands of Euros	Company Jun 2012	Company Dec 2011
Acquisition cost	10,863,529	10,863,358
Effect of equity method (transition to IFRS)	-1,020,632	-1,020,632
Equity investments in subsidiaries	9,842,897	9,842,726
Impairment losses on equity investments in subsidiaries	-133,943	-133,943
	9,708,954	9,708,783

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

20. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group Jun 2012	Group Dec 2011	Company Jun 2012	Company Dec 2011
Associated companies:				
Investments in associates	162,943	160,443	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	162,806	160,306	-	-

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Banco Comercial Português, S.A.	14,170	19,665	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	39,006	39,361	39,006	39,361
Tejo Energia, S.A.	29,507	29,507	-	-
Other	78,182	82,780	4,242	3,183
	160,865	171,313	43,248	42,544

As at 30 June 2012, the investment held in Banco Comercial Português, S.A. decreased by 5,495 thousands of Euros, considered as impairment loss recognised in the income statement.

During the six months period ended 30 June 2012, the financial investment held in REN - Redes Energéticas Nacionais, S.G.P.S, S.A., decreased by 355 thousands of Euros and the decrease was booked against fair value reserves (see note 31).

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

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

Thousands of Euros	Jun 2012	Dec 2011
REN - Redes Energéticas Nacionais, S.G.P.S., S.A	13,186	13,541
Tejo Energia, S.A.	23,152	23,152
Other	6,983	6,319
	43,321	43,012

22. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Balance as at 1 January	511,414	515,332	-954,002	-856,072
Tariff adjustment for the period	-1,935	-31,103	-150,617	-82,006
Provisions	-13,100	-9,962	-	-
Property, plant and equipment, intagible assets and accounting revaluations	-20,584	-21,044	-22,361	-21,003
Deferred tax over CMEC´s in the period	-	-	-23,514	62,205
Tax losses and tax credits	114,679	78,361	-	-
Financial and available for sale investments	1,889	2,886	64,481	9,203
Fair value of derivative financial instruments	-8,157	1,761	16,560	-2,888
Allocation of fair value adjustments to assets and liabilities acquired	-20	-85	25,790	1,154
Gains from institutional partnerships in USA wind farms	-	-	-38,644	-33,119
Exchange differences and other	-17,293	1,119	4,553	2,861
Netting of deferred tax assets and liabilities	-179,939	-71,404	179,939	71,404
Balance as at 30 June	386,954	465,861	-897,815	-848,261

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Balance as at 1 January	18,344	-	-	-67,926
Tax losses and tax credits	-5,167	32,821	-	-
Provisions	-398	4,841	-	-
Financial and available for sale investments	976	1,533	67,623	10,204
Fair value of derivative financial instruments	-2,164	-5,624	8,412	3,156
Other temporary differences	-10	-707	-96	-4,242
Netting of deferred tax assets and liabilities	75,939	-32,864	-75,939	32,864
Balance as at 30 June	87,520	-	-	-25,944

23. INVENTORIES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Merchandise	60,825	90,673	-	-
Finished, intermediate products and sub-products	43,094	39,494	-	-
Raw and subsidiary materials and consumables (coal and fuel)	131,397	124,311	-	-
Nuclear fuel	14,280	15,140	-	-
Other consumables	65,573	76,442	2,084	807
	315,169	346,060	2,084	807

24. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	753,819	796,933	112,600	149,073
Spain	649,160	676,314	-	-
Brazil	370,442	374,868	-	-
U.S.A.	34,912	31,660	-	-
Other	48,554	33,312	-	-
Public Sector:				
Portugal	62,324	58,861	-	-
Brazil	27,106	30,178	-	-
Spain	89,033	41,545	-	-
	2,035,350	2,043,671	112,600	149,073
Doubtful debts	293,029	267,172	9,960	9,960
Impairment losses	-293,029	-267,172	-9,960	-9,960
	2,035,350	2,043,671	112,600	149,073
Trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	7,712	19,577	-	-
Public Sector:				
Portugal	129,589	132,258	-	-
Brazil	28,039	30,948	-	-
	165,340	182,783	-	-
Impairment losses	-70,943	-74,173	-	-
	94,397	108,610	-	-
	2,129,747	2,152,281	112,600	149,073

25. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Debtors and other assets from commercial assets - Current:				
Amounts receivable from Spanish tariff expenses	470,252	553,268	-	-
Amounts receivable from Portuguese tariff adjustments - Electricity- Portugal	682,807	374,859	-	-
Receivables relating to other goods and services	145,964	98,871	15,698	61,458
Amounts receivable relating to CMEC	111,847	122,080	-	-
Accrued income relating to energy sales and purchase activity in the market	99,054	117,227	167,635	165,968
Sundry debtors and other operations	250,557	245,189	54,353	34,341
	1,760,481	1,511,494	237,686	261,767
Impairment losses on debtors - Current	-14,740	-15,878	-926	-938
	1,745,741	1,495,616	236,760	260,829
Debtors and other assets from commercial assets - Non-Current:				
Amounts receivable from Portuguese tariff adjustments - Electricity - Portugal	653,713	424,787	-	-
Amounts receivable relating to CMEC	1,142,557	1,012,330	-	-
Amounts receivable from concessions - IFRIC 12	611,777	581,012	-	-
Sundry debtors and other operations	76,973	93,140	1,772	179
	2,485,020	2,111,269	1,772	179
Impairment losses on debtors - Non current	-2,882	-2,876	-	-
	2,482,138	2,108,393	1,772	179
	4,227,879	3,604,009	238,532	261,008

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

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	394,057	29,726
Receipts through the electric energy tariff	-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
Receipts through the electric energy tariff	-205,768	-
Tariff adjustment of 2010	127,248	71,074
Tariff adjustment for the period	145,016	120,367
Interest expense	10,855	7,082
Securitisation adjustment of cogeneration	-73,951	-110,926
Transfer from tariff adjustments payable	2,515	-
Transfer from Non-Current to Current	14,862	-14,862
Balance as at 31 December 2011	374,859	424,787
Receipts through the electric energy tariff	-333,108	-
Tariff adjustment for the period	276,934	555,698
Interest expense	17,047	20,303
Transfer from Non-Current to Current	347,075	-347,075
Balance as at 30 June 2012	682,807	653,713

The amounts receivable relating to CMEC totalize 1,254,404 thousands of Euros, which include 1,142,557 thousands of Euros as non-current and 111,847 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 700,788 thousands of Euros as non-current and 30,958 thousands of Euros as current, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2012. The remaining 441,769 thousands of Euros as non-current and 80,889 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation in 2010, 2011 and 2012.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 611,777 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa)). The variation in the period, includes the effect of the depreciation of Brazilian Real against Euro in the amount of 14,456 thousands of Euros, write offs in the amount of 1,384 thousands of Euros, transfers from intangible assets assigned to concessions in the amount of 53,842 thousands of Euros (see note 17), as well as 7,237 thousands of Euros arising from the transfer of Evrecy financial assets to assets held for sale, following the sale of this subsidiary to CTEEP in May 2012. This transaction is subject to the approval of ANEEL.

26. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Debtors and other assets - Current:				
Loans to subsidiaries	-	-	2,976,445	1,802,680
Dividends	-	-	16,473	152,358
Loans to related parties	29,036	122,903	20,211	20,235
Receivables from the State and concessors	52,464	30,565	-	-
Derivative financial instruments	125,627	216,817	267,755	246,766
Subsidiary Companies	-	-	1,054,414	421,855
Guarantees and linked deposits	8,277	8,181	-	-
Sundry debtors and other operations	104,216	127,228	3,756	1,880
	319,620	505,694	4,339,054	2,645,774
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	5,026,392	4,765,436
Loans to related parties	201,886	133,180	90	90
Guarantees and linked deposits	122,459	142,722	6	3,419
Derivative financial instruments	138,581	104,697	100,607	79,184
Sundry debtors and other operations	49,907	21,426	-	-
	512,833	402,025	5,127,095	4,848,129
	832,453	907,719	9,466,149	7,493,903

27. TAX RECEIVABLE

Tax receivable is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
State and other public entities:				
Income tax	181,997	271,353	45,538	77,246
Value added tax (VAT)	220,385	307,087	101,521	81,876
Turnover tax (Brazil)	14,574	30,598	-	-
Other taxes	33,161	35,781	3,254	3,255
	450,117	644,819	150,313	162,377

On EDP Group basis, the caption Other taxes includes the amount of 24,408 thousands of Euros (31 December 2011: 27,700 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Cash:				
Cash in hand	245	40	13	-
Bank deposits:				
Current deposits	392,784	475,206	14,985	170,629
Term deposits	1,045,425	1,219,813	473,550	490,980
Specific demand deposits in relation to institutional partnerships - EDPR NA	2,970	24,636	-	-
Other deposits	175	5,152	-	-
	1,441,354	1,724,807	488,535	661,609
Other short term investments:				
Banks (Euros)	290	6,677	-	-
Banks (Other currencies)	-	-	-	-
	290	6,677	-	-
Cash and cash equivalents	1,441,889	1,731,524	488,548	661,609

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

29. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

Share capital and Share premium are analysed as follows:

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

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

	Group		Company	
	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Net profit attributable to the equity holders of EDP (in Euros)	581,768,073	608,661,712	624,909,830	465,083,722
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	581,768,073	608,661,712		
Weighted average number of ordinary shares outstanding	3,623,746,783	3,624,618,828	3,625,259,783	3,626,131,828
Weighted average number of diluted ordinary shares outstanding	3,624,339,501	3,625,224,305	3,625,852,501	3,626,737,305
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.16	0.17		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.16	0.17		
Basic earnings per share from continuing operations (in Euros)	0.16	0.17		
Diluted earnings per share from continuing operations (in Euros)	0.16	0.17		

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

The average number of shares was determined as follows:

	Group		Company	
	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,790, 932	-31,918, 887	-31,277, 932	-30,405, 887
Average number of shares during the period	3,623,746,783	3,624,618,828	3,625,259,783	3,626,131,828
Effect of stock options	592,718	605,477	592,718	605,477
Diluted average number of shares during the period	3,624,339,501	3,625,224,305	3,625,852,501	3,626,737,305

30. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Book value of EDP, S.A. treasury stock (thousands of Euros)	106,467	111,430	100,372	105,335
Number of shares	32,476,701	32,359,146	30,963,701	30,846,146
Market value per share (in Euros)	1.864	2.391	1.864	2.391
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	60,537	77,371	57,716	73,753

Operations performed from 1 January 2012 to 30 June 2012:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,108,938	-
Purchase price average (in Euros)	2.015	-
Purchase total value (thousands of Euros)	2,235	-
Volume sold (number of shares)	-991,383	-
Selling price average (in Euros)	2.181	-
Sold total value (thousands of Euros)	2,162	-
Final position (number of shares)	30,963,701	1,513,000
Highest market price (in Euros)	2.480	-
Lowest market price (in Euros)	1.640	-
Average market price (in Euros)	2.029	-

The volume and the selling prices disclosed above include the effect of the treasury stock atributable to employees, as mencioned in note 44.

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

31. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Legal reserve	578,435	539,145	578,435	539,145
Fair value reserve (cash flow hedge)	-96,577	-40,625	-15,878	4,870
Tax effect of fair value reserve (cash flow hedge)	29,577	13,537	3,607	-2,402
Fair value reserve (available for sale investments)	43,321	43,012	8,826	9,166
Tax effect of fair value reserve (available for sale investments)	-1,272	-1,652	1,547	1,051
Exchange differences arising on consolidation	56,638	121,469	-	-
Treasury stock reserve (EDP, S.A.)	100,372	105,335	100,372	105,335
Other reserves and retained earnings	2,580,665	2,155,619	1,314,301	1,238,690
	3,291,159	2,935,840	1,991,210	1,895,855

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 31 December 2010	495,872	-313,343
Changes in fair value	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	7,641	-46,787
Transfer of impairment to profit or loss	-	42,286
Transfer to the income statement relating to assets sold	-11,791	-
Balance as at 31 December 2011	485,789	-442,777
Changes in fair value	1,014	-7,946
Transfer of impairment to profit or loss	-	7,241
Balance as at 30 June 2012	486,803	-443,482

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

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	-	-5,495
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-355
Other	1,014	-2,096
	1,014	-7,946

Exchange differences on consolidation

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

		Exchange rates at Jun 2012		Exchange rates at Dec 2011		Exchange rates at Jun 2011	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.259	1.296	1.294	1.392	1.445	1.403
Brazilian Real	BRL	2.579	2.414	2.416	2.327	2.260	2.288
Macao Pataca	MOP	10.059	10.119	10.353	10.985	11.585	10.889
Canadian Dollar	CAD	1.287	1.304	1.322	1.376	1.395	1.371
Zloty	PLN	4.249	4.246	4.458	4.121	3.990	3.953
Lei	RON	4.451	4.390	4.323	4.239	4.244	4.180
Pound Sterling	GBP	0.807	0.823	0.835	0.868	0.903	0.868

Treasury stock reserve (EDP, S.A.)

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

Dividends

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

32. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Jun 2012	Dec 2011
Non-controlling interests in income statement	93,951	207,316
Non-controlling interests in equity and reserves	3,086,144	3,069,929
	3,180,095	3,277,245

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

	Group	
Thousands of Euros	Jun 2012	Dec 2011
EDP Renováveis Group	1,341,643	1,319,812
Energias do Brasil Group	1,724,715	1,844,400
Other	113,737	113,033
	3,180,095	3,277,245

During the six months period ended 30 June 2012 EDP Group generated profits of 93,951 thousands of Euros attributable to non-controlling interest (31 December 2011: 207,316 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 27,741 thousands of Euros, and a decrease of the fair value reserve of 5,552 thousands of Euros.

