FIRST HALF 2010 REPORT

CONTENTS

I. EDP VISION, COMMITMENTS AND VALUES

VISION, COMMITMENTS AND VALUES

Trust
Of shareholders, customers, suppliers and other stakeholders.

Excellence
In the way we implement.

Initiative
Demonstrated through behaviour and attitude of our people.

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

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

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

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

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

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

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

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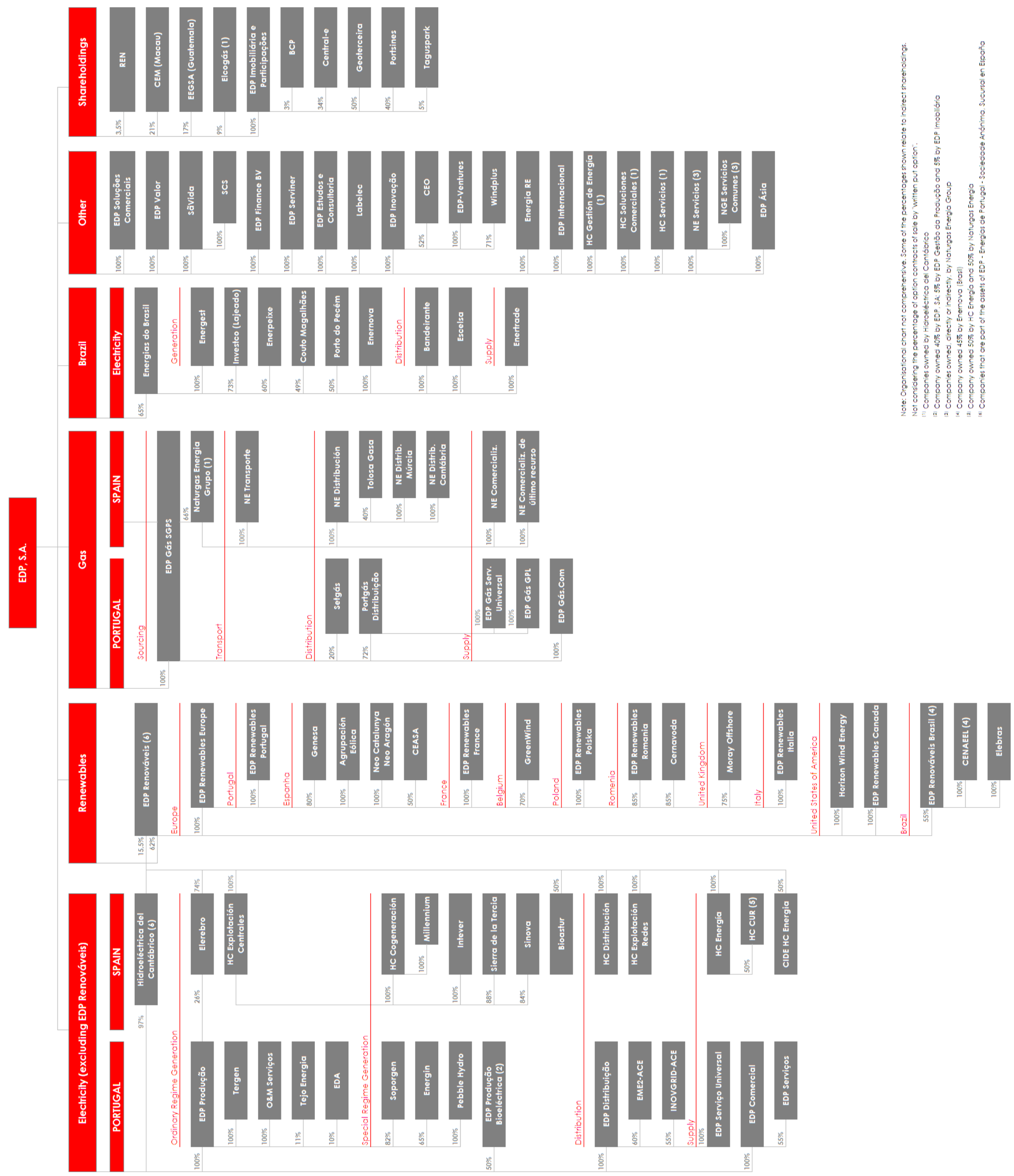
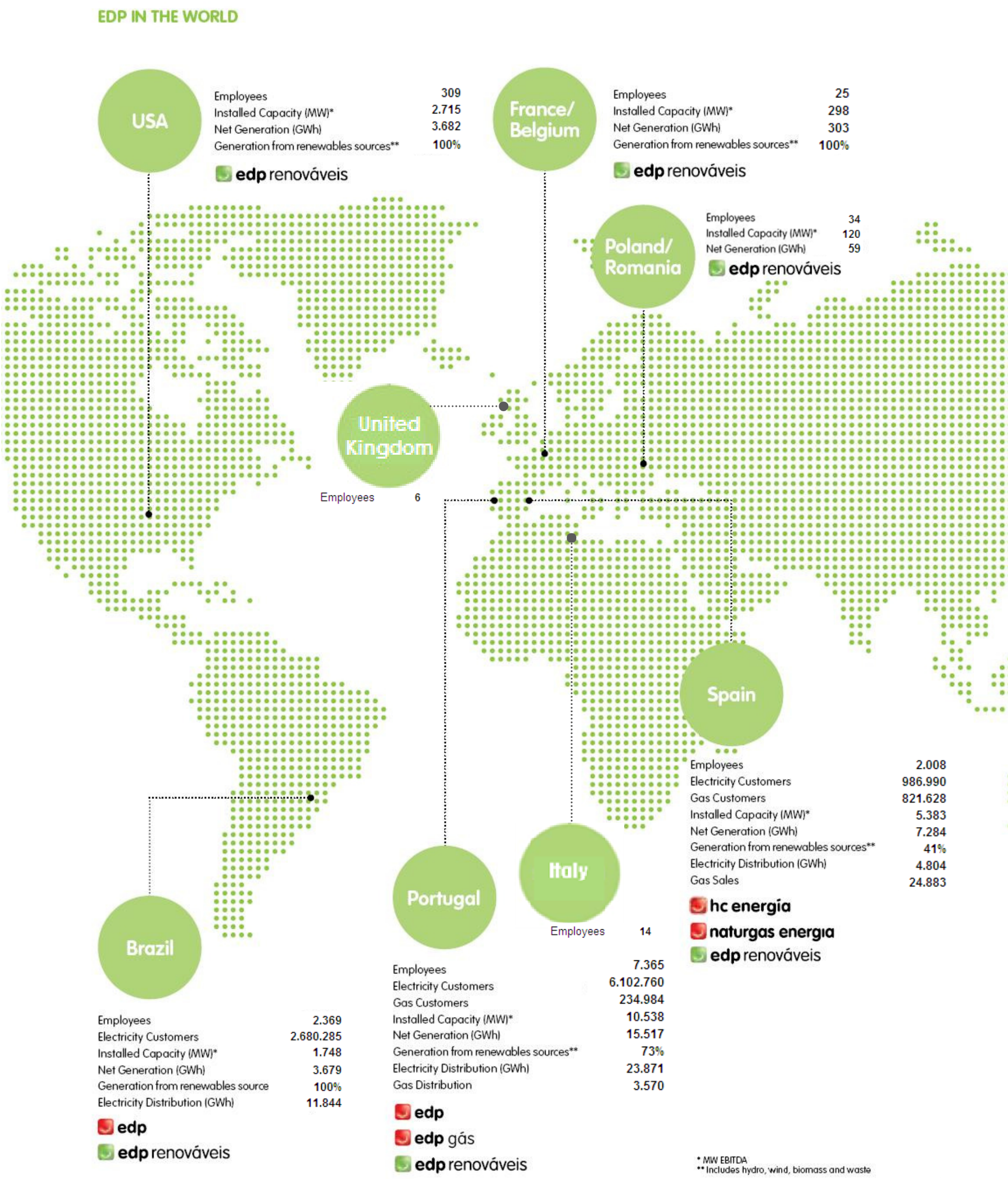
II. ORGANISATIONAL CHART



