



## **THIRD QUARTER 2011 REPORT**

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## EDP - Energias de Portugal

### Consolidated Income Statement for the nine month period ended 30 September 2011 and 2010

	Notes	2011 (Thousands of Euros)	2010 * (Thousands of Euros)
Turnover	6	11,161,907	10,238,609
Cost of electricity	6	-5,377,165	-4,947,443
Cost of gas	6	-961,129	-627,104
Changes in inventories and cost of raw materials and consumables used	6	-741,095	-669,573
		<u>4,082,518</u>	<u>3,994,489</u>
Revenue from assets assigned to concessions	7	308,839	226,240
Expenditure with assets assigned to concessions	7	-308,839	-226,240
		<u>-</u>	<u>-</u>
Other operating income / (expenses)			
Other operating income	8	233,426	190,271
Supplies and services	9	-650,161	-621,633
Personnel costs and employee benefits	10	-471,765	-462,339
Other operating expenses	11	-418,990	-387,103
		<u>-1,307,490</u>	<u>-1,280,804</u>
		2,775,028	2,713,685
Provisions	12	-1,733	-68,309
Depreciation and amortisation expense	13	-1,078,202	-1,096,559
Compensation of amortisation and depreciation	13	25,281	16,796
		<u>1,720,374</u>	<u>1,565,613</u>
Gains / (losses) on the sale of financial assets	14	10,280	2,575
Financial income	15	591,257	564,965
Financial expenses	15	-1,137,196	-975,780
Share of profit in associates		<u>17,429</u>	<u>18,345</u>
Profit before income tax		1,202,144	1,175,718
Income tax expense	16	-242,165	-305,541
<b>Net profit for the period</b>		<u>959,979</u>	<u>870,177</u>
<b>Attributable to:</b>			
Equity holders of EDP		823,630	774,272
Non-controlling Interests	33	<u>136,349</u>	<u>95,905</u>
Net profit for the period		<u>959,979</u>	<u>870,177</u>
Earnings per share (Basic and Diluted) - Euros	30	<u>0.23</u>	<u>0.21</u>

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

LISBON, 27 OCTOBER 2011

THE OFFICIAL ACCOUNTANT  
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## EDP - Energias de Portugal

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

	Notes	2011 (Thousands of Euros)	2010 (Thousands of Euros)
<b>Assets</b>			
Property, plant and equipment	17	20,148,632	20,323,583
Intangible assets	18	6,432,072	6,614,139
Goodwill	19	3,330,352	3,349,179
Investments in associates	21	158,327	146,871
Available for sale investments	22	166,013	443,965
Deferred tax assets	23	534,214	515,332
Trade receivables	25	112,385	117,442
Debtors and other assets	26	2,011,674	1,696,717
Total Non-Current Assets		<u>32,893,669</u>	<u>33,207,228</u>
Inventories	24	394,386	356,978
Trade receivables	25	1,889,707	2,069,676
Debtors and other assets	26	2,199,622	2,636,565
Tax receivable	27	566,763	640,485
Financial assets at fair value through profit or loss	28	7,771	35,745
Cash and cash equivalents	29	1,738,409	1,511,224
Assets classified as held for sale	40	85,000	30,952
Total Current Assets		<u>6,881,658</u>	<u>7,281,625</u>
Total Assets		<u><u>39,775,327</u></u>	<u><u>40,488,853</u></u>
<b>Equity</b>			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-111,227	-115,731
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,888,404	2,730,903
Consolidated net profit attributable to equity holders of EDP		823,630	1,078,925
Total Equity attributable to equity holders of EDP		<u>7,761,268</u>	<u>7,854,558</u>
Non-Controlling Interests	33	3,161,643	2,930,401
Total Equity		<u>10,922,911</u>	<u>10,784,959</u>
<b>Liabilities</b>			
Financial debt	35	16,183,279	14,887,195
Employee benefits	36	1,824,894	1,904,879
Provisions	37	387,692	431,194
Hydrological correction account	34	76,554	75,098
Deferred tax liabilities	23	838,135	856,072
Trade and other payables	38	3,639,550	3,819,817
Total Non-Current Liabilities		<u>22,950,104</u>	<u>21,974,255</u>
Financial debt	35	2,154,641	3,004,451
Trade and other payables	38	3,206,599	4,172,832
Tax payable	39	541,072	552,356
Total Current Liabilities		<u>5,902,312</u>	<u>7,729,639</u>
Total Liabilities		<u>28,852,416</u>	<u>29,703,894</u>
Total Equity and Liabilities		<u><u>39,775,327</u></u>	<u><u>40,488,853</u></u>

LISBON, 27 OCTOBER 2011

THE OFFICIAL ACCOUNTANT  
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## EDP - Energias de Portugal

### Consolidated Income Statement for the three month period from 1 July to 30 September 2011 and 2010

	<b>2011</b>	<b>2010 *</b>
	(Thousands of Euros)	(Thousands of Euros)
Turnover	3,618,923	3,475,990
Cost of electricity	-1,711,317	-1,700,734
Cost of gas	-326,771	-211,789
Changes in inventories and cost of raw materials and consumables used	-286,064	-297,936
	<u>1,294,771</u>	<u>1,265,531</u>
Revenue from assets assigned to concessions	113,379	56,455
Expenditure with assets assigned to concessions	-113,379	-56,455
	<u>-</u>	<u>-</u>
Other operating income / (expenses)		
Other operating income	50,827	64,544
Supplies and services	-229,117	-217,066
Personnel costs and employee benefits	-150,704	-147,096
Other operating expenses	-136,007	-125,069
	<u>-465,001</u>	<u>-424,687</u>
	829,770	840,844
Provisions	18,689	-29,031
Depreciation and amortisation expense	-354,080	-378,695
Compensation of amortisation and depreciation	5,404	4,135
	<u>499,783</u>	<u>437,253</u>
Gains / (losses) on the sale of financial assets	-92	-2,234
Financial income	194,074	123,515
Financial expenses	-429,049	-259,353
Share of profit in associates	5,640	5,206
	<u>270,356</u>	<u>304,387</u>
Profit before income tax	270,356	304,387
Income tax expense	-21,676	-73,627
<b>Net profit for the period</b>	<u><b>248,680</b></u>	<u><b>230,760</b></u>
<b>Attributable to:</b>		
Equity holders of EDP	214,968	209,481
Non-controlling Interests	33,712	21,279
Net profit for the period	<u><b>248,680</b></u>	<u><b>230,760</b></u>
Earnings per share (Basic and Diluted) - Euros	<u><b>0.06</b></u>	<u><b>0.06</b></u>

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

LISBON, 27 OCTOBER 2011

THE OFFICIAL ACCOUNTANT  
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## EDP - Energias de Portugal

### Consolidated Statement of Comprehensive Income as at 30 September 2011 and 2010

(Thousands of Euros)

	2011		2010	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
<b>Net profit for the period</b>	<b>823,630</b>	<b>136,349</b>	<b>774,272</b>	<b>95,905</b>
Exchange differences arising on consolidation	-153,213	-209,492	86,050	94,702
Fair value reserve (cash flow hedge)	-63,788	-9,730	-81,495	-6,419
Tax effect from the fair value reserve (cash flow hedge)	17,083	2,556	21,864	1,385
Fair value reserve (available for sale investments)	-135,699	-1,906	7,683	327
Tax effect from the fair value reserve (available for sale investments)	14,002	-21	-2,657	-192
Actuarial gains / (losses)	4,266	13,504	-17,231	1,713
Tax effect from the actuarial gains / (losses)	-6,623	-4,591	-1,077	-582
<b>Other comprehensive income for the period, net of income tax</b>	<b>-323,972</b>	<b>-209,680</b>	<b>13,137</b>	<b>90,934</b>
<b>Total comprehensive income for the period</b>	<b>499,658</b>	<b>-73,331</b>	<b>787,409</b>	<b>186,839</b>

# EDP - Energias de Portugal

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

(Thousands of Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange Differences	Treasury Stock	Equity attributable to equity holders of EDP	Non-controlling Interests
<b>Balance as at 31 December 2009</b>	<b>9,978,013</b>	<b>3,656,538</b>	<b>501,992</b>	<b>471,387</b>	<b>2,381,683</b>	<b>61,794</b>	<b>174,103</b>	<b>165,859</b>	<b>-119,784</b>	<b>7,293,572</b>	<b>2,684,441</b>
Comprehensive income:											
Net profit for the period	870,177	-	-	-	774,272	-	-	-	-	774,272	95,905
Changes in the fair value reserve (cash flow hedge) net of taxes	-64,665	-	-	-	-	-59,631	-	-	-	-59,631	-5,034
Changes in the fair value reserve (available for sale investments) net of taxes	5,161	-	-	-	-	-	5,026	-	-	5,026	135
Actuarial gains/(losses) net of taxes	-17,177	-	-	-	-18,308	-	-	-	-	-18,308	1,131
Exchange differences arising on consolidation	180,752	-	-	-	-	-	-	86,050	-	86,050	94,702
Total comprehensive income for the period	974,248	-	-	-	755,964	-59,631	5,026	86,050	-	787,409	186,839
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends Paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to non-controlling interests	-21,356	-	-	-	-	-	-	-	-	-	-21,356
Purchase and sale of treasury stock	-358	-	-	-	-1,238	-	-	-	880	-358	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Changes in non-controlling interests resulting from acquisitions / sales and equity increases	4,121	-	-	-	-	-	-	-	-	-	4,121
Other reserves arising on consolidation	-24	-	-	-	74	-	-	-	-	74	-98
<b>Balance as at 30 September 2010</b>	<b>10,374,943</b>	<b>3,656,538</b>	<b>501,992</b>	<b>502,888</b>	<b>2,543,551</b>	<b>2,163</b>	<b>179,129</b>	<b>251,909</b>	<b>-117,174</b>	<b>7,520,996</b>	<b>2,853,947</b>
Comprehensive income:											
Net profit for the period	364,424	-	-	-	304,653	-	-	-	-	304,653	59,771
Changes in the fair value reserve (cash flow hedge) net of taxes	36,398	-	-	-	-	32,948	-	-	-	32,948	3,450
Changes in the fair value reserve (available for sale investments) net of taxes	-11,888	-	-	-	-	-	-14,445	-	-	-14,445	2,557
Actuarial gains/(losses) net of taxes	-63,500	-	-	-	-53,037	-	-	-	-	-53,037	-10,463
Exchange differences arising on consolidation	118,371	-	-	-	-	-	-	60,914	-	60,914	57,457
Total comprehensive income for the period	443,805	-	-	-	251,616	32,948	-14,445	60,914	-	331,033	112,772
Dividends attributable to non-controlling interests	-40,662	-	-	-	-	-	-	-	-	-	-40,662
Purchase and sale of treasury stock	649	-	-	-	-794	-	-	-	1,443	649	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in non-controlling interests resulting from acquisitions / sales and equity increases	4,417	-	-	-	-	-	-	-	-	-	4,417
Other reserves arising on consolidation	-124	-	-	-	-51	-	-	-	-	-51	-73
<b>Balance as at 31 December 2010</b>	<b>10,784,959</b>	<b>3,656,538</b>	<b>503,923</b>	<b>502,888</b>	<b>2,794,322</b>	<b>35,111</b>	<b>164,684</b>	<b>312,823</b>	<b>-115,731</b>	<b>7,854,558</b>	<b>2,930,401</b>
Comprehensive income:											
Net profit for the period	959,979	-	-	-	823,630	-	-	-	-	823,630	136,349
Changes in the fair value reserve (cash flow hedge) net of taxes	-53,879	-	-	-	-	-46,705	-	-	-	-46,705	-7,174
Changes in the fair value reserve (available for sale investments) net of taxes	-123,624	-	-	-	-	-	-121,697	-	-	-121,697	-1,927
Actuarial gains/(losses) net of taxes	6,556	-	-	-	-2,357	-	-	-	-	-2,357	8,913
Exchange differences arising on consolidation	-362,705	-	-	-	-	-	-	-153,213	-	-153,213	-209,492
Total comprehensive income for the period	426,327	-	-	-	821,273	-46,705	-121,697	-153,213	-	499,658	-73,331
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends Paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-68,475	-	-	-	-	-	-	-	-	-	-68,475
Purchase and sale of treasury stock	1,342	-	-	-	-1,116	-	-	-	2,458	1,342	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions and equity increases	-4,401	-	-	-	-837	-	-	-	-	-837	-3,564
Changes resulting from sales without a loss of control:											
Energias do Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other	3,253	-	-	-	2,324	-	-	-	-	2,324	929
Other reserves arising on consolidation	-779	-	-	-	-786	-	-	-	-	-786	7
<b>Balance as at 30 September 2011</b>	<b>10,922,911</b>	<b>3,656,538</b>	<b>503,923</b>	<b>539,145</b>	<b>3,046,671</b>	<b>-9,915</b>	<b>43,371</b>	<b>92,762</b>	<b>-111,227</b>	<b>7,761,268</b>	<b>3,161,643</b>

# EDP - Energias de Portugal

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

(Thousands of Euros)

	Group		Company	
	Sep 2011	Sep 2010	Sep 2011	Sep 2010
<b>Operating activities</b>				
Cash receipts from customers	10,855,736	9,599,628	1,585,666	1,362,751
Proceeds from tariff adjustments securitization	615,941	-	-	-
Cash paid to suppliers	-8,047,287	-6,883,629	-1,626,755	-1,208,406
Cash paid to personnel	-540,853	-594,138	-42,301	-37,859
Concession rents paid	-177,129	-178,731	-	-
Other receipts / (payments) relating to operating activities	-296,720	-226,350	-5,006	-70,210
<b>Net cash from operations</b>	<b>2,409,688</b>	<b>1,716,780</b>	<b>-88,396</b>	<b>46,276</b>
Income tax received / (paid)	-57,413	-651,759	13,762	11,716
<b>Net cash from operating activities</b>	<b>2,352,275</b>	<b>1,065,021</b>	<b>-74,634</b>	<b>57,992</b>
<b>Investing activities</b>				
Cash receipts relating to:				
Financial assets	455,764	140,796	353,267	4,737
Property, plant and equipment and intangible assets	42,011	3,169	1,817	-
Investment grants	12,263	19,613	-	-
Interest and similar income	91,458	96,107	243,655	203,468
Dividends	16,558	32,198	831,436	342,576
	<b>618,054</b>	<b>291,883</b>	<b>1,430,175</b>	<b>550,781</b>
Cash payments relating to:				
Financial assets	-279,190	-100,375	-483,916	-
Changes in cash resulting from perimeter variations	666	4,976	-	-
Property, plant and equipment and intangible assets	-1,775,957	-2,284,475	-48,624	-48,573
	<b>-2,054,481</b>	<b>-2,379,874</b>	<b>-532,540</b>	<b>-48,573</b>
<b>Net cash from investing activities</b>	<b>-1,436,427</b>	<b>-2,087,991</b>	<b>897,635</b>	<b>502,208</b>
<b>Financing activities</b>				
Receipts / (payments) relating to loans	517,019	1,074,625	545,276	-427,773
Interest and similar costs including hedge derivatives	-471,008	-390,001	-287,349	-254,079
Cash grants	1,571	423	-	-
Share capital increases by non-controlling interests	4,507	2,540	-	-
Receipts / (payments) relating to derivative financial instruments	-37,661	-48,463	-17,596	3,018
Dividends paid to equity holders of EDP	-616,581	-561,819	-616,581	-561,819
Dividends paid to non-controlling interests	-97,933	- 57 164	-	-
Treasury stock sold / (purchased)	1,280	-496	3,326	1,621
Receipts / (payments) from wind activity institutional partnerships - USA	71,820	163,141	-	-
<b>Net cash from financing activities</b>	<b>-626,986</b>	<b>182,786</b>	<b>-372,924</b>	<b>-1,239,032</b>
<b>Changes in cash and cash equivalents</b>	<b>288,862</b>	<b>-840,184</b>	<b>450,077</b>	<b>-678,832</b>
Effect of exchange rate fluctuations on cash held	-61,677	34,059	-5	-1,540
Cash and cash equivalents at the beginning of the period	1,511,224	2,189,560	142,675	891,356
<b>Cash and cash equivalents at the end of the period (*)</b>	<b>1,738,409</b>	<b>1,383,435</b>	<b>592,747</b>	<b>210,984</b>

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



**EDP - Energias de Portugal, S.A.**

**Company Income Statement  
for the nine month period ended 30 September 2011 and 2010**

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Turnover	6	1,734,483	1,402,462
Cost of electricity	6	-1,330,844	-1,007,927
Changes in inventories and cost of raw materials and consumables used	6	-331,191	-249,944
		<u>72,448</u>	<u>144,591</u>
Other operating income / (expenses)			
Other operating income	8	7,677	8,005
Supplies and services	9	-132,418	-120,178
Personnel costs and employee benefits	10	-10,780	-10,165
Other operating expenses	11	-11,017	-11,568
		<u>-146,538</u>	<u>-133,906</u>
		-74,090	10,685
Provisions	12	3,882	-13,564
Depreciation and amortisation expense	13	-6,922	-7,004
		<u>-77,130</u>	<u>-9,883</u>
Gains / (losses) on the sale of financial assets	14	110,362	6,942
Financial income	15	1,046,387	1,033,833
Financial expenses	15	-619,672	-688,554
Profit before income tax		459,947	342,338
Income tax expense	16	147,581	7,847
<b>Net profit for the period</b>		<u><u>607,528</u></u>	<u><u>350,185</u></u>

LISBON, 27 OCTOBER 2011

THE OFFICIAL ACCOUNTANT  
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

# EDP - Energias de Portugal, S.A.

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

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
<b>Assets</b>			
Property, plant and equipment	17	203,356	165,105
Intangible assets	18	18	24
Investments in subsidiaries	20	9,749,943	9,507,310
Available for sale investments	22	44,150	257,072
Deferred tax assets	23	29,860	-
Debtors and other assets	26	5,202,562	5,393,428
<b>Total Non-Current Assets</b>		<b>15,229,889</b>	<b>15,322,939</b>
Inventories	24	47,684	51,745
Trade receivables	25	132,285	46,357
Debtors and other assets	26	2,300,035	2,511,562
Tax receivable	27	130,566	92,330
Cash and cash equivalents	29	592,747	142,675
Assets classified as held for sale	40	85,000	-
<b>Total Current Assets</b>		<b>3,288,317</b>	<b>2,844,669</b>
<b>Total Assets</b>		<b>18,518,206</b>	<b>18,167,608</b>
<b>Equity</b>			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-105,132	-109,636
Share premium	30	503,923	503,923
Reserves and retained earnings	32	1,905,710	1,926,188
Net profit for the period		607,528	725,136
<b>Total Equity</b>		<b>6,568,567</b>	<b>6,702,149</b>
<b>Liabilities</b>			
Financial debt	35	1,586,043	1,311,375
Provisions	37	75,585	21,867
Hydrological correction account	34	76,554	75,098
Deferred tax liabilities	23	-	67,926
Trade and other payables	38	3,167,832	3,222,714
<b>Total Non-Current Liabilities</b>		<b>4,906,014</b>	<b>4,698,980</b>
Financial debt	35	5,831,496	5,779,736
Trade and other payables	38	1,187,387	985,555
Tax payable	39	24,742	1,188
<b>Total Current Liabilities</b>		<b>7,043,625</b>	<b>6,766,479</b>
<b>Total Liabilities</b>		<b>11,949,639</b>	<b>11,465,459</b>
<b>Total Equity and Liabilities</b>		<b>18,518,206</b>	<b>18,167,608</b>