The movement booked in non-controlling interests of Brasil Group includes 63,033 thousands of Euros of profits attributable to non-controlling interests, 106,900 thousands of Euros from the negative exchange differences and a decrease of 76,480 thousands of Euros related to dividends paid.

33. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

	Group and Company	
Thousands of Euros	Jun 2012	Jun 2011
Balance at the beginning of the period	69,142	75,098
Amounts received / (paid) during the period	-7,577	-
Financial charges	1,320	797
Balance at the end of the period	62,885	75,895

34. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	45,675	45,161	45,675	45,161
EDP Finance B.V.	1,204,900	358,445	-	-
EDP Servicios Financieros España, S.A.	6,881	-	-	-
EDP Brasil Group	125,948	147,014	-	-
HC Energia Group	907	907	-	-
EDP Renováveis Group	148,376	126,041	-	-
EDP Produção - Portugal	8,395	8,021	-	-
Portgás	30,215	33,803	-	-
Others	2,895	4,724	-	-
	1,574,192	724,116	45,675	45,161
Non-convertible bond loans:				
EDP, S.A.	150,000	-	150,000	-
EDP Finance B.V.	1,143,869	1,621,314	-	-
EDP Brasil Group	32,033	34,175	-	-
	1,325,902	1,655,489	150,000	-
Commercial paper:				
EDP, S.A.	335,000	311,400	6,963,000	5,641,400
HC Energia Group	11,686	498	-	-
	346,686	311,898	6,963,000	5,641,400
Other loans:				
Investco preference shares	2,509	1,058	-	-
EDP Brasil Group	8,598	9,176	-	-
EDP Renováveis Group	2,890	3,111	-	-
EDP Produção - Portugal	1,231	1,231	-	-
	15,228	14,576	-	-
Accrued interest	204,685	292,619	11,323	13,824
	3,466,693	2,998,698	7,169,998	5,700,385

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,108,897	1,137,824	1,108,897	1,137,824
EDP Finance B.V.	4,056,151	3,972,309	-	-
EDP Brasil Group	797,216	794,732	-	-
HC Energia Group	2,678	3,126	-	-
EDP Renováveis Group	783,910	680,350	-	-
EDP Produção - Portugal	155,354	159,738	-	-
Portgás	39,443	43,278	-	-
	6,943,649	6,791,357	1,108,897	1,137,824
Non-convertible bond loans:				
EDP, S.A.	728,803	630,782	728,803	630,782
EDP Finance B.V.	7,886,331	7,831,887	-	-
EDP Brasil Group	345,710	353,924	-	-
	8,960,844	8,816,593	728,803	630,782

Thousands of Euros	Group Jun 2012	Group Dec 2011	Company Jun 2012	Company Dec 2011
Other loans:				
Investco preference shares	18,863	19,719	-	-
EDP Brasil Group	41,912	46,313	-	-
EDP Renováveis Group	23,112	24,284	-	-
EDP Produção - Portugal	2,801	3,505	-	-
Others	887	517	-	-
	87,575	94,338	-	-
	15,992,068	15,702,288	1,837,700	1,768,606
Accrued interest	15,492	11,802	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	114,838	72,321	7,619	8,921
	16,122,398	15,786,411	1,845,319	1,777,527
	19,589,091	18,785,109	9,015,317	7,477,912

EDP Group, at EDP, S.A. level, has short-term credit facilities of 183,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being 156,397 thousands of Euros available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being fully available as at 30 June 2012. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 700,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 30 June 2012 is totally drawn down.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 June 2012 and 31 December 2011 these loans amounted to 1,000,507 thousands of Euros and 888,776 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

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

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Thousands of Euros Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
					900,000	900,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Oct/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	794,281	-
EDP Finance B.V.	Oct/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	794,281	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	99,870	-
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	794,281	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	79,428	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.5%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Aug/11	Variable Rate (iv)	n.a.	Aug/12	350,000	-
					9,123,723	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110.5% do CDI	n.a.	Oct/13	116,333	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	151,233	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	64,633	-
					332,199	-
					10,355,922	900,000

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

Financial Debt by maturity, is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Bank loans and overdrafts:				
Up to 1 year	1,590,712	740,584	47,879	48,146
From 1 to 5 years	5,517,327	5,422,511	645,315	625,655
More than 5 years	1,441,814	1,380,647	463,581	512,169
	8,549,853	7,543,742	1,156,775	1,185,970
Bond loans:				
Up to 1 year	1,510,063	1,924,756	155,772	4,065
From 1 to 5 years	5,868,796	5,753,834	436,423	339,703
More than 5 years	3,208,780	3,135,080	300,000	300,000
	10,587,639	10,813,670	892,195	643,768
Commercial paper:				
Up to 1 year	350,033	318,672	6,966,347	5,648,174
Other loans:				
Up to 1 year	15,885	14,686	-	-
From 1 to 5 years	74,879	61,859	-	-
More than 5 years	10,802	32,480	-	-
	101,566	109,025	-	-
	19,589,091	18,785,109	9,015,317	7,477,912

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

	Jun 2012		Dec 2011	
Thousands of Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	3,466,693	3,210,048	2,998,698	2,650,355
Debt and borrowings - Non current	16,122,398	14,818,564	15,786,411	13,939,717
	19,589,091	18,028,612	18,785,109	16,590,072

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

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

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Debt and borrowings - Non current	-	1,507,132	3,328,745	3,550,912	2,947,460	4,788,149	16,122,398
Debt and borrowings - Current	2,203,312	1,263,381	-	-	-	-	3,466,693
	2,203,312	2,770,513	3,328,745	3,550,912	2,947,460	4,788,149	19,589,091

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

35. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Provisions for social liabilities and benefits	939,529	1,003,943	-	-
Provisions for medical liabilities and other benefits	819,684	819,215	-	-
	1,759,213	1,823,158	-	-

Provisions for social liabilities and benefits as at 30 June 2012 include 931,285 thousands of Euros relating to retirement pension defined benefit plans (31 December 2011: 994,661 thousands of Euros) and 8,244 thousands of Euros (31 December 2011: 9,282 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Balance at the beginning of the period	1,003,943	1,104,406	-	-
Charge for the period	29,346	29,759	-	-
Pre-retirements (curtailments)	54	5,541	-	-
Actuarial (gains)/losses	-15,185	-15,203	-	-
Charge-off	-76,604	-80,072	-	-
Transfers, reclassifications and exchange differences	-2,025	1,611	-	-
Balance at the end of the period	939,529	1,046,042	-	-