III. EDP IN THE WORLD

edp



IV. FINANCIAL & OPERATIONAL HIGHLIGHTS

Financial Indicators

EUR thousands	1H10	1H09***	Var. %
EDP Group Consolidated			
Turnover	6,762,619	5,889,750	15%
Gross operating profit	1,830,799	1,610,519	14%
Operating profit	1,086,318	978,506	11%
Net profit *	564,791	479,350	18%
Operating cash flow	864,048	2,409,532	-64%
Net operating investment	1,311,701	1,652,978	-21%
Financial investment/(Divestiture)	14,807	4,111	260%
Net assets	40,273,297	38,614,782	4%
Equity	10,390,323	9,978,688	4%
Net debt **	16,107,892	14,006,568	15%
Net debt/Gross operating profit	4.4	4.3	1%
Financial liabilities/equity	169.6%	163.2%	6.5 p.p.
Profit per share (EUR)	0.16	0.13	22%
Dividend yield	6.4%	4.5%	1.9 p.p.
Market appreciation	8,921,952	11,371,832	-22%
Electricity Generation – Iberian Peninsula (excluding EDP Renováveis)			
Turnover	1,920,932	1,578,773	22%
Gross operating profit	669,562	648,579	3%
Operating profit	448,476	423,982	6%
Net profit *	290,779	264,830	10%
Operating investment	185,824	466,775	-60%
Electricity Distribution – Iberian Peninsula			
Turnover	2,596,104	2,518,431	3%
Gross operating profit	353,179	330,361	7%
Operating profit	201,915	190,489	6%
Net profit *	163,981	119,692	37%
Operating investment	110,244	130,401	-15%
Electricity Supply – Iberian Peninsula			
Turnover	1,297,293	733,579	77%
Gross operating profit	1,468	23,507	-94%
Operating profit	-17,074	23,886	-171%
Net profit *	-15,053	12,751	-218%
Operating investment	1,727	3,954	-56%
EDP Renováveis			
Turnover	412,907	313,916	32%
Gross operating profit	342,930	270,826	27%
Operating profit	146,091	128,431	14%
Net profit *	42,897	65,578	-35%
Operating investment	834,310	912,520	-9%
Gas – Iberian Peninsula			
Turnover	792,342	623,258	27%
Gross operating profit	142,288	121,853	17%
Operating profit	106,421	99,642	7%
Net profit *	67,779	68,300	-1%
Operating investment	38,413	27,232	41%
Energias do Brasil			
Turnover	1,015,879	762,002	33%
Gross operating profit	341,167	235,922	45%
Operating profit	267,499	178,970	49%
Net profit *	139,180	111,390	25%
Operating investment	121,819	96,252	27%

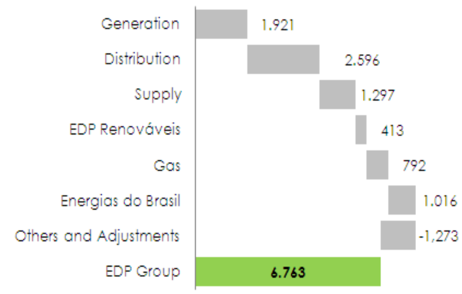
Note: 100% of the displayed figures are included under Operating Investment (Net of contributions).

* Net Profit tributable to EDP Equity holders

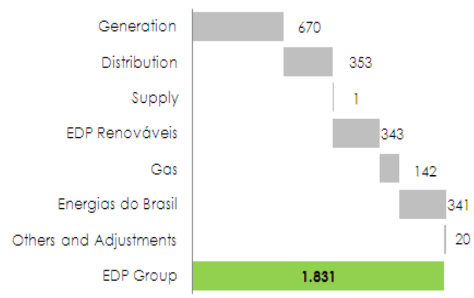
** Includes Debt, Cash and cash equivalents and short-term asset at fair value

*** Balance Sheet Values as of 31.12.2009

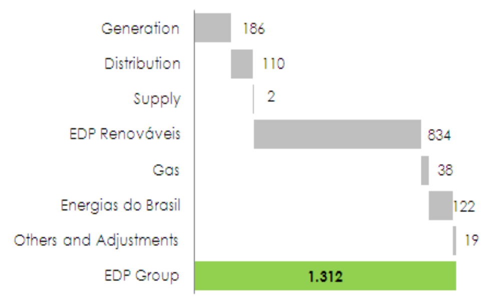
Turnover (EUR million)



Gross Operating Profit (EUR million)



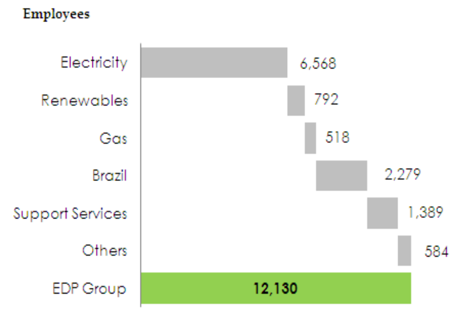
Net Operating Investment (EUR million)