LISBON, 27 OCTOBER 2011

THE OFFICIAL ACCOUNTANT  
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

**EDP - Energias de Portugal, S.A.**

**Company Income Statement**  
**for the three month period from 1 July to 30 September 2011 and 2010**

	<b>2011</b>	<b>2010</b>
	(Thousands of Euros)	(Thousands of Euros)
Turnover	548,048	453,910
Cost of electricity	-437,318	-332,886
Changes in inventories and cost of raw materials and consumables used	-94,976	-95,441
	<u>15,754</u>	<u>25,583</u>
Other operating income / (expenses)		
Other operating income	4,363	1,324
Supplies and services	-45,743	-41,042
Personnel costs and employee benefits	-3,712	-3,643
Other operating expenses	-1,643	-1,032
	<u>-46,735</u>	<u>-44,393</u>
	-30,981	-18,810
Provisions	289	35
Depreciation and amortisation expense	-2,518	-2,345
	<u>-33,210</u>	<u>-21,120</u>
Gains / (losses) on the sale of financial assets	110,362	-
Financial income	67,948	-139,950
Financial expenses	-104,862	151,920
	<u>40,238</u>	<u>-9,150</u>
Profit before income tax		
Income tax expense	102,206	20,612
<b>Net profit for the period</b>	<u><u>142,444</u></u>	<u><u>11,462</u></u>

LISBON, 27 OCTOBER 2011

THE OFFICIAL ACCOUNTANT  
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

**EDP - Energias de Portugal, S.A.**

**Company Statement of Comprehensive Income as at  
30 September 2011 and 2010**

	(Thousands of Euros)	
	<b>2011</b>	<b>2010</b>
<b>Net profit for the period</b>	<u>607,528</u>	<u>350,185</u>
Fair value reserve (cash flow hedge)	-17,993	-30,124
Tax effect from the fair value reserve (cash flow hedge)	5,202	7,556
Fair value reserve (available for sale investments)	-128,282	31,994
Tax effect from the fair value reserve (available for sale investments)	<u>13,156</u>	<u>-5,145</u>
<b>Other comprehensive income for the period, net of income tax</b>	<u>-127,917</u>	<u>4,281</u>
<b>Total comprehensive income for the period</b>	<u><u>479,611</u></u>	<u><u>354,466</u></u>

# EDP - Energias de Portugal, S.A.

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

(Thousands of Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury Stock
<b>Balance as at 31 December 2009</b>	<b>6,542,869</b>	<b>3,656,538</b>	<b>501,992</b>	<b>471,387</b>	<b>1,867,805</b>	<b>41,104</b>	<b>117,732</b>	<b>-113,689</b>
Comprehensive income:								
Net profit for the period	350,185	-	-	-	350,185	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-22,568	-	-	-	-	-22,568	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	26,849	-	-	-	-	-	26,849	-
Total comprehensive income for the period	354,466	-	-	-	350,185	-22,568	26,849	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends Paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	-358	-	-	-	-1,238	-	-	880
Share-based payments	2,118	-	-	-	388	-	-	1,730
<b>Balance as at 30 September 2010</b>	<b>6,337,276</b>	<b>3,656,538</b>	<b>501,992</b>	<b>502,888</b>	<b>1,623,820</b>	<b>18,536</b>	<b>144,581</b>	<b>-111,079</b>
Comprehensive income:								
Net profit for the period	374,951	-	-	-	374,951	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-723	-	-	-	-	-723	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-11,935	-	-	-	-	-	-11,935	-
Total comprehensive income for the period	362,293	-	-	-	374,951	-723	-11,935	-
Purchase and sale of treasury stock	649	-	-	-	-794	-	-	1,443
Tax reimbursement of Capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
<b>Balance as at 31 December 2010</b>	<b>6,702,149</b>	<b>3,656,538</b>	<b>503,923</b>	<b>502,888</b>	<b>1,997,977</b>	<b>17,813</b>	<b>132,646</b>	<b>-109,636</b>
Comprehensive income:								
Net profit for the period	607,528	-	-	-	607,528	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-12,791	-	-	-	-	-12,791	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-115,126	-	-	-	-	-	-115,126	-
Total comprehensive income for the period	479,611	-	-	-	607,528	-12,791	-115,126	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends Paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	1,342	-	-	-	-1,116	-	-	2,458
Share-based payments	2,046	-	-	-	-	-	-	2,046
<b>Balance as at 30 September 2011</b>	<b>6,568,567</b>	<b>3,656,538</b>	<b>503,923</b>	<b>539,145</b>	<b>1,951,551</b>	<b>5,022</b>	<b>17,520</b>	<b>-105,132</b>

**EDP - Energias de Portugal, S.A.**  
**Notes to the Condensed Consolidated and Company Financial Statements**  
**for the nine months period ended 30 September 2011**

**1. Economic activity of EDP Group**

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

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

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

During the nine months period ended 30 September 2011 no significant changes occurred in the economic activity of EDP Group.

**2. Accounting policies**

**a) Basis of presentation**

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

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 27 October 2011. The financial statements are presented in thousands of Euros, rounded to the nearest thousand

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed to Portuguese legislation through Decree-law 35/2005 of 17 February, the company financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

These consolidated interim financial statements for the nine months period ended 30 September 2011 were prepared in accordance with the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2010.

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

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

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

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

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

*Change in accounting policy*

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

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

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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, considering that several sector entities adopted the accounting policy described in the first option, 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 expected return on plan assets in financial results.

As at 30 September 2011, the effect of this change results in an impact of 66 million of Euros in the financial results against a decrease on employee benefits costs. As at 30 September 2010, EDP Group restated its employee benefits costs for comparative purposes, resulting in a decrease of approximately 63 millions of Euros against a negative increase of financial results in the same amount (see notes 10, 15 and 36)

**b) Basis of consolidation**

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

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

*Subsidiaries*

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

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

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

*Associates*

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:

- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

*Jointly controlled entities*

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

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

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

*Goodwill*

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

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

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

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

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

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

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

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

*Purchases of non-controlling interests and dilution*

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

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

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

*Investments in foreign operations*

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



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

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

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

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

*Balances and transactions eliminated on consolidation*

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

**c) Foreign currency transactions**

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

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

**d) Derivative financial instruments and hedge accounting**

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

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

**Hedge accounting**

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

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

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

*Fair value hedge*

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

#### *Cash flow hedge*

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

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

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

#### *Net investment hedge*

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

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

#### *Effectiveness*

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

### **e) Other financial assets**

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

#### *Financial assets at fair value through profit or loss*

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

#### *Available-for-sale investments*

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

#### **Initial recognition, measurement and derecognition**

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

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

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

#### **Subsequent measurement**

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

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

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

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

#### **Reclassifications between categories**

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

#### **Impairment**

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

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

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

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

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

#### **f) Financial liabilities**

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

#### **g) Equity instruments**

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

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

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

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

#### **h) Property, plant and equipment**

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

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

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

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

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

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

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

*Borrowing costs and other directly attributable costs*

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

*Government grants*

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

*Transfers of assets from customers*

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

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

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

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

**i) Intangible assets**

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

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

*Acquisition and development of software*

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

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

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

*Concession rights on distribution of electricity and gas*

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

*Concession rights to use the public hydric domain*

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

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

*Industrial property and other rights*

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

**j) Leases**

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

*Operating leases*

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

*Finance leases*

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

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

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

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

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

*Determining whether an Arrangement contains a Lease*

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

**k) Investment property**

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

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

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

**l) Inventories**

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

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

CO2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

**m) Accounts receivable**

Accounts receivable are initially recognised at fair value being subsequently measured at amortised cost less impairment losses

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

**n) Employee benefits**

**Pensions**

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

*Defined benefit plans*

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

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

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

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

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

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

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

As described in note 2 a), with the purpose of aligning the accounting policies and practices of the EDP Group regarding the utilities sector of electricity and gas in Europe, 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, Spain and in Brazil some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Security System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's statement of financial position. Measurement and recognition of the medical benefits liabilities are similar to those of the defined benefit plans pension liabilities, explained above

### *Variable remuneration paid to employees*

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

## **o) Provisions**

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

### *Provisions for dismantling and decommissioning in electric power plants*

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

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

## **p) Recognition of costs and revenues**

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

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

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

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

## **q) Financial results**

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

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

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

## **r) Income tax**

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

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

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

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

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

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

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

**s) Earnings per share**

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

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

**t) Share based payments**

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

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

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

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

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

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

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

**v) Cash and cash equivalents**

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

**w) Segment reporting**

The Group presents the operational segments based on internal management information

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

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



**x) Tariff adjustments**

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

**y) CO2 licenses and greenhouse effect gas emission**

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

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

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

**z) Cash Flow Statement**

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

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

**aa) Group concession activities**

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

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

IFRIC 12 is applicable to the public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of determined infrastructures as well as the price of these services and equally controls any significant residual interest in those infrastructures.

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

*Financial Asset Model*

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

#### *Intangible Asset Model*

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

#### *Mixed Model*

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

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

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

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

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

### **3. Critical accounting estimates and judgements in preparing the financial statements**

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

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

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

#### **Impairment of available-for-sale investments**

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

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

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

#### **Fair value of financial instruments**

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

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

#### **Contractual Stability Compensation (CMEC)**

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

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

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

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

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

**Contractual Stability Compensation – Revisable mechanism**

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

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

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

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

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

**Tariff adjustments**

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

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

**Tariff deficit**

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

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

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

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

#### **Impairment of long term assets and Goodwill**

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

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

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

#### **Doubtful debts**

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

#### **Revenue recognition**

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

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

#### **Income taxes**

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

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

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

#### **Pensions and other employee benefits**

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

#### **Provisions for dismantling and decommissioning of power generation units**

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

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

#### **4. Financial-risk management policies**

##### **Financial risk management**

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

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

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

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

##### **Exchange-rate risk management**

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

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

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

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

##### **Interest rate risk management**

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

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

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

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

### **Counterparty credit risk management**

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

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

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

### **Liquidity risk management**

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

### **Energy market risk management**

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

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO<sub>2</sub>) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, Brent and coal) and forwards to fix prices.

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

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

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

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

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

### **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.

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

## **5. Consolidation perimeter**

During the nine months period ended 30 September 2011, several changes occurred in the EDP Group consolidation perimeter as described below

### **Companies acquired:**

- EDP Asia - Investimento e Consultoria, Lda. and EDP Internacional, S.A. acquired 40% of the share capital of EDP - Ásia Soluções Energéticas, Lda;
- EDP Serviços - Sistemas para a Qualidade e a Eficiência Energética, S.A acquired 100% of the share capital of Home Energy II, S.A.
- EDP Renewables Europe, S.L. acquired 49% of the share capital of SeaEnergy Renewables Inch Cape Limited, through its subsidiary EDPR UK Limited;
- Enagás - S.G.P.S., S.A. acquired 33.05% of the share capital of Setgás Comercialização, S.A..

### **Companies sold and liquidated:**

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

### **Companies merged:**

- Enernova, S.A. (Brazil) was merged into Ipueiras Energia, S.A.;
- CESA - Castelo Energética, S.A. was merged into Energest, S.A.;
- Naturgas Energía Distribución Cantabria, S.A. was merged into Naturgas Energía Distribución, S.A.U..

### **Companies incorporated:**

- EDP Renováveis Cantábria, S.L.;
- Paulding Wind Farm IV L.L.C.\*;
- Pestera Wind Farm, S.A.;
- Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.;
- Pecém Transportadora de Minérios, S.A..
- Villa Castelli Wind, S.R.L.;
- Pochidia Wind Farm, S.A.;
- Rush County Wind Farm, L.L.C.\*;
- 2011 Vento X, L.L.C.;
- EDPR Wind Ventures X, L.L.C..

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

### **Other changes:**

- Reduction of the interests in EDP Energias do Brasil, S.A., from 64.8% to 51.0%, following the sale of an interest of 13.8% by EDP Energias de Portugal, S.A.;
- Reduction of the interests in SGORME - SGO Rede Mobilidade Eléctrica, S.A. from 100% to 91% through dilution, following a share capital increase not fully subscribed by EDP Distribuição - Energia, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 46.5% to 61.5% in the share capital of Aplicaciones Industriales de Energías Limpias, S.L. through its subsidiary Santa Quitéria Energía, S.L.U., increasing its shareholding from 58.33% to 83.96% in Parque Eólico Santa Quitéria, S.L. share capital;
- HC Energía increased its shareholding from 47.5% to 95% in the share capital of Infraestructuras Gasistas de Navarra, S.L. through its subsidiary Naturgas Energía Transporte, S.A.U.;
- Hidrocantabrico Distribucion Eléctrica, S.A.U. acquired 9.98% of the share capital of Instalaciones Electricas Rio Isabena, S.L.;
- Hidrocantabrico Distribucion Eléctrica, S.A.U. acquired 10% of the share capital of Solanar Distribución Eléctrica, S.L..

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**6. Turnover**

Turnover analysed by sector is as follows:

	Group		Company	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
<b>Turnover:</b>				
Electricity and network accesses	9,798,497	9,144,585	1,424,862	1,203,037
Gas and network accesses	1,223,868	951,547	151,733	48,442
Advisory, management services and IT services	5,454	5,440	102,224	101,057
Sales of CO2 licenses	26,787	46,686	55,088	49,600
Other	107,301	90,351	576	326
	<u>11,161,907</u>	<u>10,238,609</u>	<u>1,734,483</u>	<u>1,402,462</u>

During the third quarter of 2011, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 426,365 thousands of Euros (income in September 2010: 35,043 thousands of Euros) regarding the tariff adjustments of the period (see note 26), as described under accounting policies - note 2 x).

The caption Advisory, management and IT services includes, on a company basis, an amount of 67,142 thousands of Euros (30 September 2010: 69,516 thousands of Euros) related with services charged subsidiaries of EDP, S.A. for management and IT services. The amounts charged are in accordance with the contractual terms which are established on an arm's length basis.

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

	Sep 2011				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	5,345,346	2,472,806	1,765,649	214,696	9,798,497
Gas and network accesses	308,908	914,960	-	-	1,223,868
Advisory, management services and IT services	5,028	426	-	-	5,454
Sales of CO2 licenses	26,787	-	-	-	26,787
Other	70,083	29,321	7,897	-	107,301
	<u>5,756,152</u>	<u>3,417,513</u>	<u>1,773,546</u>	<u>214,696</u>	<u>11,161,907</u>
	Sep 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	5,174,692	2,232,093	1,543,268	194,532	9,144,585
Gas and network accesses	202,860	748,687	-	-	951,547
Advisory, management services and IT services	5,027	413	-	-	5,440
Sales of CO2 licenses	46,686	-	-	-	46,686
Other	45,809	14,940	29,602	-	90,351
	<u>5,475,074</u>	<u>2,996,133</u>	<u>1,572,870</u>	<u>194,532</u>	<u>10,238,609</u>

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



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

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Cost of electricity</b>	5,377,165	4,947,443	1,330,844	1,007,927
<b>Cost of gas</b>	961,129	627,104	-	-
<b>Changes in inventories and cost of raw materials and consumables used</b>				
Fuel, steam and ashes	281,281	155,704	-	-
Gas	385,648	462,359	266,394	203,661
Cost of consumables used	94,536	16,054	-	-
CO2 licenses	-7,126	851	64,797	46,281
Other	66,393	95,130	-	2
Own work capitalised	-79,637	-60,525	-	-
	<u>741,095</u>	<u>669,573</u>	<u>331,191</u>	<u>249,944</u>
	<u>7,079,389</u>	<u>6,244,120</u>	<u>1,662,035</u>	<u>1,257,871</u>

On a company basis, Cost of electricity includes costs of 727,321 thousands of Euros (30 September 2010: 519,287 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:

	<b>Group</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Revenue from assets assigned to concessions</b>	308,839	226,240
<b>Expenditure with assets assigned to concessions</b>		
Subcontracts and other materials	-230,386	-152,836
Personnel costs capitalized (see note 10)	-67,087	-55,933
Capitalised interest expense from financial debt (see note 15)	-11,366	-17,471
	<u>-308,839</u>	<u>-226,240</u>
	<u>-</u>	<u>-</u>

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

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

	<b>Sep 2011</b>			<b>Sep 2010</b>		
	<b>Portugal</b>	<b>Brazil</b>	<b>Total</b>	<b>Portugal</b>	<b>Brazil</b>	<b>Total</b>
Revenue from assets assigned to concessions	200,590	108,249	308,839	177,374	48,866	226,240
Expenditure with assets assigned to concessions	-200,590	-108,249	-308,839	-177,374	-48,866	-226,240
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**8. Other operating income**

**Other operating income** is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Supplementary income	9,040	18,106	32	635
Gains on fixed assets	32,669	2,597	901	822
Reversal of adjustments	28,858	21,010	-	-
Customers contributions	21,964	16,642	-	-
Insurance premiums - Energia RE	11,907	10,415	-	-
Income arising from institutional partnerships - EDPR NA	79,677	75,058	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	7,670	9,386	-	-
Other operating income	41,641	37,057	6,744	6,548
	<b>233,426</b>	<b>190,271</b>	<b>7,677</b>	<b>8,005</b>

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

Customers contributions of 21,964 thousands of Euros includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 19,538 thousands of Euros (30 September 2010: 11,361 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 and IX projects, in wind farms in U.S.A.

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (note 38). This liability is depreciated over the period of the agreements against other operating income. As at 30 September 2011, the amortisation for the period amounts to 7,670 thousands of Euros (30 September 2010: 9,386 thousands of Euros).

**9. Supplies and services**

**Supplies and services** are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Supplies and services:</b>				
Water, electricity and fuel	10,731	9,424	720	750
Rents and leases	79,525	72,317	34,230	29,445
Communication	29,589	31,365	7,599	7,581
Insurance	31,321	30,085	355	309
Transportation, travelling and representation	20,670	19,780	1,207	1,585
Maintenance and repairs	226,850	203,466	10,737	10,901
Advertising	15,587	19,991	5,109	5,856
Specialised works:				
- Commercial activity	114,561	95,047	6,181	4,119
- IT services	30,405	34,116	11,378	13,662
- Legal fees	15,436	15,040	2,430	2,028
- Advisory fees	15,016	17,815	3,747	4,233
- Other services	29,940	34,212	9,870	8,878
Provided personnel	-	-	34,175	27,565
Other supplies and services	30,530	38,975	4,680	3,266
	<b>650,161</b>	<b>621,633</b>	<b>132,418</b>	<b>120,178</b>

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**10. Personnel costs and employee benefits**

**Personnel costs and employee benefits** are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Personnel costs</b>				
Board of Directors remuneration	12,223	10,860	3,932	4,060
Employee's remuneration	364,708	355,306	1,176	1,234
Social charges on remuneration	90,310	91,130	287	236
Performance, assiduity and seniority bonus	57,486	54,553	3,988	3,826
Other costs	29,835	23,740	866	617
Own work capitalised:				
- Assigned to concessions (see note 7)	-67,087	-55,933	-	-
- Other	-55,277	-43,743	-	-
	<b>432,198</b>	<b>435,913</b>	<b>10,249</b>	<b>9,973</b>
<b>Employee benefits</b>				
Pension plans costs	25,355	21,123	428	97
Medical plans costs and other benefits	7,832	4,611	100	91
Cost of rationalising human resources	5,921	-	-	-
Other	459	692	3	4
	<b>39,567</b>	<b>26,426</b>	<b>531</b>	<b>192</b>
	<b>471,765</b>	<b>462,339</b>	<b>10,780</b>	<b>10,165</b>

Pension plans costs include 16,019 thousands of Euros (30 September 2010: 9,961 thousands of Euros) related to defined benefit plans (see note 36) and 9,336 thousands of Euros (30 September 2010: 11,162 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits includes essentially 7,164 thousands of Euros (30 September 2010: 5,331 thousands of Euros) related to the charge of the period. The costs of rationalising human resources results from 24 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following the decommissioning process of the Carregado Generation Center.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 34,141 thousands of Euros (30 September 2010: 32,217 thousands of Euros) and 32,126 thousands of Euros (30 September 2010: 30,699 thousands of Euros) respectively, were reclassified from personnel costs and employee benefits to financial costs (see notes 15 and 36).