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

	Jun 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the period				
Current service cost	5,898	284	-37	6,145
Curtailments / Settlements	-	-	54	54
Operational component (see note 10)	5,898	284	17	6,199
Interest cost	43,060	1,879	15,582	60,521
Expected return on plan assets	-22,777	-	-14,543	-37,320
Financial component (see note 14)	20,283	1,879	1,039	23,201
Net cost for the period	26,181	2,163	1,056	29,400

	Jun 2011			
Thousands of Euros	Portugal	Spain	Brazil	Group
Cost for the period				
Current service cost	7,157	-	-186	6,971
Curtailments / Settlements	5,541	-	-	5,541
Operational component (see note 10)	12,698	-	-186	12,512
Interest cost	46,721	1,915	11,268	59,904
Expected return on plan assets	-27,600	-	-9,516	-37,116
Financial component (see note 14)	19,121	1,915	1,752	22,788
Net cost for the period	31,819	1,915	1,566	35,300

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

	Group		Company	
Thousands of Euros	Jun 2012	Jun 2011	Jun 2012	Jun 2011
Balance at the beginning of the period	819,215	800,473	-	-
Charge for the period	27,129	25,951	-	-
Pre-retirements (curtailments)	-	380	-	-
Actuarial (gains)/losses	-1,531	-2,674	-	-
Charge-off	-21,484	-19,935	-	-
Transfers, reclassifications and exchange differences	-3,645	636	-	-
Balance at the end of the period	819,684	804,831	-	-

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

	Jun 2012			Jun 2011		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the period						
Current service cost	3,289	1,045	4,334	3,563	299	3,862
Curtailment	-	-	-	380	-	380
Operational component (see note 10)	3,289	1,045	4,334	3,943	299	4,242
Interest cost	18,243	4,552	22,795	18,512	3,577	22,089
Financial component (see note 14)	18,243	4,552	22,795	18,512	3,577	22,089
Net cost for the period	21,532	5,597	27,129	22,455	3,876	26,331

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

As at 30 June 2011, the financial components related to pensions liabilities, medical liabilities and other benefits in the amount of 22,788 thousands of Euros and 22,089 thousands of Euros, respectively were reclassified from personnel costs and employee benefits to financial expenses (see notes 10 and 14).

36. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	73,774	87,143	-	-
Provision for customer guarantees under current operations	22,582	37,867	-	-
Provision for other liabilities and charges	282,787	290,139	85,076	72,172
	379,143	415,149	85,076	72,172

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

Provision for legal and labour matters and other contingencies, includes provisions for litigation in progress and other labour contingencies of 69,163 thousands of Euros (31 December 2011: 79,529 thousands of Euros), relates essentially to:

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 16,104 thousands of Euros (31 December 2011: 19,498 thousands of Euros). The requests result from the application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;

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

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

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

Provisions for customer guarantees under current operations of 22,582 thousands of Euros (31 December 2011: 37,867 thousands of Euros) includes essentially provisions for commercial losses.

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

i) The Group holds a provision of 23,260 thousands of Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it;

ii) Provisions for dismantling of wind farms of 60,663 thousands of Euros (31 December 2011: 57,694 thousands of Euros) to cover the costs of returning the sites to their original state, from which 36,433 thousands of Euros referring to the wind farms of the EDPR North America Group, 23,353 thousands of Euros to the wind farms of the EDPR Europe Group and 877 thousands of Euros to the wind farms of the EDPR Brazil Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 30 June 2012, the provision which amounts to 44,535 thousands of Euros (31 December 2011: 43,215 thousands of Euros) and 16,147 thousands of Euros (31 December 2011: 15,608 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

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

As at 30 June 2012, Provision for other liabilities and charges includes 48,397 thousands of Euros (31 December 2011: 40,784 thousands of Euros) related to a provision to cover for the negative equity of subsidiary companies, booked against financial costs (see note 14).

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

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

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 26,796 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tarrif charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

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

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

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional S.G.P.S., related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 June 2012, the amount of this tax contingency totals 218 millions of Euros.

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

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

37. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

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

	Group	
Thousands of Euros	Jun 2012	Dec 2011
Deferred income related to benefits provided	783,335	773,252
Liabilities arising from institutional partnerships in USA wind farms	1,008,828	1,010,609
	1,792,163	1,783,861

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

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

38. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Trade and other payables from commercial activities - Current:				
Suppliers	983,465	1,110,659	138,765	250,114
Accrued costs related with supplies	355,941	371,858	195,490	180,632
Property, plant and equipment suppliers and accruals	471,723	788,496	1,096	5,342
Holiday pay, bonus and other charges with employees	105,993	154,622	4,381	14,861
CO_2 emission licenses	123,553	185,154	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	40,048	67,473	-	-
Amounts payable for tariff adjustments - Spain	-	39,624	-	-
Other creditors and sundry operations	582,935	578,794	31,110	57,744
	2,663,658	3,296,680	370,842	508,693
Trade and other payables from commercial activities - Non-Current				
Government grants for investment in fixed assets	545,134	541,850	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	41,853	12,376	-	-
Energy sales contracts - EDPR NA	57,597	61,664	-	-
Deferred income - CMEC	427,077	377,508	-	-
Amounts payable for concessions	248,036	247,933	-	-
Other creditors and sundry operations	46,448	48,105	2,297	3,410
	1,366,145	1,289,436	2,297	3,410
	4,029,803	4,586,116	373,139	512,103

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	173,831	61,557
Payment through the electricity tariff	-122,716	-
Interest expense	1,373	313
Transfer from Non-Current to Current	30,779	-30,779
Balance as at 30 June 2011	83,267	31,091
Payment through the electricity tariff	-53,236	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the period	-	12,135
Interest expense	2,395	-72
Transfer to tariff adjustments receivable	2,515	-
Transfer from Non-Current to Current	32,532	-32,532
Balance as at 31 December 2011	67,473	12,376
Payment through the electricity tariff	-35,089	-
Tariff adjustment of the period	-	35,240
Interest expense	1,475	426
Transfer from Non-Current to Current	6,189	-6,189
Balance as at 30 June 2012	40,048	41,853

Deferred income - CMEC non current in the amount of 427,077 thousands of Euros (31 December 2011: 377,508 thousands of Euros) which refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2012 and including financial expenses (30 June 2012: 9,120 thousands of Euros) according with note 14.

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

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

Amounts payable for concessions refers to the amounts payable non-current related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 157,572 thousands of Euros (31 December 2011: 152,259 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 90,464 thousands of Euros (31 December 2011: 95,674 thousands of Euros).