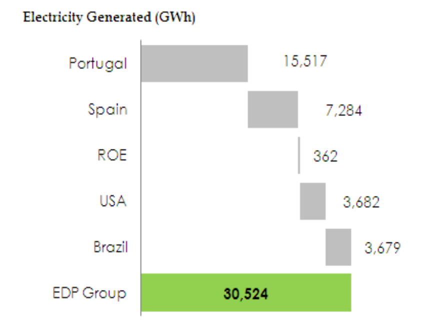


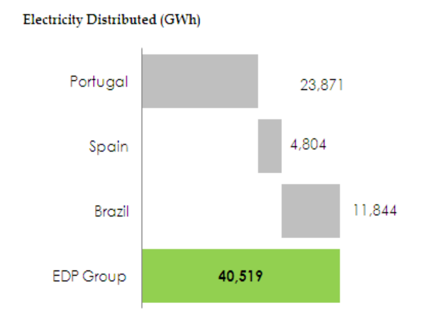
Operating Highlights

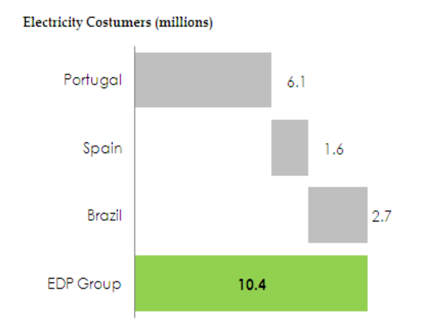
	1H10	1H09***	Var. %
Number of Employees	**12,130**	**11,996**	1%
Electricity business (excl. Brazil)	**7,360**	**7,307**	1%
Electricity generation (excl. EDP Renováveis)	2,202	2,272	-3%
Electricity distribution	4,137	4,202	-2%
Electricity supply	229	177	29%
EDP Renováveis	792	656	21%
Gas business	**518**	**446**	16%
Electricity business in Brazil	**2,279**	**2,273**	0%
Generation	260	243	7%
Distribution	2,002	2,015	-1%
Supply	17	15	13%
Support services	**1,389**	**1,391**	0%
Other	**584**	**579**	1%
Electricity Generation – Iberian Peninsula (excl. EDP Renováveis)			
Maximum power (MW)	13,400	12,528	7%
Portugal	9,943	9,104	9%
Espanha	3,457	3,424	1%
Net electricity generation (GWh)	19,913	19,512	2%
Portugal	14,744	12,965	14%
Espanha	5,169	6,546	-21%
Electricity Generation – EDP Renováveis			
Maximum power (MW)	5,668	4,634	22%
Portugal	595	553	8%
Espanha	1,926	1,695	14%
Rest of Europe	418	250	67%
USA	2,715	2,123	28%
Brazil	14	14	0%
Net electricity generation (GWh)	6,946	5,253	32%
Portugal	772	542	43%
Espanha	2,115	1,466	44%
Rest of Europe	362	157	131%
USA	3,682	3,074	20%
Brazil	14	15	-9%
Electricity Distribution – Iberian Peninsula			
Number of Customers	6,779,105	6,732,400	1%
Portugal	6,131,646	6,093,397	1%
Espanha	647,459	639,003	1%
Electricity Sales (GWh)	28,675	27,214	5%
Portugal	23,871	22,671	5%
Espanha	4,804	4,543	6%
Electricity Supply – Iberian Peninsula			
Number of Customers	7,089,750	6,310,558	12%
Portugal	6,102,760	6,091,149	0%
Espanha	986,990	219,409	350%
Electricity Sales (GWh)	30,969	29,366	5%
Portugal	20,089	21,972	-9%
Espanha	10,881	7,394	47%
Gas Business			
Gas Distribution — Portugal			
Number of Customers	235,336	207,931	13%
Gas Sales (GWh)	3,570	3,028	18%
Gas Distribution — Spain			
Distribution Outlets	973,847	698,059	40%
Gas Sales (GWh)	24,889	11,109	124%
Gas Supply — Spain			
Number of Customers	821,628	627,278	31%
Gas Sales (GWh)	14,591	10,844	35%
Electricity Business in Brazil			
Maximum power (MW)	1,734	1,725	1%
Electricity Sales (GWh)			
Generation	3,665	3,737	-2%
Dirtibution	11,844	10,072	18%
Supply	3,886	3,811	2%
Number of Customers	2,680,285	2,611,808	3%

Note: 100% of the presented figures for all companies are considered, regardless of the EDP Group shareholding.
Employee numbers include corporate bodies.