**11. Other operating expenses**

**Other operating expenses** are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Concession rents paid to local authorities and others	191,675	187,651	-	-
Direct taxes	14,439	12,824	344	240
Indirect taxes	74,929	58,729	774	900
Impairment losses on doubtful debts and others	43,031	67,505	21	21
Irrecoverable debts	19,292	1,244	-	-
Losses on fixed assets	21,922	2,425	64	150
Donations	14,679	15,270	7,718	7,356
Other operating costs	39,023	41,455	2,096	2,901
	<b>418,990</b>	<b>387,103</b>	<b>11,017</b>	<b>11,568</b>

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

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## 12. Provisions

Provisions are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
Charge for the period	49,879	82,795	1,461	13,943
Write-back for the period	-48,146	-14,486	-5,343	-379
	<u>1,733</u>	<u>68,309</u>	<u>-3,882</u>	<u>13,564</u>

## 13. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
<b>Property, plant and equipment:</b>				
Buildings and other constructions	9,660	9,433	546	345
Plant and machinery:				
Hydroelectricity generation	103,481	88,196	6	6
Thermoelectric generation	199,222	218,313	-	-
Renewable generation	311,844	305,755	-	-
Electricity distribution	25,828	54,418	-	-
Gas distribution	39,105	41,317	-	-
Other plant and machinery	4,044	2,118	12	11
Office equipment and tools	41,173	45,219	4,722	5,012
Other	9,343	11,066	1,630	1,624
	<u>743,700</u>	<u>775,835</u>	<u>6,916</u>	<u>6,998</u>
<b>Intangible assets:</b>				
Industrial property and other rights	3,581	16,578	6	6
Concession rights and impairment	64,177	62,591	-	-
Intangible assets related to concessions - IFRIC 12	266,744	241,555	-	-
	<u>334,502</u>	<u>320,724</u>	<u>6</u>	<u>6</u>
	<u>1,078,202</u>	<u>1,096,559</u>	<u>6,922</u>	<u>7,004</u>
<b>Compensation of amortisation and depreciation:</b>				
Partially-funded property, plant and equipment	-25,281	-16,796	-	-
	<u>1,052,921</u>	<u>1,079,763</u>	<u>6,922</u>	<u>7,004</u>

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

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

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

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

	Sep 2011		Sep 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Available for sale investments:</b>				
Sociedad Eólica de Andalucía, S.A.	16.67%	9,405	-	-
Other	-	11	-	-
<b>Investments in subsidiaries and associates:</b>				
Oni SGPS, S.A.	-	-	-	6,942
Naturgas	-	-	0.92%	-2,831
Tecman, S.L.	-	-	100.00%	-846
Other	-	864	-	-690
		<u>10,280</u>		<u>2,575</u>

In 2011, EDP Renováveis, S.A. closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucía, SA by 10,700 thousands of Euros, generating a gain on a consolidated basis of 9,405 thousands of Euros.

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

	Sep 2011		Sep 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Investments in subsidiaries and associates:</b>				
EDP - Energias do Brasil, S.A.	13.80%	110,362	-	-
Oni SGPS, S.A.	-	-	-	6,942
		<u>110,362</u>		<u>6,942</u>

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

During the nine months period ended 30 September 2010, resulting from the settlement of pending lawsuit, the sale price of the investment held by EDP, S.A. in the subsidiary ONI SGPS, S.A. was adjusted from the 96,908 thousands of Euros initially established to 103,850 thousands of Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousands of Euros.

**15. Financial income and expenses**

**Financial income and expenses** are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
<b>Financial income</b>				
Interest income from investments	63,541	55,043	265,399	216,741
Interest from derivative financial instruments	103,995	72,020	23,893	42,850
Derivative financial instruments	177,921	221,994	264,602	426,221
Other interest income	46,833	49,733	1,218	5,596
Income from equity investments	7,128	15,749	464,472	330,271
Foreign exchange gains	63,449	55,997	26,169	10,502
CMEC	60,898	60,286	-	-
Other financial income	67,492	34,143	634	1,652
	<u>591,257</u>	<u>564,965</u>	<u>1,046,387</u>	<u>1,033,833</u>

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	Group		Company	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
<b>Financial expenses</b>				
Interest expense from financial debt	572,419	497,818	234,990	222,289
Capitalised interest expense from financial debt:				
- Assigned to concessions (see note 7)	-11,366	-17,471	-	-
- Other	-96,548	-109,229	-	-
Interest from derivative financial instruments	81,924	29,372	25,113	16,799
Derivative financial instruments	188,207	263,887	280,224	315,620
Other interest expense	33,791	6,432	6,361	3,350
Impairment of available for sale financial assets	54,759	-	-	-
Foreign exchange losses	93,515	62,913	6,769	119,396
CMEC	13,478	15,206	-	-
Unwinding with discounted value liabilities	104,314	85,411	-	-
Unwinding with pensions liabilities	34,141	32,217	-	-
Unwinding with medical liabilities and other plans	32,126	30,699	-	-
Other financial expenses	36,436	78,525	66,215	11,100
	<u>1,137,196</u>	<u>975,780</u>	<u>619,672</u>	<u>688,554</u>
Financial income / (expenses)	<u>-545,939</u>	<u>-410,815</u>	<u>426,715</u>	<u>345,279</u>

The caption Other financial Income - CMEC totalling 60,898 thousands of Euros includes 14,310 thousands of Euros related to interest of the initial CMEC included in the annuity for 2011 and 46,588 thousands of Euros related essentially to the financial effect considered in the calculation of the initial CMEC. Other financial expenses - CMEC, in the amount of 13,478 thousands of Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 38).

The caption Other financial income includes an amount of 8,514 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Portugal and 6,173 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Spain. The caption Other financial expenses includes an amount of 2,529 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Portugal

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

Impairment of available for sale financial assets, on a consolidated basis, in the amount of 54,759 thousands of Euros, refers to the impairment booked related with the financials investments held in BCP and Rede Energia, in the amounts of 49,176 thousands of Euros and 5,583 thousands of Euros, respectively, as a result of the devaluation of these shares (see note 22).

The Unwinding with discounted value liabilities refer essentially to, (i) the unwinding of the dismantling provision for wind farms; (ii) the implied financial return in institutional partnership in US wind farms; and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 34,141 thousands of Euros (30 September 2010: 32,217 thousands of Euros) and 32,126 thousands of Euros (30 September 2010: 30,699 thousands of Euros), respectively were reclassified from personnel costs and employee benefits to financial costs (see notes 10 and 36).

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

## 16. Income tax

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, being the last year considered as definitively settled by the tax administration the year of 2005. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

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

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

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Recently a decision from the Supreme Administrative Court - stated under the process number 909/10 - was known which is related with the state surcharge calculation in the Special Taxation of Groups of Companies (RETGS), which confirmed that the Tax Authorities interpretation (Published letter number 20,132, of 14 April 2008) was not in accordance with the law. According to the referred decision, the payment of municipal surcharge under RETGS should be calculated over the taxable profit of the group instead of over the taxable profit of each company included in the group, in accordance with the tax authorities interpretation.

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

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

**Income tax expense** is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Current tax	-223,304	-194,080	111,644	3,554
Deferred tax	-18,861	-111,461	35,937	4,293
	<b>-242,165</b>	<b>-305,541</b>	<b>147,581</b>	<b>7,847</b>

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

	<b>Sep 2011</b>		
	<b>Rate</b>	<b>Tax basis</b>	<b>Tax</b>
	<b>%</b>	<b>Euro '000</b>	<b>Euro '000</b>
Nominal rate and income tax	26.5%	1,202,144	318,568
Tax losses and tax credits	-5.3%	-239,826	-63,554
Dividends	1.2%	54,555	14,457
Tax benefits	-3.9%	-178,808	-47,384
Non deductible provisions and amortisations for tax purposes	0.8%	36,925	9,785
Differences between tax and accounting gains and losses	0.1%	6,242	1,654
Fair value of financial instruments and financial investments	0.5%	20,600	5,459
Financial investments in associates and subsidiaries	-0.4%	-16,362	-4,336
Autonomous taxation	0.1%	5,321	1,410
State surcharge	1.2%	54,604	14,470
Other adjustments, tax differential and changes in estimates	-0.7%	-31,562	-8,364
Effective tax rate and total income tax	<b>20.1%</b>	<b>913,833</b>	<b>242,165</b>

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

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

	<b>Sep 2010</b>		
	<b>Rate %</b>	<b>Tax basis Euro '000</b>	<b>Tax Euro '000</b>
Nominal rate and income tax	26.5%	1,175,718	311,565
Tax losses and tax credits	-0.1%	-6,392	-1,694
Dividends	1.3%	57,109	15,134
Tax benefits	-1.3%	-58,645	-15,541
Non deductible provisions and amortisations for tax purposes	-0.4%	-17,792	-4,715
Fair value of financial instruments and financial investments	0.4%	19,830	5,255
Financial investments in associates and subsidiaries	-0.5%	-23,702	-6,281
Autonomous taxation	-0.1%	-4,283	-1,135
Change in tax rate	-1.4%	-63,279	-16,769
State surcharge	0.9%	41,325	10,951
Other adjustments and changes in estimates	0.7%	33,098	8,771
Effective tax rate and total income tax	26.0%	1,152,987	305,541

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

	<b>Sep 2011</b>		
	<b>Rate %</b>	<b>Tax basis Euro '000</b>	<b>Tax Euro '000</b>
Nominal rate and income tax	26.5%	459,947	121,886
Non deductible provisions and amortisations for tax purposes	0.1%	1,113	295
Tax losses and tax credits	-17.9%	-310,453	-82,270
Dividends	-26.9%	-466,611	-123,652
Difference between tax and accounting gains/losses	-17.4%	-301,547	-79,910
Autonomous taxation and tax benefits	-0.1%	-1,019	-270
State surcharge	2.5%	43,392	11,499
Other adjustments and changes in estimates	1.1%	18,268	4,841
Effective tax rate and total income tax	-32.1%	-556,910	-147,581

The caption Difference between tax and accounting gains/losses mainly reflects the tax impact of the conclusion of the secondary public distribution offer for the distribution of EDP - Energias do Brasil, S.A.'s ordinary shares.

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

	<b>Sep 2010</b>		
	<b>Rate %</b>	<b>Tax basis Euro '000</b>	<b>Tax Euro '000</b>
Nominal rate and income tax	26.5%	342,338	90,720
Non deductible provisions and amortisations for tax purposes	0.0%	509	135
Tax losses and tax credits	-6.1%	-78,426	-20,783
Dividends	-22.8%	-293,970	-77,902
Autonomous taxation and tax benefits	0.6%	7,389	1,958
Change in tax rate	1.2%	15,453	4,095
State surcharge	0.5%	6,325	1,676
Other adjustments and changes in estimates	-2.3%	-29,233	-7,746
Effective tax rate and total income tax	-2.3%	-29,615	-7,847



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

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Profit before tax	1,202,144	1,175,718	459,947	342,338
Income tax	-242,165	-305,541	147,581	7,847
Effective tax rate	20.1%	26.0%	-32.1%	-2.3%

**17. Property, plant and equipment**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Cost:</b>				
Land and natural resources	157,156	163,184	58,672	46,498
Buildings and other constructions	544,025	502,184	116,978	24,569
Plant and machinery:				
Hydroelectric generation	7,715,094	7,805,470	254	254
Thermoelectric generation	7,684,497	7,571,906	-	-
Renewable generation	10,538,113	9,531,048	-	-
Electricity distribution	1,932,662	1,985,616	-	-
Gas distribution	1,296,260	1,268,116	-	-
Other plant and machinery	113,473	39,065	165	148
Office equipment and tools	632,857	610,443	109,153	103,915
Other	114,050	195,221	18,613	18,363
Assets under construction	2,653,109	3,210,711	18,128	82,951
	<b>33,381,296</b>	<b>32,882,964</b>	<b>321,963</b>	<b>276,698</b>
<b>Accumulated depreciation and impairment losses:</b>				
Depreciation charge for the period and impairment	-743,700	-1,017,446	-6,916	-12,046
Accumulated depreciation in previous years	-12,482,982	-11,535,836	-111,691	-99,547
Impairment losses in previous years	-5,982	-6,099	-	-
	<b>-13,232,664</b>	<b>-12,559,381</b>	<b>-118,607</b>	<b>-111,593</b>
<b>Carrying amount</b>	<b>20,148,632</b>	<b>20,323,583</b>	<b>203,356</b>	<b>165,105</b>

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

	<b>Balance at</b>	<b>Acquisitions/</b>	<b>Disposals/</b>	<b>Transfers</b>	<b>Exchange</b>	<b>Perimeter</b>	<b>Balance at</b>
	<b>1 January</b>	<b>Increases</b>	<b>Write-offs</b>		<b>Differences</b>	<b>Variations/</b>	<b>30 September</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Regularisations</b>	<b>Euro'000</b>
<b>Cost:</b>							
Land and natural resources	163,184	2,059	-574	552	-8,959	894	157,156
Buildings and other constructions	502,184	1,153	-2,899	82,085	-40,782	2,284	544,025
Plant and machinery	28,201,221	60,915	-17,570	1,264,378	-299,629	70,784	29,280,099
Office equipment and tools	610,443	6,172	-11,392	26,054	-2,083	3,663	632,857
Other	195,221	5,696	-11,083	1,513	-1,456	-75,841	114,050
Assets under construction	3,210,711	932,305	-19,508	-1,374,582	-87,363	-8,454	2,653,109
	<b>32,882,964</b>	<b>1,008,300</b>	<b>-63,026</b>	<b>-</b>	<b>-440,272</b>	<b>-6,670</b>	<b>33,381,296</b>

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	Balance at 1 January Euro'000	Charge / Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated depreciation and impairment losses:</b>							
Buildings and other constructions	144,266	9,660	-1,705	-	-7,972	2,309	146,558
Plant and machinery	11,818,193	683,524	-8,629	-	-33,211	44,179	12,504,056
Office equipment and tools	470,517	41,173	-11,386	-	-2,325	1,866	499,845
Other	126,405	9,343	-6,493	-	-1,524	-45,526	82,205
	<u>12,559,381</u>	<u>743,700</u>	<u>-28,213</u>	<u>-</u>	<u>-45,032</u>	<u>2,828</u>	<u>13,232,664</u>

Perimeter Variations / Regularisations includes the effect of the acquisition of Home Energy II S.A. and the sale of Subgroup Veinco made by EDP Group during the nine months period ended 30 September 2011.

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

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

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 September Euro'000
<b>Cost:</b>							
Land and natural resources	149,633	3,100	-236	511	5,468	-902	157,574
Buildings and other constructions	473,599	2,178	-4,040	2,388	26,142	-349	499,918
Plant and machinery	25,396,468	80,170	-15,817	1,045,565	325,543	-41,693	26,790,236
Office equipment and tools	600,790	10,102	-163	16,114	2,333	-3,046	626,130
Other	203,487	8,784	-9,764	5,362	2,335	-199	210,005
Assets under construction	3,278,539	1,569,155	-1,639	-1,131,124	29,273	78,761	3,822,965
	<u>30,102,516</u>	<u>1,673,489</u>	<u>-31,659</u>	<u>-61,184</u>	<u>391,094</u>	<u>32,572</u>	<u>32,106,828</u>

	Balance at 1 January Euro'000	Charge / Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated depreciation and impairment losses:</b>							
Buildings and other constructions	135,704	9,433	-3,282	-	4,599	219	146,673
Plant and machinery	10,962,464	710,117	-14,569	-30,232	27,217	3,490	11,658,487
Office equipment and tools	441,004	45,219	-65	-	1,882	-6,792	481,248
Other	128,538	11,066	-9,642	-	1,911	5,504	137,377
	<u>11,667,710</u>	<u>775,835</u>	<u>-27,558</u>	<u>-30,232</u>	<u>35,609</u>	<u>2,421</u>	<u>12,423,785</u>

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

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

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

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Cost:</b>						
Land and natural resources	46,498	12,478	-304	-	-	58,672
Buildings and other constructions	24,569	12,847	-1,419	78,850	2,131	116,978
Plant and machinery	402	17	-	-	-	419
Office equipment and tools	103,915	3,366	-	1,872	-	109,153
Other	18,363	515	-597	312	20	18,613
Assets under construction	82,951	16,211	-	-81,034	-	18,128
	<u>276,698</u>	<u>45,434</u>	<u>-2,320</u>	<u>-</u>	<u>2,151</u>	<u>321,963</u>
		<b>Charge /</b>				
	Balance at 1 January Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated depreciation and impairment losses:</b>						
Buildings and other constructions	17,394	546	-834	-	1,352	18,458
Plant and machinery	145	18	-	-	-	163
Office equipment and tools	82,088	4,722	-	-	-	86,810
Other	11,966	1,630	-424	-	4	13,176
	<u>111,593</u>	<u>6,916</u>	<u>-1,258</u>	<u>-</u>	<u>1,356</u>	<u>118,607</u>

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

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Cost:</b>						
Land and natural resources	46,502	-	-4	-	-	46,498
Buildings and other constructions	25,252	-	-1,004	-	813	25,061
Plant and machinery	402	-	-	-	-	402
Office equipment and tools	98,114	3,886	-	-	-	102,000
Other	18,034	590	-411	-	-	18,213
Assets under construction	36,056	38,764	-	-	-	74,820
	<u>224,360</u>	<u>43,240</u>	<u>-1,419</u>	<u>-</u>	<u>813</u>	<u>266,994</u>
		<b>Charge /</b>				
	Balance at 1 January Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated depreciation and impairment losses:</b>						
Buildings and other constructions	17,735	345	-808	-	813	18,085
Plant and machinery	122	17	-	-	-	139
Office equipment and tools	72,757	5,012	-	-	-	77,769
Other	10,184	1,624	-329	-	-	11,479
	<u>100,798</u>	<u>6,998</u>	<u>-1,137</u>	<u>-</u>	<u>813</u>	<u>107,472</u>

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**18. Intangible assets**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Cost:</b>				
Industrial property, other rights and other intangibles	95,251	93,411	100	100
Concession rights	14,908,486	15,032,831	-	-
CO2 licenses	285,209	212,230	-	-
Intangible assets in progress	576,577	597,396	-	-
	<b>15,865,523</b>	<b>15,935,868</b>	<b>100</b>	<b>100</b>
<b>Accumulated amortisation and impairment losses:</b>				
Amortisation of concession rights during the period	-330,921	-445,768	-	-
Amortisation of industrial property and other intangibles during the period	-3,581	-5,788	-6	-8
Accumulated amortisation in previous years	-9,098,949	-8,870,173	-76	-68
	<b>-9,433,451</b>	<b>-9,321,729</b>	<b>-82</b>	<b>-76</b>
<b>Carrying amount</b>	<b>6,432,072</b>	<b>6,614,139</b>	<b>18</b>	<b>24</b>

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

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

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

	<b>Balance at</b>	<b>Acquisitions</b>	<b>Disposals/</b>	<b>Transfers</b>	<b>Exchange</b>	<b>Perimeter</b>	<b>Balance at</b>
	<b>1 January</b>	<b>Euro'000</b>	<b>Write-offs</b>	<b>Euro'000</b>	<b>differences</b>	<b>variations/</b>	<b>30 September</b>
	<b>Euro'000</b>		<b>Euro'000</b>		<b>Euro'000</b>	<b>Regularisations</b>	<b>Euro'000</b>
						<b>Euro'000</b>	
<b>Cost:</b>							
Industrial property, other rights and other intangibles	93,411	2,399	-22	61	-1,353	755	95,251
Concession rights:							
Brazil	1,254,421	-	-	-	-62,838	-	1,191,583
Gas Portugal	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	470,228	38,260	-533	-	-	-4,618	503,337
Public hydric domain	759,000	-	-	-	-	-	759,000
Mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	297,920	-224,941	-	-	-	285,209
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	5,336	-28,752	230,123	-301,323	-	12,214,267
Intangible assets in progress	257,298	303,503	-444	-340,664	-9,119	-	210,574
Others intangible assets in progress	340,098	15,976	-567	-61	-1,334	11,891	366,003
	<b>15,935,868</b>	<b>663,394</b>	<b>-255,259</b>	<b>-110,541</b>	<b>-375,967</b>	<b>8,028</b>	<b>15,865,523</b>

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	Balance at 1 January Euro'000	Charge for the Year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated amortisation and impairment losses:</b>							
Industrial property and other rights	25,629	3,581	-21	-	-332	42	28,899
Concession rights	597,280	64,177	-	-	-12,477	-	648,980
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	266,744	-19,159	-	-190,833	-	8,755,572
	<u>9,321,729</u>	<u>334,502</u>	<u>-19,180</u>	<u>-</u>	<u>-203,642</u>	<u>42</u>	<u>9,433,451</u>

The caption Transfers in the amount of 110,541 thousands of Euros is related with the movement of Financial Assets associated with IFRIC12.