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

39. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Other liabilities and other payables - Current:				
Payables to related companies	117,136	128,587	-	-
Derivative financial instruments	113,217	111,857	90,371	75,745
Payables - Group companies	-	-	1,687,050	1,288,583
Amounts payable for acquisition and success fees	232,156	215,524	-	-
Other creditors and sundry operations	1,593	79,109	30,975	29,203
	464,102	535,077	1,808,396	1,393,531
Other liabilities and other payables - Non-Current:				
Payables to related companies	95,766	94,259	-	-
Put options over non-controlling interest liabilities	79,238	89,651	-	-
Derivative financial instruments	101,167	95,719	-	-
Payables - Group companies	-	-	2,474,273	2,436,252
Amounts payable for acquisition and success fees	43,781	48,675	-	-
Other creditors and sundry operations	24,227	32,797	11,062	11,062
	344,179	361,101	2,485,335	2,447,314
	808,281	896,178	4,293,731	3,840,845

The caption Payables - Group companies - Current on a Company basis includes 1,092,489 thousands of Euros (31 December 2011: 885,752 thousands of Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 488,430 thousands of Euros and 105,779 thousands of Euros, relating to debt financing obtained from EDP Servicios Financieros España and EDP Renováveis, respectively (see note 45).

The caption Payables - Group companies Non-Current on a company basis, of 2,474,273 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 30 June 2012 the caption Amounts payable for acquisitions and success fees (current) includes the amount of 214,788 thousands of Euros (31 December 2011: 214,767 thousands of Euros). Additionally, this caption includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 10,161 thousands of Euros.

The caption Put options over non-controlling interest liabilities non-current includes the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 72,569 thousands of Euros (31 December 2011: 83,244 thousands of Euros) and the put option of Energia in Natura to EDPR Europe for 6.48% of EDPR Italia share capital of 3,370 thousands of Euros (31 December 2011: 3,266 thousands of Euros).

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

40. TAX PAYABLE

Tax payable is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
State and other public entities:				
Income tax	146,127	167,316	60	1,158
Withholding tax	37,765	65,999	220	213
Value added tax (VAT)	81,565	97,835	99	307
Turnover tax (Brazil)	51,521	59,596	-	-
Social tax (Brazil)	28,902	36,952	-	-
Other taxes	112,462	119,108	38	44
	458,342	546,806	417	1,722

As at 30 June 2012, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 43,766 thousands of Euros, Naturgas Group of 31,765 thousands of Euros (31 December 2011: HC Energia Group of 53,539 thousands of Euros and Naturgás Group of 34,656 thousands of Euros) and Energias do Brazil Group of 13,078 thousands of Euros (31 December 2011: 13,437 thousands of Euros).

41. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Assets classified as held for sale				
Assets of the business of gas transmission - Naturgas	202,641	201,924	-	-
Assets of the business of electricity transmission - EDP Brasil	10,725	-	-	-
	213,366	201,924	-	-
Liabilities classified as held for sale				
Liabilities of the business of gas transmission - Naturgas	-23,546	-21,329	-	-
Liabilities of the business of electricity transmission - EDP Brasil	-185	-	-	-
	-23,731	-21,329	-	-
	189,635	180,595	-	-

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

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

42. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

	Group		Company	
Thousands of Euros	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Derivatives held for trading	43,045	77,033	22,932	30,040
Fair value hedge	125,479	97,330	264,877	208,460
Cash-flow hedge	-121,658	-68,232	-9,818	11,705
Net Investment hedge	2,958	7,807	-	-
	49,824	113,938	277,991	250,205

43. COMMITMENTS

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

Thousands of Euros	Group		Company	
Type	Jun 2012	Dec 2011	Jun 2012	Dec 2011
Financial guarantees				
EDP, S.A.	207,999	268,890	207,999	268,890
HC Energia Group	77,574	33,083	-	-
EDP Brasil Group	690,371	645,811	-	-
EDP Renováveis Group	50,123	5,656	-	-
Other	3,711	3,711	-	-
	1,029,778	957,151	207,999	268,890
Operating guarantees				
EDP, S.A.	771,330	770,668	771,330	770,668
HC Energia Group	320,452	357,709	-	-
EDP Brasil Group	343,532	322,233	-	-
EDP Renováveis Group	2,066,296	2,432,783	-	-
Other	9,890	10,094	-	-
	3,511,500	3,893,487	771,330	770,668
Total	4,541,278	4,850,638	979,329	1,039,558
Real guarantees	27,708	19,820	-	-

The financial guarantees contracted include, at 30 June 2012 and 31 December 2011, 902,591 thousands of Euros and 743,665 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 165,629 thousands of Euros at 30 June 2012 for loans obtained by Brazilian companies to finance the construction of hydroelectrical power plants, which have counter-guarantees of 65,286 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 June 2012 and 31 December 2011, 484,130 thousands of Euros and 465,989 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

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 2012 and 31 December 2011 these loans amounted to 1,000,507 thousands of Euros and 888,776 thousands of Euros, respectively, and are included in the Group's consolidated debt.

Real guarantees, as at 30 June 2012, includes 22,578 thousands of Euros related with guarantees provided to projects and loans obtained in Brazil. As at 31 December 2011, these guarantees amounts to 6,482 thousands of Euros.

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

	Jun 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including interest)	22,686,635	3,974,132	8,057,565	5,223,992	5,430,946
Finance lease commitments	6,649	3,142	3,262	245	-
Operating lease commitments	1,726,149	120,228	252,498	192,911	1,160,512
Purchase obligations	30,006,127	5,195,612	7,640,497	4,843,302	12,326,716
Other long term commitments	2,415,044	265,057	518,605	480,527	1,150,855
	56,840,604	9,558,171	16,472,427	10,740,977	20,069,029

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

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

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

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

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

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

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

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 6.48% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 6.48% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
- Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
- When EDP Renewables Italy build, develop and operate 350 MW in Italy.

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the begining of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros.

44. SHARE BASED PAYMENTS

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

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

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

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

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

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

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

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
567,201	2.21	1.55	567,201	391,615

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

In the first semester of 2012, EDP Group granted treasury stocks to employees (941,383 shares) totalling 2,051 thousands of Euros.