Acquisitions of CO2 Licences as at 30 September 2011 includes 214,782 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The 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 2010 and delivered to regulatory authorities in the amount of 180,217 thousands of Euros (31 December 2010: 247,399 thousands of Euros) and 44,724 thousands of Euros sold in the market.

In the caption Use rights Alqueva/Pedrógão, acquisitions of 38,260 thousands of Euros relate to the power enhancement performed during the period. The negative movement in Perimeter variations/Regularisations of 4,618 thousands of Euros relates to fact that the power enhancements initially predicted in Pedrógão have not been performed, which implies a revision of concession rent payment

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 September Euro'000
<b>Cost:</b>							
Industrial property, other rights and other intangibles	212,112	2,895	-	1,169	11,907	-5,741	222,342
Concession rights:							
Brazil	1,190,694	-	-	-	39,665	-	1,230,359
Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrógão	411,437	21,698	-	-	-	-	433,135
Public hydric domain	759,000	-	-	-	-	-	759,000
Mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	211,359	-289,777	-	-	-	209,571
Assigned to concessions (IFRIC 12):							
Intangible assets	11,525,486	7	-14,280	173,789	179,061	-	11,864,063
Intangible assets in progress	254,238	226,233	-70	-253,771	6,852	-	233,482
Others Intangible assets in progress	312,671	16,995	-3,720	-1,169	145	-210	324,712
	<u>15,193,926</u>	<u>479,187</u>	<u>-307,847</u>	<u>-79,982</u>	<u>237,630</u>	<u>-5,951</u>	<u>15,516,963</u>

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	Balance at 1 January Euro'000	Charge for the Year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated amortisation and impairment losses:</b>							
Industrial property and other rights	88,729	16,578	-	-	6,001	-475	110,833
Concession rights	496,217	62,591	-	-	4,786	-	563,594
Intangible assets assigned to concessions (IFRIC 12)	8,118,931	241,555	-	-8,251	64,504	-	8,416,739
	<u>8,703,877</u>	<u>320,724</u>	<u>-</u>	<u>-8,251</u>	<u>75,291</u>	<u>-475</u>	<u>9,091,166</u>

Acquisitions of CO2 Licences as at 30 September 2010 includes 209,978 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "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 2009 and delivered to regulatory authorities in the amount of 247,399 thousands of Euros.

Transfers includes 79,982 thousand of Euros, related with the movement of Financial Assets associated with IFRIC12.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Cost</b>						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated amortisation:</b>						
Industrial property and other rights	76	6	-	-	-	82
	<u>76</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82</u>

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Cost</b>						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 September Euro'000
<b>Accumulated amortisation:</b>						
Industrial property and other rights	67	6	1	-	-	74
	<u>67</u>	<u>6</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>74</u>

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**19. Goodwill**

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

	<b>Group</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
<b>Electric business:</b>		
Hidrocontábrico Group	952,767	952,387
EDPR EU Group	733,356	748,680
EDPR NA Group	586,857	592,915
EDP Brazil Group	56,793	58,991
Other	43,653	40,117
	<u>2,373,426</u>	<u>2,393,090</u>
<b>Gas Distribution business:</b>		
Naturgás Group	956,926	956,089
	<u>3,330,352</u>	<u>3,349,179</u>

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

	<b>Balance at</b>	<b>Increases</b>	<b>Decreases</b>	<b>Impairment</b>	<b>Exchange</b>	<b>Regularisations</b>	<b>Balance at</b>
	<b>1 January</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>differences</b>	<b>Euro'000</b>	<b>30 September</b>
	<b>Euro'000</b>				<b>Euro'000</b>		<b>Euro'000</b>
<b>Electric business:</b>							
Hidrocontábrico Group	952,387	380	-	-	-	-	952,767
EDPR EU Group	748,680	-	-12,846	-	-2,478	-	733,356
EDPR NA Group	592,915	-	-	-	-6,058	-	586,857
EDP Brazil Group	58,991	-	-	-	-2,198	-	56,793
Other	40,117	3,732	-	-	-196	-	43,653
	<u>2,393,090</u>	<u>4,112</u>	<u>-12,846</u>	<u>-</u>	<u>-10,930</u>	<u>-</u>	<u>2,373,426</u>
<b>Gas Distribution business:</b>							
Naturgás Group	956,089	837	-	-	-	-	956,926
	<u>3,349,179</u>	<u>4,949</u>	<u>-12,846</u>	<u>-</u>	<u>-10,930</u>	<u>-</u>	<u>3,330,352</u>

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

	<b>Balance at</b>	<b>Increases</b>	<b>Decreases</b>	<b>Impairment</b>	<b>Exchange</b>	<b>Regularisations</b>	<b>Balance at</b>
	<b>1 January</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>differences</b>	<b>Euro'000</b>	<b>30 September</b>
	<b>Euro'000</b>				<b>Euro'000</b>		<b>Euro'000</b>
<b>Electric business:</b>							
Hidrocontábrico Group	969,050	-	-12,819	-	-	-	956,231
EDPR EU Group	766,599	76,998	-	-	-3,771	-	839,826
EDPR NA Group	550,868	-	-	-	29,889	-	580,757
EDP Brazil Group	56,762	-	-	-	1,388	-	58,150
Other	36,813	-	-	-	123	-	36,936
	<u>2,380,092</u>	<u>76,998</u>	<u>-12,819</u>	<u>-</u>	<u>27,629</u>	<u>-</u>	<u>2,471,900</u>
<b>Gas Distribution business:</b>							
Naturgás Group	756,474	202,613	-3,419	-	-	-	955,668
	<u>3,136,566</u>	<u>279,611</u>	<u>-16,238</u>	<u>-</u>	<u>27,629</u>	<u>-</u>	<u>3,427,568</u>

*Hidrocontábrico Group*

During the nine months period ended at 30 September 2011, the goodwill from Hidrocontábrico Group increased by 380 thousands of Euros (30 September 2010: decrease of 12,819 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interests from Cajastur, arising from the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

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*EDP Renewables Europe Group*

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

	<b>EDP Renewables Europe Group</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Genesa subgroup	395,708	408,554
Ceasa subgroup	117,637	117,637
EDPR Poland subgroup	20,995	23,266
Neo Galia subgroup	79,958	79,958
EDPR Portugal subgroup	41,876	41,876
EDPR Italia subgroup	57,781	57,781
Other	19,401	19,608
	<b>733,356</b>	<b>748,680</b>

*Genesa subgroup*

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

During the nine months period ended at 30 September 2010, EDP Group increased its interest in share capital of Parque Eólico Altos del Voltoya, S.A. from 49% to 61% and concluded the purchase price allocation that led to the recognition of an operating income of 3,170 thousands of Euros (see note 8).

*EDPR Poland subgroup*

During 2011, the reduction of goodwill of Poland subgroup (2,271 thousands of Euros) results of the effect of exchange differences EUR/PLN.

During the nine months period ended at 30 September 2010, the goodwill of EDPR Poland Group increased 16,487 thousands of Euros related with the acquisition of 100% of the share capital of the companies Farma Wiatrowa Bodzanow SP ZOO (6,071 thousands of Euros), Farma Wiatrowa Starozreby SP ZOO (5,399 thousands of Euros), Farma Wiatrowa Wyszogrod SP ZOO (4,715 thousands of Euros) and Karpacka Mala Energetyka SP ZOO (302 thousands of Euros). Additionally the goodwill has decreased 3,094 thousands of Euros results from the exchange differences of PLN against the Euro.

*EDPR Italia subgroup*

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

The variation of 60,512 thousands of Euros in the Italia subgroup goodwill during the nine period ending 30 September 2010 results from the acquisition of EDP Renewables Italy, S.r.l (60,466 thousands of Euros), which includes the preliminary goodwill generated from the acquisition (45,317 thousands of Euros) and the amount of the goodwill already included in the financial statements of the company acquired (15,149 thousands of Euros) and also from the goodwill generated in the acquisition of Repano, S.r.l. (46 thousands of Euros)

*EDPR NA Group*

Goodwill arising from the acquisition of the EDPR NA Group was determinated in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 586,857 thousands of Euros as at 30 September 2011 (31 December 2010: 592,915 thousand Euros), including transaction costs of 12,723 thousands of Euros. The decrease in this caption is related with the effect of exchange differences EUR/USD, which amounts to 6,058 thousands of Euros (30 September 2010: increase of 29,889 thousands of Euros).

*EDP Brazil Group*

The decrease in EDP Brazil Group goodwill of 2.198 thousands of Euros results from the depreciation of the Brazilian Real against the Euro. In 30 September 2010, the effect of exchange differences amounted to 1,388 thousands of Euros.

*Naturgas Group*

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



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During the nine months period ending 30 September 2010, the Naturgas goodwill increased 202,613 thousand Euros as a consequence of the negotiation process and revaluation of the liability related with the anticipated acquisition of non-controlling interests of Ente Vasco de la Energia through a written put option held by this entity over 30.4% of Naturgas Energia share capital, as described in the accounting policy 2b)

The decrease in the nine months period ending 30 September 2010, in Naturgas goodwill is mainly related with the sale of the subsidiary Tecman (2,184 thousand Euros).

**20. Investments in subsidiaries (Company basis)**

This caption is analysed as follows:

	<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Acquisition cost	10,911,658	10,813,169
Effect of equity method (transition to IFRS)	-1,020,632	-1,165,796
Equity investments in subsidiaries	9,891,026	9,647,373
Impairment losses on equity investments in subsidiaries	-141,083	-140,063
	<b>9,749,943</b>	<b>9,507,310</b>

The variation in the caption Investments in subsidiaries in company basis (242,633 thousands of Euros) results, essentially, the acquisition of EDP Servicios Financieros España, S.A. in the amount of 481,695 thousands of Euros and the sale of 13.8% of share capital of EDP Energias do Brasil, S.A

In 13 July 2011, EDP closed the process of the secondary public distribution offer of EDP Energias do Brasil, S.A. ordinary shares of 21,911,460 shares corresponding to 13.8% of EDP Brasil's share capital in the amount of 238,329 thousands of Euros (acquisition cost liquid of the effect of equity method as at transition date to the IFRS).

**21. Investments in associates**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Associated companies:</b>				
Investments in associates	158,464	147,008	137	137
Adjustments in investments in associates	-137	-137	-137	-137
<b>Net book value</b>	<b>158,327</b>	<b>146,871</b>	<b>-</b>	<b>-</b>

**22. Available for sale investments**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Ampla Energia e Serviços, S.A.	-	181,221	-	181,221
Ampla Investimentos e Serviços, S.A.	-	23,191	-	23,191
Banco Comercial Português, S.A.	28,340	72,901	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	39,268	48,220	39,268	48,220
Rede Energia, S.A.	9,850	18,398	-	-
Tejo Energia, S.A.	25,253	25,253	-	-
Other	63,302	74,781	4,882	4,440
	<b>166,013</b>	<b>443,965</b>	<b>44,150</b>	<b>257,072</b>

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

The decrease of the investment held in Banco Comercial Português, S.A. in the amount of 44,561 thousands of Euros, results of acquisitions and disposals occurred during the period with a net amount of 4,615 thousands of Euros and an impairment loss recognized in the income statement in the amount of 49,176 thousands of Euros (see note 15).

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During the nine months period ended at 30 September 2011, EDP Brasil exercised its call option of 6,602,113 preferred shares of Rede Energia, S.A. through an swap transaction which held in Denerge - Desenvolvimento Energético, S.A., according to the terms defined following the swap of shares held in 2008 with the Rede Group. As at 30 September 2011, as a result, an impairment loss was a significant devaluation against the acquisition cost of this investment were booked in the income statements in the amount of 5,583 thousands of Euros (see note 15).

During the nine months period ended at 30 September 2011, the financial investment held in REN - Redes Energéticas Nacionais, S.G.P.S, S.A., decreased by 8.952 thousands of Euros and the decrease was booked against fair value reserves (see note 32).

During the nine months period ended at 30 September 2011, 16.67% of the capital of Sociedad Eólica de Andalucía, S.A. was sold by 10,700 thousands of Euros, generating a gain on a consolidated basis of 9,405 thousands of Euros (see note 14).

Available for sale investments are booked at fair value being the changes from the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserves attributable to the Group as at 30 September 2011 and 31 December 2010 are analysed as follows

	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Ampla Energia e Serviços, S.A.	6,561	112,282
Ampla Investimentos e Serviços, S.A.	3,925	17,616
Rede Energia, S.A.	-	848
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	13,448	22,400
Tejo Energia, S.A.	18,898	18,898
Other	4,572	10,485
	<b>47,404</b>	<b>182,529</b>

### 23. Deferred tax assets and liabilities

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

	<b>Net deferred tax assets</b>		<b>Net deferred tax liabilities</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Balance as at 1 January</b>	515,332	661,335	-856,072	-771,896
Tariff adjustment for the period	-26,943	-140,078	-60,603	31,770
Charge/reversal of provisions	-14,467	24,759	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-22,525	-	10,410	-
Deferred tax over CMEC's in the period	-	-	30,162	-19,523
Tax losses and tax credits	76,378	-941	-	-
Financial and available for sale investments	33,943	3,190	8,406	-7,381
Fair value of derivative financial instruments	15,422	15,952	-1,270	841
Allocation of fair value adjustments to assets and liabilities acquired	-6,173	1,329	6,304	-34,555
Exchange differences and other	-31,160	8,032	18,935	-10,111
Change in tax rate	-	69,430	-	-44,595
Netting of deferred tax assets and liabilities	-5,593	-3,171	5,593	3,171
<b>Balance as at 30 September</b>	<b>534,214</b>	<b>639,837</b>	<b>-838,135</b>	<b>-852,279</b>

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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	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
<b>Balance as at 1 January</b>	-	-	-67,926	-80,489
Tax losses and tax credits	74,337	-	-	-
Charge/reversal of provisions	16,210	3,176	-	-
Financial and available for sale investments	1,524	331	10,204	-4,435
Fair value of derivative financial instruments	-4,914	-662	5,508	11,604
Other changes	-848	-83	-4,235	5,443
Change in tax rate	-	-	-	-6,143
Netting of deferred tax assets and liabilities	-56,449	-2,762	56,449	2,762
<b>Balance as at 30 September</b>	<b>29,860</b>	<b>-</b>	<b>-</b>	<b>-71,258</b>

**24. Inventories**

This caption is analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
Merchandise	76,135	49,836	-	-
Advances on account of purchases	7,746	4,849	-	-
Finished and intermediate products	18,980	21,209	-	-
Sub-products, waste, residues and scrap	21,662	20,097	-	-
Raw and subsidiary materials and consumables				
Coal	107,049	106,327	-	-
Fuel	18,395	27,991	-	-
Nuclear fuel	15,634	14,090	-	-
Other consumables				
CO2 licenses	47,684	51,745	47,684	51,745
Other	81,101	60,834	-	-
	<b>394,386</b>	<b>356,978</b>	<b>47,684</b>	<b>51,745</b>

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

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**25. Trade receivables**

Trade receivables are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
<b>Short-term trade receivables - Current:</b>				
<b>Corporate sector and individuals:</b>				
Portugal	721,432	790,442	132,285	46,357
Spain	621,701	727,241	-	-
Brazil	348,432	354,640	-	-
U.S.A.	19,678	27,945	-	-
Other	20,085	20,073	-	-
<b>Public Sector:</b>				
Portugal				
State and official entities	16,968	16,360	-	-
Local government	35,420	37,455	-	-
Brazil				
State and official entities	6,485	9,004	-	-
Local government	14,280	23,475	-	-
Spain				
State and official entities	10,119	12,302	-	-
Local government	75,107	50,739	-	-
	<u>1,889,707</u>	<u>2,069,676</u>	<u>132,285</u>	<u>46,357</u>
Doubtful debts	288 994	276,312	9,960	9,960
Impairment losses	- 288 994	-276,312	-9,960	-9,960
	<u>1,889,707</u>	<u>2,069,676</u>	<u>132,285</u>	<u>46,357</u>
	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
<b>Medium and long-term trade receivables - Non-Current:</b>				
<b>Corporate sector and individuals:</b>				
Brazil	24,926	32,553	-	-
<b>Public Sector:</b>				
Portugal - Local government	133,572	137,437	-	-
Brazil - Local government	6,729	8,831	-	-
	<u>165,227</u>	<u>178,821</u>	<u>-</u>	<u>-</u>
Impairment losses	-52,842	-61,379	-	-
	<u>112,385</u>	<u>117,442</u>	<u>-</u>	<u>-</u>
	<u>2,002,092</u>	<u>2,187,118</u>	<u>132,285</u>	<u>46,357</u>

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**26. Debtors and other assets**

Debtors and other assets are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
<b>Short term debtors and other assets - Current:</b>				
Loans to subsidiaries	-	-	1,077,969	1,442,620
Dividends	-	-	-	368,859
Loans to related companies	230,868	150,936	16,211	19,074
Amounts receivable from the Telecommunications business	55,640	55,640	-	-
Amounts receivable from Spanish tariff expenses	566,723	814,086	-	-
Amounts receivable from Portuguese tariff adjustments - Electricity	470,291	394,057	-	-
Receivables from the State and concessors	18,083	14,652	-	-
Amounts with RTP - broadcasting charge	9,486	23,170	-	-
Receivables relating to other goods and services	124,462	123,032	3,702	45,019
Derivative financial instruments	190,736	195,865	123,838	164,419
Subsidiary companies	-	-	860,974	249,154
Amounts receivable relating to CMEC	103,229	365,070	-	-
Tied deposits (EDPR NA)	43,289	80,121	-	-
Sundry debtors and other operations	463,040	494,848	218,276	223,331
	<u>2,275,847</u>	<u>2,711,477</u>	<u>2,300,970</u>	<u>2,512,476</u>
Impairment losses on short-term debtors - Current	-76,225	-74,912	-935	-914
	<u>2,199,622</u>	<u>2,636,565</u>	<u>2,300,035</u>	<u>2,511,562</u>
	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
<b>Medium and long term debtors and other assets - Non-Current:</b>				
Loans to subsidiaries	-	-	5,072,371	5,231,320
Loans to related companies	19,407	19,315	6,106	6,106
Amounts receivable from Portuguese tariff adjustments - Electricity	163,202	29,726	-	-
Guarantees and linked deposits	129,991	158,408	419	4,419
Amounts receivable relating to CMEC	982,987	892,628	-	-
Derivative financial instruments	64,179	27,188	123,476	151,457
Amounts receivable from concessors - IFRIC 12	551,100	468,071	-	-
Sundry debtors and other operations	103,680	104,239	190	126
	<u>2,014,546</u>	<u>1,699,575</u>	<u>5,202,562</u>	<u>5,393,428</u>
Impairment losses on medium and long term debtors - Non current	-2,872	-2,858	-	-
	<u>2,011,674</u>	<u>1,696,717</u>	<u>5,202,562</u>	<u>5,393,428</u>
	<u>4,211,296</u>	<u>4,333,282</u>	<u>7,502,597</u>	<u>7,904,990</u>

The amounts receivable from Spanish tariff expenses current correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 September 2011, according to the applicable legal framework (see note 3). During the nine months period ended in 30 September 2011, the Spanish Electricity Deficit Amortisation Fund (FADE), launched five bond issuances explicitly guaranteed by the Kingdom of Spain which allowed Hidrocantabrico to receive approximately 435,417 thousands of Euros related with tariff adjustments from previous years (nominal value).

The amounts receivable relating to CMEC totalize 1,086,216 thousands of Euros, which include 982,987 thousands of Euros as medium and long term debts and 103,229 thousands of Euros as short term debts. The amount receivable relating to the initial CMEC includes 720,745 thousands of Euros as medium and long term debts and 29,098 thousands of Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2011. The remaining 262,242 thousands of Euros in the medium and long term and 74,131 thousands of Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2010 and 2011.

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 551,100 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa)). The variation in the period, includes the effect of the depreciation of Real against Euro in the amount of 24,199 thousands of Euros and disposals in the amount of 3,313 thousands of Euros, as well as transfers from intangible assets assigned to concessions in the amount of 110,541 thousands of Euros (see note 18).

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On 21 September 2011, EDP - Serviço Universal, S.A. entered into an agreement for the assignment, by means of a true sale without recourse to Banco Comercial Português, S.A., of the rights to receive the full amount of the adjustments to the electricity tariffs related to the over cost of cogeneration produced from renewable sources between the period 2009 to 2011. The transaction totalized 180,524 thousands of Euros generated a financial loss of 4,603 thousands of Euros, including transaction costs.

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

	Current Euro'000	Non-Current Euro'000
<b>Balance as at 1 January 2010</b>	559,724	76,127
Receipts through the electric energy tariff	-428,503	-
Tariff adjustment of 2009	16,047	5,349
Tariff adjustment for the period	208,104	69,369
Interest expense	9,830	373
Transfer from Non-Current to Current	57,096	-57,096
<b>Balance as at 30 September 2010</b>	<u>422,298</u>	<u>94,122</u>
Receipts through the electric energy tariff	-142,834	-
Tariff adjustment of 2009	4,100	-5,349
Tariff adjustment for the period	87,717	-39,643
Interest expense	3,745	-373
Transfer from Non-Current to Current	19,031	-19,031
<b>Balance as at 31 December 2010</b>	<u>394,057</u>	<u>29,726</u>
Receipts through the electric energy tariff	-303,605	-
Tariff adjustment of 2010	162,820	54,273
Tariff adjustment for the period	242,126	184,239
Interest expense	8,061	453
Securitisation adjustment of cogeneration	-55,463	-83,194
Transfer from Non-Current to Current	22,295	-22,295
<b>Balance as at 30 September 2011</b>	<u>470,291</u>	<u>163,202</u>

## 27. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
State and other public entities:				
- Income tax	242,673	253,331	62,179	34,854
- Value added tax (VAT)	257,422	280,816	65,132	54,221
- Turnover tax (Brazil)	24,706	70,609	-	-
- Other taxes	41,962	35,729	3,255	3,255
	<u>566,763</u>	<u>640,485</u>	<u>130,566</u>	<u>92,330</u>

The caption Other taxes includes the amount of 27,119 thousands of Euros (31 December 2010: 21,947 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

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**28. Financial assets at fair value through profit or loss**

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

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
Fixed income securities:				
Listed funds	7,561	35,335	-	-
Bonds and other listed fixed income securities	1	1	-	-
	7,562	35,336	-	-
Variable income securities:				
Listed funds	209	409	-	-
	209	409	-	-
	7,771	35,745	-	-

**29. Cash and cash equivalents**

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
Cash:				
- Cash in hand	238	72	11	-
Bank deposits:				
- Current deposits	368,932	413,831	6,603	28,475
- Term deposits	1,277,801	1,038,821	586,133	114,200
- Other deposits	75,982	19,682	-	-
	1,722,715	1,472,334	592,736	142,675
Other short term investments:				
- Banks - Euros	15,456	5,893	-	-
- Banks - Other currencies	-	32,925	-	-
	15,456	38,818	-	-
Cash and cash equivalents	1,738,409	1,511,224	592,747	142,675

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

**30. Share capital and share premium**

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

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

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Share capital and Share premium are analysed as follows:

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

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

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
Net profit attributable to the equity holders of EDP (in Euros)	823,629,775	774,271,815	607,528,120	350,184,613
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	823,629,775	774,271,815		
Weighted average number of ordinary shares outstanding	3,624,464,346	3,622,827,108	3,625,977,346	3,624,340,108
Weighted average number of diluted ordinary shares outstanding	3,625,069,823	3,623,545,618	3,626,582,823	3,625,058,618
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.23	0.21		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.23	0.21		
Basic earnings per share from continuing operations (in Euros)	0.23	0.21		
Diluted earnings per share from continuing operations (in Euros)	0.23	0.21		

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:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
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	-	-	-	-
<b>Average number of realised shares</b>	<u>3,656,537,715</u>	<u>3,656,537,715</u>	<u>3,656,537,715</u>	<u>3,656,537,715</u>
Effect of treasury stock	-32,073, 369	-33,710, 607	-30,560, 369	-32,197, 607
Average number of shares during the period	3,624,464,346	3,622,827,108	3,625,977,346	3,624,340,108
Effect of stock options	605,477	718,510	605,477	718,510
Diluted average number of shares during the period	<u>3,625,069,823</u>	<u>3,623,545,618</u>	<u>3,626,582,823</u>	<u>3,625,058,618</u>



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**31. Treasury stock**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
Book value of EDP, S.A. treasury stock (thousands of Euros)	111,227	115,731	105,132	109,636
Number of shares	32,258,892	33,324,941	30,745,892	31,811,941
Market value per share (in Euros)	2.315	2.491	2.315	2.491
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	74,679	83,012	71,177	79,244
Operations performed from 1 January 2011 to 30 September 2011:	<b>EDP, S.A.</b>	<b>Energia RE</b>		
Volume acquired (number of shares)	1,968,201	-		
Purchase price average (in Euros)	2.453	-		
Purchase total value (thousands of Euros)	4,827	-		
Volume sold (number of shares)	-3,034,250	-		
Selling price average (in Euros)	2.708	-		
Sold total value (thousands of Euros)	8,218	-		
Final position (number of shares)	30,745,892	1,513,000		
Highest market price (in Euros)	2.910	-		
Lowest market price (in Euros)	2.023	-		
Average market price (in Euros)	2.569	-		

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

**32. Reserves and retained earnings**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Legal reserve	539,145	502,888	539,145	502,888
Fair value reserve (cash flow hedge)	-16,064	45,180	7,729	25,722
Tax effect of fair value reserve (cash flow hedge)	6,149	-10,069	-2,707	-7,909
Fair value reserve (available for sale investments)	47,404	182,529	19,561	147,843
Tax effect of fair value reserve (available for sale investments)	-4,033	-17,845	-2,041	-15,197
Exchange differences arising on consolidation	92,762	312,823	-	-
Treasury stock reserve (EDP, S.A.)	105,132	109,636	105,132	109,636
Other reserves and retained earnings	2,117,909	1,605,761	1,238,891	1,163,205
	<b>2,888,404</b>	<b>2,730,903</b>	<b>1,905,710</b>	<b>1,926,188</b>

*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.

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*Fair value reserve (available-for-sale investments)*

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

	<b>Group</b>	
	<b>Increases Euro'000</b>	<b>Decreases Euro'000</b>
<b>Balance as at 31 December 2009</b>	468,046	-276,153
Changes in fair value	39,131	-31,371
Transfer to the income statement relating to assets sold	-77	-
<b>Balance as at 30 September 2010</b>	507,100	-307,524
Changes in fair value	-10,232	-10,026
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-996	-
<b>Balance as at 31 December 2010</b>	495,872	-313,343
Changes in fair value	622	-181,828
Transfer of impairment to profit or loss	-	52,028
Transfer to the income statement relating to assets sold	-5,947	-
<b>Balance as at 30 September 2011</b>	490,547	-443,143

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

	<b>Increases Euro'000</b>	<b>Decreases Euro'000</b>
Ampla Energia e Serviços, S.A.	-	-105,721
Ampla Investimentos e Serviços, S.A.	-	-13,691
BCP	-	-49,176
Rede Energia, S.A. (Denerge)	573	-4,273
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-8,952
Other	49	-15
	<b>622</b>	<b>-181,828</b>

*Exchange difference on consolidation*

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

		<b>Exchange rates at Sep 2011</b>		<b>Exchange rates at Dec 2010</b>		<b>Exchange rates at Sep 2010</b>	
		<b>Closing rates</b>	<b>Average exchange-rate</b>	<b>Closing rates</b>	<b>Average exchange-rate</b>	<b>Closing rates</b>	<b>Average exchange-rate</b>
Dollar	USD	1.350	1.406	1.336	1.326	1.365	1.315
Brazilian Real	BRL	2.507	2.294	2.218	2.331	2.320	2.341
Macao Pataca	MOP	10.837	11.041	10.697	10.611	10.910	10.528
Quetzal	GTQ	10.626	11.022	10.708	10.708	11.103	10.673
Zloty	PLN	4.405	4.021	3.975	3.995	3.985	4.004
Lei	RON	4.358	4.207	4.262	4.212	4.272	4.186
Pound	GBP	0.867	0.871	0.861	0.858	0.860	0.857

*Treasury stock reserve (EDP, S.A.)*

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

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*Dividends*

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

**33. Non-controlling interests**

This caption is analysed as follows:

	<b>Group</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Non-controlling interests in income statement	136,349	155,676
Non-controlling interests in reserves	3,025,294	2,774,725
	<u>3,161,643</u>	<u>2,930,401</u>

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

	<b>Group</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
EDP Renováveis Group	1,302,827	1,306,194
Energias do Brasil Group	1,797,973	1,570,666
Hidrocarbónico Group	20,717	22,428
Other	40,126	31,113
	<u>3,161,643</u>	<u>2,930,401</u>

During the nine months period ending 30 September 2011, EDP Group generated profits of 136,349 thousands of Euros attributable to non-controlling interests (31 December 2010: 155,676 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 12,919 thousands of Euros, negative exchange differences of 4,567 thousands of Euros, negative variations resulting from acquisitions and disposals share capital increases attributable to non-controlling interests totalling 3,586 thousands of Euros and a decrease of 3,271 thousands of Euros related to dividends paid. Additionally, during the nine months period ended at 30 September 2011, the variation of fair value reserve, has originated a decrease in the non-controlling interests of 5,641 thousands of Euros.

The movement booked in non-controlling interests of Energias do Brasil Group includes 114,244 thousands of Euros of profits attributable to non-controlling interests, 204,925 thousands of Euros from the negative exchange differences and a decrease of 63,061 thousands of Euros related to dividends paid. In July 2011, the secondary public distribution offer of 21,911,460 shares of EDP - Energias do Brasil, S.A. was concluded, and, as a result, the Group recognised minority interests of 375,676 thousand Euros. Additionally, during the nine months period ended at 30 September 2011, the variation of fair value reserve associated to available for sale financial assets, has originated a decrease in the non-controlling interests of 3,710 thousands of Euros and the effect of changes in actuarial losses net of taxes has originated an increase in the non-controlling interests of 8,912 thousands of Euros.

The caption Other non-controlling interests includes 38,436 thousands of Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2010: 30,120 thousands of Euros).

**34. Hydrological account**

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

	<b>Group and Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Balance at the beginning of the period	75,098	112,631
Amounts received / (paid) during the period	-	-30,955
Financial charges	1,456	2,885
Balance at the end of the period	<u>76,554</u>	<u>84,561</u>

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**35. Financial debt**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Short term debt and borrowings - Current</b>				
Bank loans:				
- EDP, S.A.	44,253	27,284	44,253	27,284
- EDP Finance B.V.	324,946	150,000	-	-
- EDP Energias do Brasil Group	177,252	145,789	-	-
- HC Energia Group	907	907	-	-
- Renewables Group	126,190	197,893	-	-
- Generation - Portugal	10,215	11,699	-	-
- Portgás	18,709	12,820	-	-
	<u>702,472</u>	<u>546,392</u>	<u>44,253</u>	<u>27,284</u>
Non-convertible bond loans:				
- EDP, S.A.	-	747,352	-	747,352
- EDP Finance B.V.	848,941	499,697	-	-
- EDP Energias do Brasil Group	46,794	92,304	-	-
	<u>895,735</u>	<u>1,339,353</u>	<u>-</u>	<u>747,352</u>
Commercial paper:				
- EDP, S.A.	300,000	766,900	5,776,000	4,963,900
- HC Energia Group	17,179	70,104	-	-
	<u>317,179</u>	<u>837,004</u>	<u>5,776,000</u>	<u>4,963,900</u>
Other loans:				
- EDP Energias do Brasil Group	8,633	7,705	-	-
- Renewables Group	3,344	4,569	-	-
- Generation - Portugal	912	1,228	-	-
	<u>12,889</u>	<u>13,502</u>	<u>-</u>	<u>-</u>
Accrued interest	226,366	265,079	11,243	38,079
Other liabilities:				
- Fair value of the issued debt hedged risk	-	3,121	-	3,121
	<u>2,154,641</u>	<u>3,004,451</u>	<u>5,831,496</u>	<u>5,779,736</u>

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	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Medium and long term debts and borrowings - Non-current</b>				
Bank loans:				
- EDP, S.A.	1,142,162	870,993	1,142,162	870,993
- EDP Finance B.V.	4,102,109	3,590,027	-	-
- EDP Energias do Brasil Group	718,823	847,051	-	-
- HC Energia Group	3,113	4,014	-	-
- Renewables Group	713,006	499,639	-	-
- Generation - Portugal	166,657	171,436	-	-
- Portgás	46,344	55,142	-	-
	<u>6,892,214</u>	<u>6,038,302</u>	<u>1,142,162</u>	<u>870,993</u>
Non-convertible bond loans:				
- EDP, S.A.	434,307	428,838	434,307	428,838
- EDP Finance B.V.	8,495,383	8,080,229	-	-
- EDP Energias do Brasil Group	221,350	288,587	-	-
	<u>9,151,040</u>	<u>8,797,654</u>	<u>434,307</u>	<u>428,838</u>
Other loans:				
- Preference shares of Investco	19,892	22,651	-	-
- EDP Energias do Brasil Group	45,883	47,886	-	-
- Renewables Group	25,004	26,755	-	-
- Generation - Portugal	4,605	5,116	-	-
	<u>95,384</u>	<u>102,408</u>	<u>-</u>	<u>-</u>
	<u>16,138,638</u>	<u>14,938,364</u>	<u>1,576,469</u>	<u>1,299,831</u>
Accrued interest	9,032	-	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	35,609	-51,169	9,574	11,544
	<u>16,183,279</u>	<u>14,887,195</u>	<u>1,586,043</u>	<u>1,311,375</u>
	<u>18,337,920</u>	<u>17,891,646</u>	<u>7,417,539</u>	<u>7,091,111</u>

EDP Group, at EDP, S.A. level, has short-term credit facilities of 225,410 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 190,410 thousands of Euros have a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being totally available as at 30 September 2011. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, from which 1,500,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousand of USD with a firm underwriting commitment, which as at 30 September 2011 is totally drawn.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 September 2011 and 31 December 2010 these loans amounted to 766,770 thousands of Euros and 862,625 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

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

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
<b>Issued by EDP S.A.</b>						
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
					<u>450,000</u>	<u>450,000</u>
<b>Issued under the Euro Medium Term Notes program</b>						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.25%	n.a.	Jun/12	500,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Oct/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	740,576	-
EDP Finance B.V.	Oct/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	740,576	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii) (i)	Feb/09	Fixed rate EUR 5.5%	Fair Value	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	Net Investment	Jun/19	77,442	-
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	740,576	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,058	-
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)	Net Investment	Aug/12	350,000	-
					<u>9,434,810</u>	<u>-</u>
<b>Issued by the EDP Energias do Brasil Group in the Brazilian domestic market</b>						
Investco	Nov/01	IGPM + 10.5%	n.a.	Nov/11	15,441	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	155,583	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	99,733	-
					<u>270,757</u>	<u>-</u>
					<u>10,155,567</u>	<u>450,000</u>

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.

(ii) Fixed in each year, varies during the useful life of the loan.

(iii) Part of this loan has associated interest rate swaps.

(iv) These issues correspond to private placements.