45. RELATED PARTIES

Main shareholders and shares held by company officers

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

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	169,732,151	4.64%	4.64%
Parpública Group	151,517,000	4.14%	4.14%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,956,051	3.36%	3.36%
Banco Espírito Santo Group	89,708,375	2.46%	2.46%
Sonatrach	87,007,443	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
EDP Group (Treasury stock)	32,476,701	0.89%	-
Remaining shareholders	1,559,510,251	42.65%	-
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held by company officers in 30 June 2012 and 31 December 2011 are as follows:

	2012 Nr. of shares	2011 Nr. of shares
General and Supervisory Board		
Until 20 February:		
António de Almeida	-	100
Alberto João Coraceiro de Castro	4,584	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	-	260
Eduardo de Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	-	6,622
Rui Eduardo Rodrigues Pena	2,945	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	52,369	**57,845**
From 21 February:		
Alberto João Coraceiro de Castro	4,584	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Eduardo de Almeida Catroga	1,375	1,375
Fernando Masaveu Herrero	37,151,748	-
Ilídio da Costa Leite de Pinho	15,138,383	-
Rui Eduardo Rodrigues Pena	2,945	1,445
Vasco Joaquim Rocha Vieira	3,203	-
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	52,345,703	**50,863**

	2012 Nr. of shares	2011 Nr. of shares
Executive Board of Directors		
Until 20 February:		
António Luís Guerra Nunes Mexia	41,000	41,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	-	100,000
Nuno Maria Pestana de Almeida Alves	125,000	100,000
	215,116	290,116
From 21 February:		
António Luís Guerra Nunes Mexia	41,000	41,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	3,878	-
Nuno Maria Pestana de Almeida Alves	125,000	100,000
Miguel Stilwell de Andrade	111,576	-
	330,570	190,116

Balances and transactions with subsidiaries and associates

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

Credits

	June 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	35,351	250,000	9,779	295,130
EDP Comercial	92,133	40,000	96,474	228,607
EDP Distribuição	659,408	2,028,125	65,425	2,752,958
EDP Finance BV	-	501,294	748,025	1,249,319
EDP Gás -SGPS	-	118,400	4,529	122,929
EDP Gestão da Produção	269,425	3,947,421	111,814	4,328,660
EDP Imobiliária e Participações	2,122	174,200	632	176,954
EDP Renováveis	-	52,080	305,997	358,077
Other	29,207	58,665	185,011	272,883
	1,087,646	7,170,185	1,527,686	9,785,517

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

Debits

	June 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,500,125	70,231	3,570,356
EDP Servicios Financieros España	-	488,430	856	489,286
EDP Gestão da Produção	-	-	186,954	186,954
EDP Renováveis	-	105,779	3,053	108,832
EDP Serviço Universal	111,555	-	88,511	200,066
Other	8,509	353	118,611	127,473
	120,064	4,094,687	468,216	4,682,967

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

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

Expenses

	June 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	92,214	2,407	94,621
EDP Gestão da Produção	587	-	459,257	459,844
Hidroeléctrica del Cantábrico	-	-	12,261	12,261
Other	72	4,264	66,095	70,431
	659	96,478	540,020	637,157

	June 2011			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	84,922	2,232	87,154
EDP Gestão da Produção	365	-	574,663	575,028
EDP Renováveis	-	46	155,453	155,499
Hidroeléctrica do Guadiana	-	-	21,414	21,414
Hidroeléctrica del Cantábrico	-	-	27,206	27,206
Other	298	1,152	43,542	44,992
	663	86,120	824,510	911,293

Income

	June 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	1,028	821	268,864	270,713
EDP Distribuição	5,103	64,758	19,274	89,135
EDP Gás.Com	-	-	102,755	102,755
EDP Gestão da Produção	257	118,896	22,923	142,076
Other	662	17,360	184,011	202,033
	7,050	201,835	597,827	806,712

	June 2011			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	64	1,235	221,409	222,708
EDP Distribuição	5,721	34,798	19,201	59,720
EDP Gás.Com	-	-	84,834	84,834
EDP Gestão da Produção	203	104,321	38,246	142,770
Hidroeléctrica del Cantábrico	-	-	37,191	37,191
Other	249	11,100	59,443	70,792
	6,237	151,454	460,324	618,015

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

Assets and liabilities

	June 2012		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	217,541	4,650	212,891
Jointly controlled entities	16,732	17,592	-860
	234,273	22,242	212,031

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

Transactions

	June 2012			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	9,299	5,192	-2,158	-37
Jointly controlled entities	27,749	2,615	-12,357	-234
	37,048	7,807	-14,515	-271

	June 2011			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
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

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

	Group Jun 2012			Group Dec 2011		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	160,865	160,865	-	171,313	171,313	-
Trade receivables	2,129,747	2,129,747	-	2,152,281	2,152,281	-
Debtors and other assets from commercial activities	4,227,879	4,227,879	-	3,604,009	3,604,009	-
Other Debtores and other assets	568,245	568,245	-	586,205	586,205	-
Derivative financial instruments	264,208	264,208	-	321,514	321,514	-
Financial assets at fair value through profit or loss	192	192	-	212	212	-
Cash and cash equivalents	1,441,889	1,441,889	-	1,731,524	1,731,524	-
	8,793,025	8,793,025	-	8,567,058	8,567,058	-
Financial liabilities						
Financial debt	19,589,091	18,028,612	-1,560,479	18,785,109	16,590,072	-2,195,037
Property, plant and equipment suppliers and accruals	1,455,188	1,455,188	-	1,899,155	1,899,155	-
Institutional Partnerships in USA Wind Farms	1,792,163	1,792,163	-	1,783,861	1,783,861	-
Trade and other payables from commercial activities	2,574,615	2,574,615	-	2,686,961	2,686,961	-
Other liabilities and other payables	593,897	593,897	-	688,602	688,602	-
Derivative financial instruments	214,384	214,384	-	207,576	207,576	-
	26,219,338	24,658,859	-1,560,479	26,051,264	23,856,227	-2,195,037

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

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

47. SUBSEQUENT EVENTS

EDP sells its gas transmission business in Spain to Enagás

On 20 July 2012, EDP, through its gas sector subsidiary in Spain, Naturgas Energía Grupo, S.A. has reached an agreement with Enagás, S.A., the Spanish gas transmission system operator, for the sale of the gas transmission business owned by EDP Group in Spain. The necessary agreement from Ente Vasco de la Energía ("EVE"), Naturgas minority shareholder, has also been obtained.

The transaction has been structured through the sale of the gas transmission business of Naturgas in which, as a result of this transaction, Enagás and the Basque Government, through EVE, will own 90% and 10%, respectively.

The agreed transaction price represents an enterprise value of 262.5 millions of Euros and the completion of the transaction is subject to certain conditions, including authorizations by competition authority and relevant regulatory changes.

EDP - Energias do Brasil, S.A. signed an agreement to take over the construction works of Pecém

On 8 July 2012, EDP - Energias do Brasil S.A. ("EDP Brasil") signed an agreement to take over the construction works of the Thermal Power Plants Energia Pecém, Itaqui and Pecém II. Through the acquisition, with MPX Energia S.A. in the same proportions, of 100% of MABE Brasil Ltda. ("MABE") shares by the symbolic amount of one Brazilian Real. MABE is a consortium formed by Maire Tecnimont Group ("Tecnimont") and Efacec Group ("Efacec"). The acquisition is subject to the approval of the CADE - Conselho Administrativo de Defesa Económica and will enable EDP Brasil to manage the project Central de Pecém while the works projects of Itaqui and Pecém II will be, according to the agreement, exclusively managed by MPX.