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Debt and borrowings by maturity, are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Bank loans and overdrafts:</b>				
Up to 1 year	727,043	562,399	46,213	28,853
From 1 to 5 years	6,121,923	4,644,826	852,291	170,592
More than 5 years	779,323	1,393,476	289,870	700,401
	<u>7,628,289</u>	<u>6,600,701</u>	<u>1,188,374</u>	<u>899,846</u>
<b>Bond loans:</b>				
Up to 1 year	1,090,302	1,590,549	5,055	786,380
From 1 to 5 years	6,465,142	4,232,741	443,882	140,382
More than 5 years	2,721,506	4,513,744	-	300,000
	<u>10,276,950</u>	<u>10,337,034</u>	<u>448,937</u>	<u>1,226,762</u>
<b>Commercial paper:</b>				
Up to 1 year	321,407	837,607	5,780,228	4,964,503
<b>Other loans:</b>				
Up to 1 year	15,889	13,896	-	-
From 1 to 5 years	73,575	50,866	-	-
More than 5 years	21,810	51,542	-	-
	<u>111,274</u>	<u>116,304</u>	<u>-</u>	<u>-</u>
	<u>18,337,920</u>	<u>17,891,646</u>	<u>7,417,539</u>	<u>7,091,111</u>

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

	<b>Sep 2011</b>		<b>Dec 2010</b>	
	<b>Carrying amount</b>	<b>Market value</b>	<b>Carrying amount</b>	<b>Market value</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Short term debt and borrowings - Current	2,154,641	1,849,357	3,004,451	2,764,591
Medium/long term debt and borrowings - Non current	16,183,279	14,319,948	14,887,195	14,634,186
	<u>18,337,920</u>	<u>16,169,305</u>	<u>17,891,646</u>	<u>17,398,777</u>

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

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

	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Following years</b>	<b>Total</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Medium/long term debt and borrowings	-	1,012,628	2,947,736	3,506,052	2,791,032	5,925,831	16,183,279
Short term debt and borrowings	530,309	1,624,332	-	-	-	-	2,154,641
	<u>530,309</u>	<u>2,636,960</u>	<u>2,947,736</u>	<u>3,506,052</u>	<u>2,791,032</u>	<u>5,925,831</u>	<u>18,337,920</u>

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

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**36. Employee benefits**

Employee benefits are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
Provisions for social liabilities and benefits	1,020,736	1,104,406	-	-
Provisions for medical liabilities and other benefits	804,158	800,473	-	-
	<u>1,824,894</u>	<u>1,904,879</u>	<u>-</u>	<u>-</u>

Provisions for social liabilities and benefits as at 30 September 2011 include 1,010,942 thousands of Euros relating to retirement pension defined benefit plans (31 December 2010: 1,093,075 thousands of Euros) and 9,794 thousands of Euros (31 December 2010: 11,331 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program

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

	Group		Company	
	Sep 2011 Euro'000	Sep 2010 Euro'000	Sep 2011 Euro'000	Sep 2010 Euro'000
Balance at the beginning of the period	1,104,406	1,109,347	-	-
Charge for the period	44,619	42,178	-	-
Pre-retirements (curtailments)	5,541	-	-	-
Actuarial (gains)/losses	-15,096	16,049	-	-
Charge-off	-120,378	-120,361	-	-
Transfers, reclassifications and exchange differences	1,644	5,911	-	-
Balance at the end of the period	<u>1,020,736</u>	<u>1,053,124</u>	<u>-</u>	<u>-</u>

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

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

	Sep 2011			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
<b>Cost for the period</b>				
Current service cost	10,756	-	-278	10,478
Curtailments / Settlements	5,541	-	-	5,541
<b>Operacional component</b>	<u>16,297</u>	<u>-</u>	<u>-278</u>	<u>16,019</u>
Interest cost	70,048	2,873	16,855	89,776
Expected return on plan assets	-41,401	-	-14,234	-55,635
<b>Financial component (see note 15)</b>	<u>28,647</u>	<u>2,873</u>	<u>2,621</u>	<u>34,141</u>
<b>Net cost for the period</b>	<u>44,944</u>	<u>2,873</u>	<u>2,343</u>	<u>50,160</u>
	Sep 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
<b>Cost for the period</b>				
Current service cost	10,019	369	-427	9,961
<b>Operacional component</b>	<u>10,019</u>	<u>369</u>	<u>-427</u>	<u>9,961</u>
Interest cost	73,677	3,474	19,814	96,965
Expected return on plan assets	-44,291	-	-20,457	-64,748
<b>Financial component (see note 15)</b>	<u>29,386</u>	<u>3,474</u>	<u>-643</u>	<u>32,217</u>
<b>Net cost for the period</b>	<u>39,405</u>	<u>3,843</u>	<u>-1,070</u>	<u>42,178</u>



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

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Sep 2010</b>	<b>Sep 2011</b>	<b>Sep 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Balance at the beginning of the period	800,473	770,358	-	-
Charge for the period	38,910	36,030	-	-
Pre-retirements (curtailments)	380	-	-	-
Actuarial (gains)/losses	-2,674	-531	-	-
Charge-off	-29,256	-27,530	-	-
Transfers, reclassifications and exchange differences	-3,675	292	-	-
Balance at the end of the period	<u>804,158</u>	<u>778,619</u>	<u>-</u>	<u>-</u>

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

	<b>Sep 2011</b>			<b>Sep 2010</b>		
	<b>Portugal</b>	<b>Brazil</b>	<b>Group</b>	<b>Portugal</b>	<b>Brazil</b>	<b>Group</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Cost for the period</b>						
Current service cost	5,353	1,431	6,784	5,223	108	5,331
Curtailment	380	-	380	-	-	-
<b>Operacional component</b>	<u>5,733</u>	<u>1,431</u>	<u>7,164</u>	<u>5,223</u>	<u>108</u>	<u>5,331</u>
Interest cost	27,758	4,368	32,126	28,218	2,481	30,699
<b>Financial component (see note 15)</b>	<u>27,758</u>	<u>4,368</u>	<u>32,126</u>	<u>28,218</u>	<u>2,481</u>	<u>30,699</u>
<b>Net cost for the period</b>	<u><b>33,491</b></u>	<u><b>5,799</b></u>	<u><b>39,290</b></u>	<u><b>33,441</b></u>	<u><b>2,589</b></u>	<u><b>36,030</b></u>

In 30 September 2011, following the change in accounting policy described in note 2 a), with the purpose of aligning the accounting policies and practices of the EDP Group regarding the utilities sector of electricity and gas in Europe, 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 financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 34,141 thousands of Euros (30 September 2010: 32,217 thousands of Euros) and 32,126 thousands of Euros (30 September 2010: 30,699 thousands of Euros), respectively were reclassified from personnel costs and employee benefits to financial costs (see notes 10 and 15).

As at 30 September 2011, current service cost, interest cost and expected return on plan assets were determined based on the estimated cost for the period in accordance with the actuarial study as of 31 December 2010.

### 37. Provisions for liabilities and charges

**Provisions for liabilities and charges** are analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Provisions for liabilities and charges:</b>				
Provision for legal and labour matters and other contingencies	98,518	92,406	-	-
Provision for customer guarantees under current operations	61,873	108,480	-	-
Provision for other liabilities and charges	227,301	230,308	75,585	21,867
	<u>387,692</u>	<u>431,194</u>	<u>75,585</u>	<u>21,867</u>

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

Provision for legal and labour matters and other contingencies of 98,518 thousands of Euros, includes provisions for litigation in progress and other labour contingencies of 80,560 thousands of Euros.

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The provisions for legal litigations in progress against subsidiaries of EDP Group amounting to 80,560 thousands of Euros (31 December 2010: 76,392 thousands of Euros), relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 22,018 thousands of Euros (31 December 2010: 18,207 thousands of Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;
- ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 2,852 thousands of Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro – Financial Stability Fund);
- iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2004 to 2008, in a total amount of 10,627 thousands of Euros;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused;
- v) The provisions for legal litigations includes the amount of 30,532 thousands of Euros booked by Bandeirante related with a process from the customer White Martins, S.A. related with the existence of any effects in the electric power tariffs charged by the subsidiary Bandeirante during the period in force of Portarias 38/1986 and 45/1986 of the extinguished Departamento Nacional de Águas e Energia Eléctrica (DNAEE) ("Plano do Cruzado"), meanwhile the customer White Martins proceeded with the withdrawal of the legal deposit in the amount of 26,358 thousands of Euros. During the third quarter the provision above mentioned was partly charge-off.

Provisions for customer guarantees under current operations of 61,873 thousands of Euros (31 December 2010: 108,480 thousands of Euros) includes essentially provisions for commercial losses.

As at 30 September 2011, Provision for other liabilities and charges on a consolidated basis of 227,301 thousands of Euros (December 2010: 230,308 thousands of Euros) includes the following situations:

- i) The Group holds a provision of 22,689 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 49,912 thousands of Euros (31 December 2010: 53,156 thousands of Euros) to cover the costs of returning the locations and land to their original state, from which 24,474 thousands of Euros referring to the wind farms of the EDPR NA Group, 23,065 thousands of Euros to the wind farms of the EDPR EU Group and 2,373 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 decontamination of lands where the electric power plants are located, which amounts to 11,889 thousands of Euros and 6,821 thousands of Euros to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

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

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

- i) Bandeirante is involved in a second lawsuit with the client White Martins, S.A. in the amount of 24,324 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit in the courts as possible, considering that customer complaint has no legal support, and existing jurisprudence with regard to such complaints.
- ii) Escelsa is involved in litigation, related with the increase of the electricity tariffs, authorized by DNAEE Administrative Orders n. 38 and 45 of 27 February and 4 March of 1986.
- iii) Investco is involved in a legal actions of a civil nature mostly related with indemnities claims resulting from the filling of the hydroelectric reservoir.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional S.G.P.S., related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 September 2011, the amount of this Tax contingency totals 209 millions of Euros

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

Consequently, EDP Group is currently using all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and tax perspective, being at this moment in the final phase. On the last 21 October 2011, EDP Group was notified by the Fiscal Authority of its intention of maintaining unchanged its position. The Group intends to, in the final instance, call upon a judicial proceeding, if necessary.

### 38. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
<b>Trade and other payables - Current:</b>				
Suppliers	877,592	1,182,508	139,462	119,507
Accrued costs related with supplies	393,719	338,633	241,246	199,835
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	449,779	858,306	129	2,414
Advances from customers	111,538	86,935	43	43
Payables - related companies	100,870	90,258	-	-
Holiday pay, bonus and other charges with employees	156,730	129,825	13,326	8,533
Derivative financial instruments	99,161	27,310	78,114	87,216
CO2 emission licenses	188,525	170,919	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	72,960	173,831	-	-
Amounts payable for tariff adjustments - Spain	17,656	55,009	-	-
Creditors - Group companies	-	-	651,485	467,188
Put options over non-controlling interest liabilities	-	234,754	-	-
Amounts payable for the acquisition of companies	213,713	210,852	-	-
Other creditors and sundry operations	524,356	613,692	63,582	100,819
	<u>3,206,599</u>	<u>4,172,832</u>	<u>1,187,387</u>	<u>985,555</u>

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

	Group		Company	
	Sep 2011 Euro'000	Dec 2010 Euro'000	Sep 2011 Euro'000	Dec 2010 Euro'000
<b>Trade and other payables - Non-Current</b>				
State participation in Multipurpose hydroelectric power stations	11,062	11,062	11,062	11,062
Payables to associates	108,279	144,554	-	-
Government grants for investment in fixed assets	547,029	563,477	-	-
Put options over non-controlling interests liabilities	125,580	123,492	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	15,624	61,557	-	-
Energy sales contracts - EDPR NA	62,126	71,991	-	-
Deferred income - CMEC	341,394	377,508	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,666,968	1,644,048	-	-
Amounts payable for concessions	262,485	265,341	-	-
Derivative financial instruments	125,271	169,383	-	-
Payables - Group companies (EDP Finance BV)	-	-	3,153,845	3,207,855
Amounts payable for the acquisition of companies	213,650	210,859	-	-
Success fees payable related to companies acquisitions	67,537	76,621	-	-
Other creditors and sundry operations	92,545	99,924	2,925	3,797
	<u>3,639,550</u>	<u>3,819,817</u>	<u>3,167,832</u>	<u>3,222,714</u>

Deferred income - CMEC non current includes 341,394 thousands of Euros (31 December 2010: 377,508 thousands of Euros) which refers to the CMEC initial amount (833,467 thousands of Euros) net of the amortisations of initial CMEC of the years 2007 to 2011 and including financial expenses (30 September 2011: 13,478 thousands of Euros) (see note 15).

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

In the caption Put options over non-controlling interests liabilities medium/long term at 30 September 2011 the Group books the put options related to interests held by non-controlling interest. This caption include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 84,528 thousands of Euros (31 December 2010: 84,149 thousands of Euros) and the put option of Energia in Natura to EDPR EU for 15% of EDPR Italia share capital of 37,988 thousands of Euros (31 December 2010: 36,494 thousands of Euros).

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

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 30 September 2011 the captions amounts payable for the acquisition of companies - Current and Non current includes the amounts of 212,984 thousands of Euros (31 December 2010: 210,852 thousands of Euros) and 213,059 thousands of Euros (31 December 2010: 210,859 thousands of Euros), respectively.

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

	<b>Current Euro'000</b>	<b>Non-Current Euro'000</b>
<b>Balance as at 1 January 2010</b>	1,056,236	88,479
Payment through the electricity tariff	-810,357	-
Tariff adjustment of 2009	16,047	5,349
Tariff adjustment of the period	84,370	158,060
Interest expense	19,111	310
Transfer from Non-Current to Current	66,359	-66,359
<b>Balance as at 30 September 2010</b>	<u>431,766</u>	<u>185,839</u>
Payments through the electric energy tariff	-270,119	-
Tariff adjustment of 2009	-1,669	-5,349
Tariff adjustment for the period	-14,890	-96,503
Interest expense	6,623	-310
Transfer from Non-Current to Current	22,120	-22,120
<b>Balance as at 31 December 2010</b>	<u>173,831</u>	<u>61,557</u>
Payments through the electric energy tariff	-149,333	-
Interest expense	2,294	235
Transfer to tariff adjustments receivable	-	-
Transfer from Non-Current to Current	46,168	-46,168
<b>Balance as at 30 September 2011</b>	<u>72,960</u>	<u>15,624</u>

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

	<b>Group</b>	
	<b>Sep 2011 Euro'000</b>	<b>Dec 2010 Euro'000</b>
Deferred income related to benefits provided	666,502	635,271
Liabilities arising from institutional partnerships in US wind farms	1,000,466	1,008,777
	<u>1,666,968</u>	<u>1,644,048</u>

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

**39. Tax payable**

**Tax payable** is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
State and other public entities:				
- Income tax	252,276	149,183	24,023	-
- Withholding tax	24,437	59,045	188	234
- Social Security contributions	10,759	10,183	31	19
- Value added tax (VAT)	52,724	62,531	499	935
- Turnover tax (Brazil)	59,685	78,846	-	-
- Social tax (Brazil)	27,793	49,309	-	-
- Other taxes	113,398	143,259	1	-
	<b>541,072</b>	<b>552,356</b>	<b>24,742</b>	<b>1,188</b>

As at 30 September 2011, Other taxes include foreign taxes regarding HC Energia Group of 56,140 thousands of Euros, Naturgas Group of 35,393 thousands of Euros (31 December 2010: HC Energia Group 51,196 thousands of Euros and Naturgas Group of 35,140 thousands of Euros) and Energias do Brazil Group of 12,879 thousands of Euros (31 December 2010: 51,364 thousands of Euros).

**40. Assets and liabilities classified as held for sale**

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

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Assets classified as held for sale</b>				
Electricity transport equipment - Hidrocontábrico	-	30,952	-	-
Investment held in Ampla Energia e Serviços, S.A.	75,500	-	75,500	-
Investment held in Ampla Investimentos e Serviços, S.A.	9,500	-	9,500	-
	<b>85,000</b>	<b>30,952</b>	<b>85,000</b>	<b>-</b>

During the nine months period ended at 30 September 2011 and following the approval by the Comissão Nacional de la Competencia, EDP Group has concluded the sale of the electricity lines and substations belonging to Hidrocontábrico to Red Eléctrica de España ("REE"), recognising a gain of 27 millions of Euros (see note 8).

EDP Group has reclassified for Assets classified as held for sale its interest of 7.704% in the share capital of Ampla Energia e Serviços, S.A. and 7.704% in the share capital of Ampla Investimentos e Serviços, S.A. as a result of Board of Directors' decision to sell these shareholding investment. This reclassification was made only for presentation purposes, without changing the measurement criteria of these assets

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**41. Derivative financial instruments**

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

The fair value of the derivative financial instruments portfolio as at 30 September 2011 and 31 December 2010 is analysed as follows

	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Derivatives held for trading	30,486	25,563	40,198	21,628
Fair value hedge	41,705	21,978	123,476	181,949
Cash-flow hedge	-48,220	-20,107	5,526	25,083
Net Investment hedge	6,512	-1,074	-	-
	<b>30,483</b>	<b>26,360</b>	<b>169,200</b>	<b>228,660</b>

**42. Commitments**

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 September 2011 and 31 December 2010, are analysed as follows:

<b>Type</b>	<b>Group</b>		<b>Company</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Guarantees of a financial nature</b>				
EDP, S.A.	293,150	381,332	293,150	381,332
Hidrocantábico Group	38,695	36,271	-	-
Brazil Group	8,339	13,244	-	-
EDP Renováveis Group	5,510	24,999	-	-
Other	3,711	3,711	-	-
	<b>349,405</b>	<b>459,557</b>	<b>293,150</b>	<b>381,332</b>
<b>Guarantees of an operating nature</b>				
EDP, S.A.	829,236	911,218	829,236	911,218
Hidrocantábico Group	337,856	348,543	-	-
Brazil Group	114,984	120,663	-	-
EDP Renováveis Group	2,154,924	1,893,862	-	-
Other (Portugal)	10,094	32,280	-	-
	<b>3,447,094</b>	<b>3,306,566</b>	<b>829,236</b>	<b>911,218</b>
<b>Total</b>	<b>3,796,499</b>	<b>3,766,123</b>	<b>1,122,386</b>	<b>1,292,550</b>
<b>Real guarantees</b>	<b>12,822</b>	<b>13,335</b>	<b>-</b>	<b>-</b>

The financial guarantees contracted include, at 30 September 2011 and 31 December 2010, 254,716 thousands of Euros and 358,631 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 234,559 thousands of Euros at 30 September 2011 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 88,917 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 September 2011 and 31 December 2010, 439,376 thousands of Euros and 553,274 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 September 2011 and 31 December 2010 these loans amounted to 766,770 thousands of Euros and 862,625 thousands of Euros, respectively, and are included in the Group's consolidated debt.

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The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the balance sheet) are disclosed, as at 30 September 2011 and 31 December 2010, by maturity, as follows:

<b>Sep 2011</b>					
<b>Capital outstanding by maturity</b>					
	<b>Total</b>	<b>Less</b>	<b>From</b>	<b>From</b>	<b>More</b>
	<b>Euro'000</b>	<b>than 1</b>	<b>1 to 3</b>	<b>3 to 5</b>	<b>than 5</b>
		<b>year</b>	<b>years</b>	<b>years</b>	<b>years</b>
		<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Short and long term financial debt (including interest)	21,975,916	2,680,402	7,619,491	5,838,106	5,837,917
Finance lease commitments	8,570	1,177	7,144	249	-
Operating lease commitments	1,107,984	60,881	105,915	83,374	857,814
Purchase obligations	41,228,834	4,286,471	8,801,828	6,087,157	22,053,378
Other long term commitments	2,885,917	284,038	576,808	558,905	1,466,166
	<b>67,207,221</b>	<b>7,312,969</b>	<b>17,111,186</b>	<b>12,567,791</b>	<b>30,215,275</b>
<b>Dec 2010</b>					
<b>Capital outstanding by maturity</b>					
	<b>Total</b>	<b>Less</b>	<b>From</b>	<b>From</b>	<b>More</b>
	<b>Euro'000</b>	<b>than 1</b>	<b>1 to 3</b>	<b>3 to 5</b>	<b>than 5</b>
		<b>year</b>	<b>years</b>	<b>years</b>	<b>years</b>
		<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
Short and long term financial debt (including interest)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	<b>71,793,576</b>	<b>9,514,638</b>	<b>15,957,600</b>	<b>12,852,301</b>	<b>33,469,037</b>

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

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

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

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

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

As at 30 September 2011, the EDP Group has the following liabilities/rights arising from call and put options on investments

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares hold by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Copcisa for 49% of Corbera and Vilalba share capital.
- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli – Aplicaciones Industriales de Energias Limpas, S.L. This option can be exercised until 18 April 2014;

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- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 15% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurrence of one of the following events:

- Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
- When EDP Renewables Italia were able to build, develop and operate 350 MW in Italy

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remain shareholders of Re Plus and (ii) always before the last project starts in operation

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;

- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.L., a call option of 2.67% of the share capital of Greenvougá 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 Greenvougá and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros.

#### **43. Share based payments**

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

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

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

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

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

	<b>Option activity</b>	<b>Weighted average exercise price (Euros)</b>
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 30 September 2010	<u>605,477</u>	2.22
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 30 September 2011	<u>605,477</u>	2.22

Information regarding stock options as at 30 September 2011, is analysed as follows:

<b>Options outstanding</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual life</b>	<b>Options exercisable</b>	<b>Fair value options Euro'000</b>
605,477	2.22	2.19	605,477	426,772

During the nine months period ending 30 September 2011 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the nine months period ended at 30 September 2011, EDP Group granted treasury stocks to employees (736,881 shares) totalling 2,046 thousands of Euros.



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**44. Related parties**

**Main shareholders and shares held by company officers**

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2011 is analysed as follows:

	<b>Nr. of Shares</b>	<b>% Capital</b>	<b>% Voting</b>
Parpública Group	915,977,598	25.05%	19.53%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Caixa Geral de Depósitos Group	22,169,087	0.61%	0.47%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	176,319,036	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	123,167,347	3.37%	3.37%
Banco Espírito Santo Group	77,483,375	2.12%	2.12%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	101,095,332	2.76%	2.76%
Qatar Holding LLC	73,800,000	2.02%	2.02%
EDP Group (Treasury stock)	32,258,892	0.88%	
Remaining shareholders	1,472,426,944	40.28%	
	<b>3,656,537,715</b>	<b>100.0%</b>	

**Balances and transactions with subsidiaries and associates**

As at 30 September 2011, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

<b>Companies</b>	<b>Intra-Group Financial Mov. Euro'000</b>	<b>Loans Granted Euro'000</b>	<b>Other Receivables Euro'000</b>	<b>Total Euro'000</b>
Balwerk	458	255,000	8,818	264,276
EDP Produção Bioelétrica	-	10,028	109	10,137
EDP Gestão da Produção	105,941	3,597,934	292,325	3,996,200
EDP Distribuição	755,157	1,428,125	43,948	2,227,230
EDP Comercial	21,710	52,103	90,235	164,048
EDP Finance BV	-	339,740	1,721	341,461
EDP Gás.Com	-	-	65,605	65,605
EDP Imobiliária e Participações	9,388	175,298	1,787	186,473
EDP Inovação	1,986	10,111	1,229	13,326
EDP Soluções Comerciais	103,119	-	9,354	112,473
EDP Renováveis	-	-	150,918	150,918
EDP Renewables Europe	-	-	10,420	10,420
EDP Gás -SGPS	11,899	107,400	2,313	121,612
Hidroelétrica del Cantábrico	3,683	-	11,258	14,941
EDP Internacional	9,924	1,335	700	11,959
EDP Investimentos	2,051	15,000	444	17,495
Other	5,669	-	47,285	52,954
	<b>1,030,985</b>	<b>5,992,074</b>	<b>738,469</b>	<b>7,761,528</b>

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As at 31 December 2010, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	<b>Intra-Group Financial Mov. Euro'000</b>	<b>Loans Granted Euro'000</b>	<b>Other Receivables Euro'000</b>	<b>Total Euro'000</b>
<b>Companies</b>				
Balwerk	4,330	265,000	10,466	279,796
EDP Produção Bioelétrica	-	12,458	90	12,548
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Comercial	32,156	54,551	35,957	122,664
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás.Com	-	-	13,342	13,342
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Inovação	2,662	7,071	844	10,577
EDP Renováveis	-	-	161,909	161,909
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Energias do Brasil	-	-	10,643	10,643
EDP Servicios Financieros España	-	14,433	-	14,433
Hidroeléctrica del Cantábrico	1,841	131,313	7,371	140,525
EDP Investimentos	1,137	15,000	538	16,675
Other	2,320	1,349	48,634	52,303
	<b>325,149</b>	<b>6,242,157</b>	<b>1,394,625</b>	<b>7,961,931</b>

As at 30 September 2011, the **debts** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	<b>Intra-Group Financial Mov. Euro'000</b>	<b>Loans Obtained Euro'000</b>	<b>Other Payables Euro'000</b>	<b>Total Euro'000</b>
<b>Companies</b>				
EDP Gestão da Produção	-	-	208,509	208,509
EDP Distribuição	-	-	24,954	24,954
EDP Estudos e Consultoria	5,381	-	6,216	11,597
EDP Finance BV	-	3,253,074	56,164	3,309,238
EDP Renováveis	-	145,709	8,797	154,506
EDP Renewables Europe	-	19,920	21,683	41,603
EDP Serviço Universal	229,190	-	81,043	310,233
Hidroeléctrica del Cantábrico	-	4	13,976	13,980
EDP Servicios Financieros España	-	96,858	-	96,858
Naturgás	-	203,907	-	203,907
EDP Gás III SGPS	62,539	-	-	62,539
Other	8,123	1	31,710	39,834
	<b>305,233</b>	<b>3,719,473</b>	<b>453,052</b>	<b>4,477,758</b>

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As at 31 December 2010, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	<b>Intra-Group Financial Mov. Euro'000</b>	<b>Loans Obtained Euro'000</b>	<b>Other Payables Euro'000</b>	<b>Total Euro'000</b>
<b>Companies</b>				
EDP Gestão da Produção	-	-	168,342	168,342
EDP Distribuição	-	-	45,341	45,341
EDP Estudos e Consultoria	6,624	-	6,220	12,844
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Soluções Comerciais	19,581	-	817	20,398
EDP Renováveis	-	170,387	-	170,387
EDP Renewables Europe	-	55,398	-	55,398
EDP Serviço Universal	-	-	230,712	230,712
EDP Valor	18,082	-	1,863	19,945
Electrica Ribera del Ebro	-	-	11,220	11,220
Hidroeléctrica del Cantábrico	-	5	32,071	32,076
Naturgás	-	84,492	-	84,492
EDP Gás III SGPS	62,488	-	277	62,765
Sãvida	13,816	-	361	14,177
Other	1,650	1	29,556	31,207
	<u>122,241</u>	<u>3,585,252</u>	<u>571,238</u>	<u>4,278,731</u>

**Expenses** related to intra-Group transactions as at 30 September 2011, **at Company level**, eliminated on consolidation are as follows:

	<b>Interest on Intra-Group Financial Mov. Eur'000</b>	<b>Interest on Loans Obtained Eur'000</b>	<b>Other Costs Eur'000</b>	<b>Total Eur'000</b>
<b>Companies</b>				
EDP Gestão da Produção	647	-	829,687	830,334
EDP Estudos e Consultoria	26	-	16,747	16,773
EDP Finance BV	-	130,961	3,367	134,328
EDP Renováveis	-	478	42,699	43,177
Electrica Ribera del Ebro	-	-	12,790	12,790
Hidroeléctrica do Guadiana	-	-	29,886	29,886
Hidroeléctrica del Cantábrico	-	-	33,396	33,396
Other	301	2,171	38,722	41,194
	<u>974</u>	<u>133,610</u>	<u>1,007,294</u>	<u>1,141,878</u>

**Expenses** related to intra-Group transactions as at 30 September 2010, **at Company level**, eliminated on consolidation are as follows:

	<b>Interest on Intra-Group Financial Mov. Eur'000</b>	<b>Interest on Loans Obtained Eur'000</b>	<b>Other Costs Eur'000</b>	<b>Total Eur'000</b>
<b>Companies</b>				
EDP Gestão da Produção	43	-	658,213	658,256
EDP Estudos e Consultoria	13	-	14,819	14,832
EDP Finance BV	-	138,006	6,398	144,404
EDP Renewables Europe	-	-	11,691	11,691
Electrica Ribera del Ebro	-	-	19,943	19,943
Hidroeléctrica do Guadiana	-	-	21,878	21,878
Hidroeléctrica del Cantábrico	-	-	32,097	32,097
Other	184	551	29,594	30,329
	<u>240</u>	<u>138,557</u>	<u>794,633</u>	<u>933,430</u>

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**Income** related to intra-Group transactions as at 30 September 2011, **at Company level**, eliminated on consolidation are as follows:

	<b>Interest on Intra-Group Financial Mov. Euro'000</b>	<b>Interest on Loans Granted Euro'000</b>	<b>Other Income Euro'000</b>	<b>Total Euro'000</b>
<b>Companies</b>				
EDP Gestão da Produção	629	157,371	44,567	202,567
EDP Distribuição	10,286	52,485	29,393	92,164
EDP Comercial	228	1,829	350,907	352,964
EDP Gás.Com	-	-	154,027	154,027
EDP Soluções Comerciais	74	-	20,204	20,278
EDP Renováveis	-	588	10,181	10,769
Hidroeléctrica del Cantábrico	-	-	43,267	43,267
Other	376	16,592	61,610	78,578
	<u>11,593</u>	<u>228,865</u>	<u>714,156</u>	<u>954,614</u>

**Income** related to intra-Group transactions as at 30 September 2010, **at Company level**, eliminated on consolidation are as follows:

	<b>Interest on Intra-Group Financial Mov. Euro'000</b>	<b>Interest on Loans Granted Euro'000</b>	<b>Other Income Euro'000</b>	<b>Total Euro'000</b>
<b>Companies</b>				
EDP Gestão da Produção	1,277	155,081	32,409	188,767
EDP Distribuição	4,433	28,499	29,664	62,596
EDP Comercial	674	872	288,388	289,934
EDP Gás.Com	-	-	46,411	46,411
EDP Soluções Comerciais	94	-	21,330	21,424
EDP Renováveis	-	-	114,343	114,343
EDP Renewables Europe	-	-	13,975	13,975
Electrica Ribera del Ebro	-	-	18,230	18,230
Hidroeléctrica del Cantábrico	-	-	33,894	33,894
Other	399	15,288	37,727	53,414
	<u>6,877</u>	<u>199,740</u>	<u>636,371</u>	<u>842,988</u>

**Assets and Liabilities** with related companies at 30 September 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	<b>Assets Euro'000</b>	<b>Liabilities Euro'000</b>	<b>Net Value Euro'000</b>
Associates	225,698	3,355	222,343
Jointly controlled entities	28,693	12,570	16,123
	<u>254,391</u>	<u>15,925</u>	<u>238,466</u>

**Assets and Liabilities** with related companies at 31 December 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	<b>Assets Euro'000</b>	<b>Liabilities Euro'000</b>	<b>Net Value Euro'000</b>
Associates	144,794	3,600	141,194
Jointly controlled entities	30,696	12,822	17,874
	<u>175,490</u>	<u>16,422</u>	<u>159,068</u>

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**Transactions** with related companies at 30 September 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	5,549	4,935	-2,211	-5
Jointly controlled entities	47,697	5,823	-17,820	-344
	<u>53,246</u>	<u>10,758</u>	<u>-20,031</u>	<u>-349</u>

**Transactions** with related companies at 30 September 2010, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	6,601	2,788	-451	-6
Jointly controlled entities	43,944	4,499	-17,091	-446
	<u>50,545</u>	<u>7,287</u>	<u>-17,542</u>	<u>-452</u>

**45. Fair value of financial assets and liabilities**

	Group Sep 2011			Group Dec 2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Financial assets</b>						
Available for sale investments	166,013	166,013	-	443,965	443,965	-
Trade receivables	2,002,092	2,002,092	-	2,187,118	2,187,118	-
Derivative financial instruments	254,915	254,915	-	223,053	223,053	-
Financial assets at fair value through profit or loss	7,771	7,771	-	35,745	35,745	-
Cash and cash equivalents (assets)	1,738,409	1,738,409	-	1,511,224	1,511,224	-
	<u>4,169,200</u>	<u>4,169,200</u>	<u>-</u>	<u>4,401,105</u>	<u>4,401,105</u>	<u>-</u>
<b>Financial liabilities</b>						
Loans	18,337,920	16,169,305	-2,168,615	17,891,646	17,398,777	-492,869
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	1,327,371	1,327,371	-	2,040,814	2,040,814	-
Derivative financial instruments	224,432	224,432	-	196,693	196,693	-
	<u>19,889,723</u>	<u>17,721,108</u>	<u>-2,168,615</u>	<u>20,129,153</u>	<u>19,636,284</u>	<u>-492,869</u>

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

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

**46. Subsequent events**

**EDP sells Ampla Energia e Serviços S.A. and Ampla Investimentos e Serviços S.A.**

On 5 August, EDP Energias de Portugal S.A. reaches an agreement to sell their 7.7% stakes in Endesa Brazilian subsidiaries Ampla Energia e Serviços S.A. and Ampla Investimentos e Serviços S.A. to Endesa Latinoamérica, S.A. (owned by Endesa, S.A.) for 76 million of Euros and 9 million of Euros, respectively. At 4 October the transactions were completed with a net capital gain of approximately 8.4 million of Euros, to be booked in the financial statements during the last quarter of the year.

**EDP - Energias do Brasil concluded the acquisition of the exploration rights of Santo Antônio do Jari**

At 13 October, EDP - Energias do Brasil, S.A. concluded the acquisition started on 16 June, by its controlled company Ipueiras Energia, S.A. of ECE Participações S.A., from CS and Participa Groups. The acquired company holds 90% stake in Consórcio Amapá Energia (Amapá Energia Consortium) which holds Santo Antônio do Jari operation rights.

**47. Recent accounting standards and interpretations issued**

In May 2010, the IASB published the Annual Improvement Project that implied changes to the standards and interpretations in force. The referred changes are in most cases applicable for the Group for 2011, as follows:

- Changes to IFRS 1 - First - time Adoption of International Financial Reporting Standards, effective from 1 January 2011;
- Changes to IFRS 3 - Business Combinations, effective from 1 January 2011;
- Changes to IFRS 7 - Financial Instruments: Disclosures, effective from 1 January 2011;
- Changes to IAS 1 - Presentation of Financial Statements, effective from 1 January 2011;
- Changes to IAS 21 - The Effects of Changes in Foreign Exchange Rates, effective from 1 January 2011;
- Changes to IAS 28- Investments in Associates, effective from 1 January 2011;
- Changes to IAS 31- Interests in Joint Ventures, effective from 1 January 2011;
- Changes to IAS 32 - Financial Instruments: Presentation, effective from 1 January 2011;
- Changes to IAS 34 - Interim Financial Reporting, effective from 1 January 2011;
- Changes to IAS 39 - Financial Instruments: Recognition and Measurement, effective from 1 January 2011;
- Changes to IFRIC 13 - Customer Loyalty Programmes, effective from 1 January 2011.

No significant impact in the Group resulted from the adoption of these changes with exception of the impacts of the adoption of IFRS 3 - Business Combinations, which are disclosed and reflected in the consolidated financial statements at 30 September 2011

The Group has also decided against the early application of the following standards and interpretations, which are expected to be endorsed by the European Union until the end of 2011:

- IFRS 1 (Amendment) - First-time Adoption of International Reporting Standards;
- IFRS 7 (Amendment) - Financial Instruments: Disclosures;
- IFRS 9 - Financial Instruments;
- IFRS 10 - Consolidated Financial Statements;
- IFRS 11 - Joint Arrangements;
- IFRS 12 - Disclosures of Interests in Other Entities;
- IFRS 13 - Fair Value Measurement;
- IAS 1 (Amendment) - Presentation of Financial Statements;
- IAS 12 (Amendment) - Income tax;
- IAS 19 (Amendment) - Employee Benefits;
- IAS 27 - Separate Financial Statements;
- IAS 28 - Investments in Associates and Joint Ventures.

**48. EDP Branch in Spain**

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

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

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

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

The statement of financial position of the Branch as at 30 September 2011 and 31 December 2010 is analysed as follows

	<b>EDP Branch</b>	
	<b>Sep 2011</b>	<b>Dec 2010</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Property, plant and equipment	137	104
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	481,695	-
Other	60	60
Deferred tax assets	74,337	-
Other debtors	123,952	144,462
<b>Total Non-Current Assets</b>	<b>5,601,868</b>	<b>5,066,313</b>
Trade receivables	16,405	15,253
Debtors and other assets	378,830	343,553
Tax receivable	20,321	20,211
Cash and cash equivalents	6,178	15,661
<b>Total Current Assets</b>	<b>421,734</b>	<b>394,678</b>
<b>Total Assets</b>	<b>6,023,602</b>	<b>5,460,991</b>
Equity	2,220,458	1,797,905
Financial debt	3,153,845	3,207,855
Deferred tax liabilities	4,255	-
<b>Total Non-Current Liabilities</b>	<b>3,158,100</b>	<b>3,207,855</b>
Financial debt	-	33
Trade and other payables	644,501	454,192
Tax payable	543	1,006
<b>Total Current Liabilities</b>	<b>645,044</b>	<b>455,231</b>
<b>Total Liabilities</b>	<b>3,803,144</b>	<b>3,663,086</b>
<b>Total Equity and Liabilities</b>	<b>6,023,602</b>	<b>5,460,991</b>

#### 49. Segmental reporting

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

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

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

**EDP - Energias de Portugal, S.A.**  
**Notes to the Condensed Consolidated and Company Financial Statements**  
**for the nine months period ended 30 September 2011**

The Group internal reporting system produces reports with business segments organised by geography and responsibility area for each member of the Board of Directors.

Based on these reports, the Board of Directors assumes the function of Chief Operating Decision Maker ("CODM"), evaluating the performance of the various segments and deciding on resource allocations to each identified segment

The Group manages its activities based on several business segments, which involve essentially the following products/services: Electricity, Gas and Other Operations.

The segments defined by the Group are the following:

- Iberian Generation
- Iberian Distribution
- Iberian Supply
- EDP Renováveis
- EDP - Energias do Brasil
- Iberian Gas
- Other Operations

The EDP Group makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Energias do Brasil).

The **Iberian Generation** segment corresponds to the activity of electricity generation in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A.
- Electrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Grupo 4, S.A.
- Patrimonial de La Ribera del Ebro, S.L.

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

- EDP Distribuição de Energia, S.A.
- EDP Serviço Universal, S.A.
- Fuerzas Electricas Valencianas, S.A.
- Electra de Llobregat Energía, S.L.
- HDC Explotacion Redes
- Hidrocantábrico Distribucion Eléctrica, S.A.U.

The **Iberian Supply** segment corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the Iberian distribution activity. This segment includes, namely, the following companies

- EDP Comercial - Comercialização de Energia, S.A.
- Hidrocantábrico Energia, S.A.U.
- EDP Soluções Comerciais, S.A.

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

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

The **Gas** segment includes the gas distribution and supply activities in Portugal and Spain. This segment includes, namely, the following companies:

- EDP Gás, SGPS
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.
- EDP Gás Serviço Universal, S.A.
- Naturgás Energia Transporte, S.A.U.
- Naturgás Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Grupo, S.A.