This structured operation resulted in a financial contribution commitment to MABE, by Tecnimont and Efacec, totaling 421 millions of Brazilian Reais. Additionally, Tecnimont and Efacec will continue to guarantee the Projects' technical performance through a total of 411 millions of Brazilian Reais in bank guarantees related to the units' technical performance.

The estimated investment for completion of Pecém is approximately 250 millions of Brazilian Reais, referring to 100% of this project.

48. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

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

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

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

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

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

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

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

49. EDP BRANCH IN SPAIN

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

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

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

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

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

	EDP Branch	
Thousands of Euros	Jun 2012	Dec 2011
Investments in subsidiaries		
EDP Renováveis, S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	482,695	481,695
Other	60	60
Deferred tax assets	64,360	70,114
Other debtors and others assets	101,186	79,794
Total Non-Current Assets	5,569,988	5,553,350
Trade receivables	18,140	13,573
Debtors and other assets	807,231	387,595
Tax receivable	17,034	37,306
Cash and cash equivalents	335	11,649
Total Current Assets	842,740	450,123
Total Assets	6,412,728	6,003,473
Equity	2,198,352	2,269,465
Financial debt	2,474,273	2,436,252
Deferred tax liabilities	4,255	4,255
Total Non-Current Liabilities	2,478,528	2,440,507
Trade and other payables	1,735,667	1,293,150
Tax payable	181	351
Total Current Liabilities	1,735,848	1,293,501
Total Liabilities	4,214,376	3,734,008
Total Equity and Liabilities	6,412,728	6,003,473

50. SEGMENTAL REPORTING

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

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

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

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

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

The segments defined by the Group are the following:

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

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

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

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

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

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

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

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

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

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

Segment Definition

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

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

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

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

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

As of 30 June 2012, the EDP Group changed the reported segments, as well as the information disclosed in the Segmental Reporting, according to the mentioned above. For comparability purposes the information as of 30 June 2011 has been restated to reflect the changes occurred in 2012.

51. EXPLANATION ADDED FOR TRANSLATION

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

ANNEX I

EDP Group Activity by Business Segment
30 June 2012

Thousands Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Corpor. Activ. and Adjustments	EDP Group
Turnover							
Electricity and network accesses	738,844	3,142,893	3,067,079	608,374	1,178,852	(1,475,770)	7,260,272
Gas and network accesses	-	889,135	199,790	-	-	(190,029)	898,896
Other	25,161	97,905	8,503	2,929	6,697	(86,831)	54,364
	764,005	4,129,933	3,275,372	611,303	1,185,549	(1,752,630)	8,213,532
Cost of electricity	(28,010)	(2,575,538)	(2,301,889)	(8,481)	(726,271)	1,467,847	(4,172,342)
Cost of gas	-	(788,822)	(34,749)	-	-	110,475	(713,096)
Change in inventories and cost of raw materials and consumables used	(248,987)	(365,940)	(4,495)	(406)	(73)	81,049	(538,852)
	(276,997)	(3,730,300)	(2,341,133)	(8,887)	(726,344)	1,659,371	(5,424,290)
	487,008	399,633	934,239	602,416	459,205	(93,259)	2,789,242
Other operating income / (expenses)							
Other operating income	5,941	3,284	42,965	85,203	17,929	(953)	154,369
Supplies and services	(39,293)	(132,785)	(209,564)	(119,569)	(87,353)	142,975	(445,589)
Personnel costs and employee benefits	(36,516)	(52,133)	(90,970)	(29,300)	(63,414)	(57,898)	(330,231)
Other operating expenses	(14,809)	(35,914)	(156,688)	(35,217)	(28,437)	(11,618)	(282,683)
	(84,677)	(217,548)	(414,257)	(98,883)	(161,275)	72,506	(904,134)
	402,331	182,085	519,982	503,533	297,930	(20,753)	1,885,108
Provisions	(1,044)	1,801	(75)	-	(1,570)	(5,863)	(6,751)
Depreciation, amortisation and impairment	(100,238)	(130,215)	(158,121)	(229,237)	(74,011)	(25,285)	(717,107)
Compensation of amortisation and depreciation	1,103	139	1,329	7,571	2,963	24	13,129
	302,152	53,810	363,115	281,867	225,312	(51,877)	1,174,379
Gain/(losses) on the sale of financial assets	-	-	-	2,857	-	-	2,857
Financial results	(19,362)	(93,476)	(66,694)	(135,247)	(48,741)	10,479	(353,041)
Share of profit in associates	488	-	75	3,626	(1,716)	7,991	10,464
Profit/(loss) before income tax	283,278	(39,666)	296,496	153,103	174,855	(33,407)	834,659
Current tax	(49,656)	(1,227)	74,093	(35,279)	(55,641)	23,072	(44,638)
Deferred tax	(35,419)	5,837	(170,360)	(12,392)	(4,653)	102,685	(114,302)
Net profit/(loss) for the period	**198,203**	**(35,056)**	**200,229**	**105,432**	**114,561**	**92,350**	**675,719**
Equity holders of EDP	198,854	(28,360)	200,267	99,998	74,113	36,896	581,768
Non-controlling interests	(651)	(6,696)	(38)	5,434	40,448	55,454	93,951
Net profit/(loss) for the period	**198,203**	**(35,056)**	**200,229**	**105,432**	**114,561**	**92,350**	**675,719**
Total assets	6,664,653	5,405,223	7,870,455	13,311,506	5,227,421	2,428,225	40,907,483
Total liabilities	3,437,260	5,372,409	6,469,268	7,767,398	2,676,622	4,077,510	29,800,467
Increase of the period:							
Property, plant and equipment	17,741	188,408	58,825	113,659	121,887	10,311	510,831
Intangible assets	57,657	93,317	141,310	-	37,092	413	329,789
Goodwill	-	-	-	4,828	-	-	4,828