**EDP - Energias de Portugal, S.A.**  
**Notes to the Condensed Consolidated and Company Financial Statements**  
**for the nine months period ended 30 September 2011**

The **Other operations** segment includes the centralised management of financial investments and the remaining activities not included in the businesses segments, namely the centralised management of human resources, logistic platforms and shared service centers

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

**Segment Definition**

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

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

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

**50. Explanation added for translation**

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

EDP Group Activity by Business Segment

Information by Business Segment – nine months period ended 30 September 2011

(Amounts in thousands of Euros)

	Electricity															Gas										Other operations **	Adjustments	EDP Group		
	Iberian Generation				Iberian Distribution *			Iberian Supply				EDP Renováveis				EDP Energias do Brasil						Iberian Activity								
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Adjustments	Total	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments				Total	
Turnover	1,947,180	1,558,822	-15,642	3,490,360	3,721,159	135,035	3,856,194	809,671	1,375,784	-688	2,184,767	478,950	214,696	13,069	-597	706,118	350,133	1,294,110	293,016	2,097	-178,282	1,761,074	496,969	1,186,142	-93,520	1,589,591	205,783	-2,631,980	11,161,907	
Revenues from external customers	1,332,734	550,022	649	1,883,405	3,413,043	226	3,413,269	691,486	1,348,489	-	2,039,975	126,409	214,696	12,472	-	353,577	191,028	1,291,215	277,334	1,497	-	1,761,074	304,918	1,062,183	-	1,367,101	14,737	-5,397	10,827,741	
Revenues from transactions with other operating segments	614,446	1,008,800	-16,291	1,606,955	308,116	134,809	442,925	118,185	27,295	-688	144,792	352,541	-	597	-597	352,541	159,105	2,895	15,682	600	-178,282	192,051	123,959	-93,520	222,490	191,046	-2,626,583	334,166		
Cost of electricity	-509,356	-971,918	-	-1,481,274	-2,754,250	-	-2,754,250	-667,831	-1,283,686	-	-1,951,517	-1,982	-2,403	-443	-	-4,828	-62,456	-794,151	-278,873	-13	178,257	-957,236	-	-152,885	-	1,924,825	-5,377,165	-		
Cost of gas	-	-	-	-	-	-	-	-3,953	-4,104	-	-8,057	-	-	-	-	-	-	-	-	-	-	-	-422,297	-782,547	92,869	-1,111,975	-	158,903	-961,129	
Change in inventories and cost of raw materials and consumables used	-623,183	-301,065	18,171	-906,077	-4,719	-40	-4,759	-3,968	-20,709	-	-24,677	-12,122	-	-	-	-12,122	1,187	110	-	-	389	1,686	-68	-8,900	-	-8,968	-6,366	220,188	-741,095	
	814,641	285,839	2,529	1,103,009	962,190	134,995	1,097,185	133,919	67,285	-688	200,516	464,846	212,293	12,626	-597	689,168	288,864	500,069	14,143	2,084	364	805,524	74,604	241,810	-651	315,763	199,417	-328,064	4,082,518	
Revenue from assets assigned to concessions	887	-	-	887	178,071	-	178,071	-	-	-	-	-	-	-	-	-	-	108,249	-	-	-	108,249	21,632	-	-	-	21,632	-	-	308,839
Expenditure with assets assigned to concessions	-887	-	-	-887	-178,071	-	-178,071	-	-	-	-	-	-	-	-	-	-	-108,249	-	-	-	-108,249	-21,632	-	-	-	-21,632	-	-	-308,839
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other operating income / (expenses)																														
Other operating income	7,841	5,003	-	12,844	63,677	55,082	118,759	5,257	3,829	-	9,086	6,674	93,735	7,202	-2,497	105,114	1,875	4,943	3,031	-	-	9,849	3,009	5,514	-246	8,277	29,416	-59,919	233,426	
Supplies and services	-72,580	-43,021	1,479	-114,122	-246,775	-37,612	-284,387	-87,347	-38,055	632	-124,770	-78,318	-72,408	-16,876	3,061	-164,541	-19,907	-99,715	-1,350	-9,551	24	-130,499	-10,671	-36,315	797	-46,189	-136,710	351,057	-650,161	
Personnel costs and employee benefits	-66,766	-26,090	-	-92,856	-101,052	-14,879	-115,931	-31,999	-7,265	-	-39,264	-16,972	-18,186	-7,231	-	-42,389	-13,513	-63,866	-2,109	-7,417	-	-86,905	-4,014	-20,029	-	-24,043	-85,595	15,218	-471,765	
Other operating expenses	-14,701	-30,878	456	-45,123	-216,497	-3,584	-220,081	-12,297	-21,844	56	-34,085	-18,542	-18,152	-2,378	33	-39,039	-2,485	-34,201	-1,153	-5,809	-	-43,648	-3,647	-11,466	100	-15,013	-20,771	-418,990		
	-146,206	-94,986	1,935	-239,257	-500,647	-993	-501,640	-126,386	-63,335	688	-189,033	-107,158	-15,011	-19,283	597	-140,855	-34,030	-192,839	-1,581	-22,777	24	-251,203	-15,323	-62,296	651	-76,968	-213,660	305,126	-1,307,490	
Provisions	668,435	190,853	4,464	863,752	461,543	134,002	595,545	7,533	3,950	-	11,483	357,688	197,282	-6,657	-	548,313	254,834	307,230	12,562	-20,693	388	554,321	59,281	179,514	-	238,795	-14,243	-22,938	2,775,028	
Depreciation and amortisation expense	-122	3,214	-	3,092	-3,074	-	-3,074	-994	1,100	-	106	303	-	303	-	303	-381	-15,317	294	5,255	-4,580	-14,729	582	2,989	-	3,571	8,998	-	-1,733	
Compensation of amortisation and depreciation	-197,229	-117,226	-	-314,455	-184,260	-23,130	-207,390	-11,187	-3,263	-	-14,450	-158,044	-158,195	-3,461	-983	-320,683	-54,692	-63,747	-54	-4,639	4,191	-118,941	-9,312	-45,646	-	-54,958	-10,798	-36,527	-1,078,202	
	1,304	333	-	1,637	-	864	864	14	-	-	14	1,066	10,366	-	-	11,432	1,155	8,962	-	-	-	10,117	-	954	-	954	263	-	25,281	
Gain/(losses) on the sale of financial assets	472,388	77,174	4,464	554,026	274,209	111,736	385,945	-4,634	1,787	-	-2,847	201,013	49,453	-10,118	-983	239,365	200,916	237,128	12,802	-20,077	-1	430,768	50,551	137,811	-	188,362	-15,780	-59,465	1,720,374	
Other financial income	-	-	-	-	-	-	-	-	-	-	-	10,046	-	-	-	10,046	-	-	-	-	-	-	-	-	-	-	-	-	-	
Interest revenue	296,852	40,622	-60,160	277,314	1,790	1	1,791	7	47	-	54	22,860	7,322	51,574	-50,801	30,955	16,332	8,601	965	161,806	-161,143	26,561	9,314	3,574	-	12,888	629,673	-616,064	363,172	
Other financial expenses	1,787	7,003	-	8,790	17,308	48	17,356	355	1,679	48	2,034	9,400	513	205,523	-193,291	22,145	11,363	39,423	733	9,155	-2,704	57,970	1,069	2,286	-	3,355	580,080	-463,645	228,085	
Interest expense	-272,448	-15,667	59,359	-228,756	-47,943	-668	-48,611	-1,597	-181	-	-1,778	-40,047	-54,231	-55,448	52,477	-97,249	-45,105	-48,481	-558	-7,135	-	-101,279	-9,490	-3,845	-	-13,335	-120,011	56,569	-554,450	
Share of profit in associates	-116,615	-31,376	-	-147,991	-62,592	-5,460	-68,052	-2,144	-8,447	-	-10,591	-206,730	758	-121,756	195,402	-132,326	-30,954	-46,164	-186	-3,220	2,706	-77,818	-6,031	-18,784	-	-24,815	-530,005	408,852	-582,746	
	189	258	-	447	-	-	-	-	-	-	3,691	-	-	-	-	3,691	-	-	-	-	-1,097	-1,097	2,602	57	-	2,659	10,631	1,098	17,429	
Profit before Income tax	382,153	78,014	3,663	463,830	182,772	105,657	288,429	-8,013	-5,115	-	-13,128	233	3,815	69,775	2,804	76,627	152,552	190,507	13,756	140,529	-162,239	335,105	48,015	121,099	-	169,114	665,183	-783,016	1,202,144	
Income tax expense	-119,681	-34,283	4,787	-149,177	-35,229	-31,755	-66,984	-404	940	-	536	6,411	-	-21,296	-339	-15,224	-36,794	-61,180	-4,698	788	-	-101,884	-10,698	-26,763	-	-37,461	174,778	-46,749	-242,165	
Net profit for the period	262,472	43,731	8,450	314,653	147,543	73,902	221,445	-8,417	-4,175	-	-12,592	6,644	3,815	48,479	2,465	61,403	115,758	129,327	9,058	141,317	-162,239	233,221	37,317	94,336	-	131,653	839,961	-829,765	959,979	
Attributable to:																														
Equity holders of EDP	262,253	46,902	8,450	317,605	147,555	71,611	219,166	-8,417	-4,026	-	-12,443	6,672	3,815	49,576	2,510	62,573	69,938	129,327	9,058	141,317	-162,239	187,401	28,740	86,430	-	115,170	841,098	-906,940	823,630	
Non-controlling Interest	219	-3,171	-	-2,952	-12	2,291	2,279	-	-149	-	-149	-28	-	-1,097	-45	-1,170	45,820	-	-	-	-	45,820	8,577	7,906	-	16,483	-1,137	77,175	136,349	
Net profit for the period	262,472	43,731	8,450	314,653	147,543	73,902	221,445	-8,417	-4,175	-	-12,592	6,644	3,815	48,479	2,465	61,403	115,758	129,327	9,058	141,317	-162,239	233,221	37,317	94,336	-	131,653	839,961	-829,765	959,979	
Assets																														
Property, plant and equipment	4,147,759	1,879,166	-	6,026,925	93,994	700,293	794,287	35,824																						

## EDP Group Activity by Business Segment

### Information by Business Segment – nine months period ended 30 September 2010

(Amounts in thousands of Euros)

	Electricity														Gas													
	Iberian Generation				Iberian Distribution *			Iberian Supply			EDP Renováveis				EDP Energias do Brasil						Iberian Activity						EDP Group	
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations **		Adjustments
Turnover	1,636,419	1,305,338	-4,200	2,937,557	3,694,595	120,661	3,815,256	651,720	1,467,823	2,119,543	394,195	194,532	3,234	-600	591,361	310,522	1,180,924	219,955	1,981	-143,146	1,570,236	413,919	943,780	-155,520	1,202,179	174,232	-2,171,755	10,238,609
Revenues from external customers	1,204,276	385,664	4,905	1,594,845	3,488,540	-	3,488,540	536,535	1,436,096	1,972,631	277,477	194,532	2,634	-	474,643	177,692	1,178,224	213,085	1,235	-	1,570,236	200,519	880,067	-	1,080,586	10,883	26,554	10,218,918
Revenues from transactions with other operating segments	432,143	919,674	-9,105	1,342,712	206,055	120,661	326,716	115,185	31,727	146,912	116,718	-	600	-600	116,718	132,830	2,700	6,870	746	-143,146	-	213,400	63,713	-155,520	121,593	163,349	-2,198,309	19,691,593
Cost of electricity	-360,561	-758,166	-	-1,118,727	-2,689,482	115	-2,689,367	-499,151	-1,374,400	-1,873,551	-162	-832	-95	-	-1,089	-52,164	-722,611	-209,987	-	143,146	-841,616	-	-136,710	-	-136,710	-20	1,713,637	-4,947,443
Cost of gas	-	-255	-	-255	-	-	-	-55	-4,286	-4,341	-	-	-	-	-	-	-	-	-	-	-	-343,706	-577,155	156,312	-764,549	-	142,041	-627,104
Change in inventories and cost of raw materials and consumables used	-376,909	-292,338	9,330	-659,917	-6,372	-56	-6,428	-3,647	-17,669	-21,316	-3,252	-	-	211	-3,041	-15	-1,160	-	-	-	-1,175	-	-5,065	-	-5,065	-346	27,715	-669,573
	898,949	254,579	5,130	1,158,658	998,741	120,720	1,119,461	148,867	71,468	220,335	390,781	193,700	3,139	-389	587,231	258,343	457,153	9,968	1,981	-	727,445	70,213	224,850	792	295,855	173,866	-288,362	3,994,489
Revenue from assets assigned to concessions	1,185	-	-	1,185	151,476	-	151,476	-	-	-	-	-	-	-	-	-	48,866	-	-	-	48,866	24,713	-	-	24,713	-	-	226,240
Expenditure with assets assigned to concessions	-1,185	-	-	-1,185	-151,476	-	-151,476	-	-	-	-	-	-	-	-	-	-48,866	-	-	-	-48,866	-24,713	-	-	-24,713	-	-	-226,240
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)	6,165	2,232	-	8,397	39,184	22,287	61,471	6,798	23,369	30,167	7,559	88,109	1,217	-443	96,442	110	8,175	3,597	2,371	-61	14,192	972	2,634	-13	3,593	49,761	-73,752	190,271
Other operating income	-73,114	-43,412	1,426	-115,100	-242,465	-39,304	-281,769	-88,949	-33,356	-122,305	-63,713	-67,943	-11,945	989	-142,612	-18,286	-91,554	-1,398	-10,724	73	-121,889	-9,808	-42,495	740	-51,563	-128,035	341,640	-621,633
Supplies and services	-61,071	-24,921	925	-85,067	-111,795	-16,536	-128,331	-29,577	-6,827	-36,404	-14,682	-16,637	-6,867	-	-38,186	-12,263	-57,190	-1,973	-6,796	-	-78,222	-3,747	-20,988	-	-24,735	-80,247	8,853	-462,339
Personnel costs and employee benefits	-13,157	-16,207	501	-28,863	-210,695	-3,338	-214,033	-9,013	-21,615	-30,628	-12,806	-16,873	-111	53	-29,737	-3,506	-33,367	-548	-7,112	-74	-44,607	-3,445	-14,185	-8	-17,638	-23,090	1,493	-387,103
Other operating expenses	-141,177	-82,308	2,852	-220,633	-525,771	-36,891	-562,662	-120,741	-38,429	-159,170	-83,642	-13,344	-17,706	599	-114,093	-33,945	-173,936	-322	-22,261	-62	-230,526	-16,028	-75,034	719	-90,343	-181,611	278,234	-1,280,804
	757,772	172,271	7,982	938,025	472,970	83,829	556,799	28,126	33,039	61,165	307,139	180,356	-14,567	210	473,138	224,398	283,217	9,646	-20,280	-62	496,919	54,185	149,816	1,511	205,512	-7,745	-10,128	2,713,685
Provisions	-5,256	-29,607	-	-34,863	-1,742	-	-1,742	-8,112	-4,693	-12,805	65	-	-	-	65	320	-4,595	-	446	-2,289	-6,118	-10	90	-	80	-21,426	8,500	-68,309
Depreciation and amortisation expense	-236,905	-96,901	-	-333,806	-178,569	-36,355	-214,924	-12,524	-2,129	-14,653	-151,824	-160,196	-1,371	-728	-314,119	-47,222	-58,801	-53	-6,242	1,649	-110,669	-8,622	-47,494	-	-56,116	-10,442	-41,830	-1,096,559
Compensation of amortisation and depreciation	5,929	340	-	6,269	-	821	821	14	-	14	851	6,401	-	-	7,252	-	-	-	-	-	-	-	2,408	-	2,408	32	-	16,796
	521,540	46,103	7,982	575,625	292,659	48,295	340,954	7,504	26,217	33,721	156,231	26,561	-15,938	-518	166,336	177,496	219,821	9,593	-26,076	-702	380,132	45,553	104,820	1,511	151,884	-39,581	-43,458	1,565,613
Gain/(losses) on the sale of financial assets	-	7	-	7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-846	-	-846	6,732	-3,318	2,575
Other financial income	362,312	27,159	-56,309	333,162	327	-	327	13	210	223	12,192	4,520	93,425	-88,747	21,390	15,137	8,733	375	142,322	-139,733	26,834	2,656	749	-	3,405	500,004	-507,961	377,384
Interest revenue	609	5,653	-	6,262	20,671	176	20,847	71	175	246	5,915	468	180,771	-179,899	7,255	6,588	49,118	358	7,601	-2,533	61,132	1,089	665	-	1,754	455,313	-365,228	187,581
Other financial expenses	-330,210	-35,031	73,940	-291,301	-44,857	-1,094	-45,951	-1,493	-208	-1,701	-18,019	-55,978	-90,665	89,189	-75,473	-49,072	-40,897	-913	-4,016	1,319	-93,579	-2,787	-1,841	-1,511	-6,139	-170,798	135,505	-549,437
Interest expense	-130,374	-23,806	-	-154,180	-47,156	-1,601	-48,757	-1,654	-3,251	-4,905	-165,926	4,087	-104,268	192,623	-73,484	-35,572	-32,435	-30	-332	-	-68,369	-4,365	-213	-	-4,578	-423,422	351,352	-426,343
Share of profit in associates	-91	64	-	-27	-	-	-	-	-	-	2,853	-	-	-	2,853	-	-	-	-	-384	-384	1,829	199	-	2,028	13,490	385	18,345
Profit before Income tax	423,786	20,149	25,613	469,548	221,644	45,776	267,420	4,441	23,143	27,584	-6,754	-20,342	63,325	12,648	48,877	114,577	204,340	9,383	119,499	-142,033	305,766	43,975	103,533	-	147,508	341,738	-432,723	1,175,718
Income tax expense	-115,200	-10,248	1,323	-124,125	-25,653	-13,855	-39,508	-691	-7,261	-7,952	-2,734	-	-23,254	214	-25,774	-30,029	-72,194	-3,214	3,957	-48	-101,528	-12,526	-29,688	-	-42,214	26,322	9,238	-305,541
Net profit for the period	308,586	9,901	26,936	345,423	195,991	31,921	227,912	3,750	15,882	19,632	-9,488	-20,342	40,071	12,862	23,103	84,548	132,146	6,169	123,456	-142,081	204,238	31,449	73,845	-	105,294	368,060	-423,485	870,177
Attributable to:																												
Equity holders of EDP	307,925	13,334	26,936	348,195	195,991	30,921	226,912	4,446	15,386	19,832	-10,784	-20,342	40,453	12,862	22,189	44,450	132,146	6,169	123,456	-142,081	164,140	27,007	69,416	-	96,423	369,743	-473,162	774,272
Non-controlling Interest	661	-3,433	-	-2,772	-	1,000	1,000	-696	496	-200	1,296	-	-382	-	914	40,098	-	-	-	-	40,098	4,442	4,429	-	8,871	-1,683	49,677	95,905
Net profit for the period	308,586	9,901	26,936	345,423	195,991	31,921	227,912	3,750	15,882	19,632	-9,488	-20,342	40,071	12,862	23,103	84,548	132,146	6,169	123,456	-142,081	204,238	31,449	73,845	-	105,294	368,060	-423,485	870,177

### Information by Business Segment – 31 December 2010

(Amounts in thousands of Euros)

Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404	5,000,280	4,814,548	125,479	41,464	9,981,771	2,393,016	201	308	854	-61	2,394,318	2,620	825,679	-	828,299	212,199	17,401	20,323,583
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516	751,975	600,317	1,718	12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817	-	-	45,871	1,267	-	-	11,358	-1,299	11,326	26,789	3,877	-	30,666	658,107	-601,570	146,871
Current assets	833,779	1,143,934	-417	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994	759,626	199,503	679,763	-378,327	1,260,565	275,912	809,403	51,482	250,008	-109,798	1,277,007	144,160	521,714	-26,928	638,946	3,481,394	-3,751,939	7,281,625
<b>Equity and Liabilities</b>																												
Equity and non-controlling Interest	2,157,999	2,100,706	-156,903	4,101,802	414,554	471,611	886,165	9,007	-143,126	-134,119	442,303	3,146,741	5,141,393	-3,336,926	5,393,511	1,746,295	757,366	20,051	1,655,012	-1,270,196	2,908,528	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959
Current liabilities	810,804	1,387,548	-417	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721	1,071,940	428,332	180,192	-388,290	1,292,174	352,153	812,680	39,023	89,778	-113,344	1,180,290	138,886	654,880	-25,864	767,902	3,519,791	-3,587,306	7,729,639
<b>Other information at September 2010:</b>																												
<b>Increase of the period</b>																												
Property, plant and equipment	196,399	46,986	-	243,385	6,788	39,174	45,962	63,801	3,160	3,796	395,748	704,069	31,606	-	1,131,423	131,169	1,771	44	160	-	133,144	436	33,525	-	33,961	81,818	-	1,673,489
Intangible assets + Goodwill	179,626	15,175	-	194,801	151,187	329	151,516	-	1	1	77,007	2,204	-	-	79,211	1,873	48,904	1,780	28	-	50,805	25,334	202,613	-	227,947	54,517	-	758,798