ANNEX I

EDP Group Activity by Business Segment
30 June 2011

Thousands Euros	Iberia			EDP Renováveis	EDP Brasil	Corpor. Activ. and Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks				
Turnover							
Electricity and network accesses	617,436	3,169,895	2,688,898	488,676	1,184,553	(1,507,521)	6,641,937
Gas and network accesses	-	778,771	196,139	-	-	(164,471)	810,439
Other	27,424	129,084	9,611	2,674	5,054	(83,239)	90,608
	644,860	4,077,750	2,894,648	491,350	1,189,607	(1,755,231)	7,542,984
Cost of electricity	(19,815)	(2,565,999)	(1,952,443)	(2,758)	(627,865)	1,503,032	(3,665,848)
Cost of gas	-	(721,042)	(28,391)	-	-	115,075	(634,358)
Change in inventories and cost of raw materials and consumables used	(122,911)	(382,556)	(6,053)	(2,961)	(670)	60,120	(455,031)
	(142,726)	(3,669,597)	(1,986,887)	(5,719)	(628,535)	1,678,227	(4,755,237)
	502,134	408,153	907,761	485,631	561,072	(77,004)	2,787,747
Other operating income / (expenses)							
Other operating income	7,512	10,572	99,587	82,899	11,813	(29,784)	182,599
Supplies and services	(39,743)	(124,027)	(217,863)	(107,388)	(83,520)	151,497	(421,044)
Personnel costs and employee benefits	(43,113)	(51,695)	(89,074)	(25,389)	(56,820)	(54,970)	(321,061)
Other operating expenses	(8,689)	(48,930)	(146,366)	(26,509)	(34,712)	(17,777)	(282,983)
	(84,033)	(214,080)	(353,716)	(76,387)	(163,239)	48,966	(842,489)
	418,101	194,073	554,045	409,244	397,833	(28,038)	1,945,258
Provisions	(1,700)	(4,600)	(5,593)	285	(12,499)	3,685	(20,422)
Depreciation, amortisation and impairment	(96,651)	(120,282)	(174,648)	(219,221)	(79,988)	(33,332)	(724,122)
Compensation of amortisation and depreciation	2,348	1,968	1,194	7,948	6,499	(80)	19,877
	322,098	71,159	374,998	198,256	311,845	(57,765)	1,220,591
Gain/(losses) on the sale of financial assets	-	-	-	10,139	-	233	10,372
Financial results	(31,500)	(16,866)	(66,995)	(97,967)	(64,487)	(33,149)	(310,964)
Share of profit in associates	465	—	130	3,375	(599)	8,418	11,789
Profit/(loss) before income tax	291,063	54,293	308,133	113,803	246,759	(82,263)	931,788
Current tax	(132,127)	(16,644)	65,587	(32,539)	(81,686)	56,623	(140,786)
Deferred tax	50,586	(5,949)	(122,813)	9,062	8,007	(18,596)	(79,703)
Net profit/(loss) for the period	**209,522**	**31,700**	**250,907**	**90,326**	**173,080**	**(44,236)**	**711,299**
Equity holders of EDP	208,879	40,508	250,938	89,509	142,848	(124,020)	608,662
Non-controlling interests	643	(8,808)	(31)	817	30,232	79,784	102,637
Net profit/(loss) for the period	**209,522**	**31,700**	**250,907**	**90,326**	**173,080**	**(44,236)**	**711,299**
Total assets	6,970,120	6,745,260	7,327,784	13,044,929	5,693,903	1,485,633	41,267,629
Total liabilities	3,816,039	4,855,612	5,721,506	7,591,203	2,962,526	4,933,964	29,880,850
Increase of the period:							
Property, plant and equipment	31,757	122,661	53,454	337,684	58,827	20,306	624,689
Intangible assets	118,440	203,684	131,303	8	64,974	-	518,409
Goodwill	-	3,732	837	-	-	2,318	6,887

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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial information for the six month period ended 30 June 2012, of EDP – Energias de Portugal, S.A. which includes: the Management Report, the consolidated statement of financial position (with a total assets of Euros 40.907.483 thousand and total equity attributable to the shareholders of Euros 7.926.921 thousand including a consolidated net profit of Euros 581.768 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 extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

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

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the 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 & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Matriculada na Conservatória do registo Comercial de Lisboa sob o PT 502 161 078

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim consolidated financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim consolidated financial information;
- if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on material non usual significant transactions.

6 Our work also included the verification of the consistency of the consolidated financial information contained in the Management Report with the remaining documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2012, 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, 26 July 2012

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

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LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

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

Introduction

1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial information for the six month period ended 30 June 2012, of EDP – Energias de Portugal, S.A. which includes: the Management Report, the statement of financial position (with a total assets of Euros 20.506.774 thousand and total equity of Euros 6.676.209 thousand including a net profit of Euros 624.910 thousand) and the 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 financial statements and the additional financial information were extracted from the accounting records.

Responsibilities

3 The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting policies and criteria;

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

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4 Our responsibility is to verify the 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 & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Matriculada na Conservatória do registo Comercial de Lisboa sob o PT 502 161 078

Scope

5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

a) mainly, inquiries and analytical procedures performed to review:

- the reliability of the assertions included in the interim financial information;
- the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
- applicability of the going concern principle;
- the presentation of the interim financial information;
- if the interim financial information is complete, true, current, clear, objective and fair; and

b) substantive tests on material non usual significant transactions.

6 Our work also included the verification of the consistency of the financial information contained in the Management Report with the remaining documents mentioned above.

7 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

Conclusion

8 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2012, 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, 26 July 2012

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

EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 1st semester of 2012 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, 26th of July 2012

António Luís Guerra Nunes Mexia, Chairman

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

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 2012 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, 26th of July 2012

Conselho Geral e de Supervisão

DECLARATION

Pursuant article 246º of Securities Code (CVM), to the best knowledge of each of the signatories, the information referred in article 246º, n.º 1, paragraph a) of CVM, on **2012 first semester**, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP – Energias de Portugal, S.A.** and subsidiaries included in the consolidation perimeter, and that the interim management report includes a fair review of the information required pursuant to article 246º, n.º 2 of CVM, including an indication of important events that have occurred during **2012 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 2012.**

Lisbon, 26th July 2012

Eduardo de Almeida Catroga – *Chairman*

Dingming Zhang – *Vice-Chairman (as representative of China Three Gorges Co.)*

Alberto João Coraceiro de Castro

António Sarmento Gomes Mota

Carlos Jorge Ramalho dos Santos Ferreira

Felipe Fernández Fernández *(as representative of Liberbank)*

Fernando Maria Masaveu Herrero

Harkat Abderezak *(as representative of Sonatrach)*

Guojun Lu *(as representative of China International Water&Electric Co.)*

Joaquim José de Oliveira Reis *(as representative of Parpública – Participações Públicas,(SGPS), S.A.)*

Jorge Braga de Macedo

José Maria Espírito Santo Silva Ricciardi

Luís Filipe da Conceição Pereira *(as representative of José de Mello Energia, S.A.)*

Manuel Fernando de Macedo Alves Monteiro

Maria Celeste Ferreira Lopes Cardona

Mohamed Al Fahim *(as representative of Senfora Sarl)*

Paulo Jorge de Assunção Rodrigues Teixeira Pinto

Rui Eduardo Ferreira Rodrigues Pena

Shengliang Wu *(as representative of China Three Gorges International Co.)*

Vasco Joaquim Rocha Vieira

Vítor Fernando da Conceição Gonçalves

Ya Yang *(as representative of China Three Gorges New Energy Co.)*

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

Antônio Fernando Melo Martins da Costa

João Marques da Cruz

Miguel Stilwell de Andrade