V. MAIN EVENTS OF THE 1ST SEMESTER 2010

13-JAN EDP SIGNS CONSTRUCTION CONTRACT FOR VENDA NOVA III NEW HYDRO PLANT

EDP awarded the construction works for the repowering of the Venda Nova hydro plant, called Venda Nova III, to the consourcium MSF/Somague/Mota-Engil/Spie Batignolles for a total amount of EUR 131 million. The plant is scheduled to start operations in the first half of 2015. The expected total capex is EUR 349 million. Venda Nova III will be the largest hydro plant in Portugal in terms of installed capacity (736MW).

27-JAN EDP RENOVÁVEIS ENTERS THE ITALIAN WIND MARKET THROUGH THE ACQUISITION OF 520 MW TO BE DEVELOPED

EDP Renováveis acquires 85% of Italian Wind srl, from Co-Ver group (an industrial conglomerate from the north of Italy), adding to its portfolio several wind projects in Italy totalling 520 MW. The amount paid for the above mentioned stake is EUR 12 million (Enterprise Value).

10-FEB REPLACEMENT OF REPRESENTATIVE OF SONATRACH IN THE GENERAL SUPERVISORY BOARD

Société Nacionale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures, a member of the General and Supervisory Board, appointed Mr. Farid Boukhalfa as representative to exercise the office in replacement of Mr. Mohamed Meziane, who resigned to such function.

09-MAR EDP ISSUES EUR1BN 5 YEAR BOND

EDP Finance BV issued and priced a Eurobond in the total amount of EUR 1 billion maturing in March 2015 with a coupon of 3.25%.

12-MAR PICTET ASSET MANAGEMENT REDUCED ITS PARTICIPATION IN EDP'S SHARE CAPITAL

Pictet Asset Management ("Pictet") notified EDP that it had reduced its participation in EDP's share capital. The participation attributable to Pictet represents 1.92% of EDP's share capital, corresponding to 1.94% of the voting rights.

16-APR EDP'S ANNUAL GENERAL SHAREHOLDERS MEE

Approval of the 2009 individual and consolidated financial statements and approval of the proposed distribution of EDP's 2009 net profit for the period.

23-APR APPOINTMENT OF REPRESENTATIVE OF SENFORA IN THE GENERAL SUPERVISORY BOARD

Senfora SARL, a member of the General and Supervisory Board, elected in the Annual General Shareholders Meeting held on April 16, 2010, appointed Mr. Mohamed Al Fahim as representative to exercise the office.

26-APR EDP RENOVÁVEIS AWARDS VESTAS A PROCUREMENT CONTRACT TO DELIVER UP TO 2.1 GW OF WIND CAPACITY

EDP Renováveis S.A. and Vestas Wind Systems A/S signed a global master supply agreement for the delivery of up to 2.1 gw of wind turbines. EDPR selected Vestas, the world's leader wind turbine manufacturer, through a competitive process to close a sizeable supply agreement.

13-MAY PAYMENT OF GROSS DIVIDEND OF EUR 0.155 PER SHARE FOR THE 2009 FINANCIAL YEAR (NET DIVIDEND OF EUR 0.124)

15-JUN MOODY'S MAINTAINED EDP'S LONG TERM 'A3' STABLE CREDIT RATING

17-JUN FITCH MAINTAINED EDP'S LONG TERM 'A-' STABLE CREDIT RATING

28-JUN EDP RENOVÁVEIS FULLY CLOSES VENTO III INSTITUTIONAL PARTNERSHIP STRUCTURE THROUGH THE SALE OF THE REMAINING STAKE AMOUNTING TO USD 141 MILLION

EDP Renováveis, S.A. has secured USD 141 million of institutional equity financing from Wells Fargo Wind Holdings LLC in exchange for an interest in the Vento III portfolio.

29-JUN BLACKROCK DECREASES PARTICIPATION IN EDP

Blackrock Inc. notified EDP that its participation has gone below 2% of EDP's share capital and voting rights, to 72,225,715 ordinary shares, representing 1.98% of EDP's share capital and corresponding to 1.99% of the voting rights.

VI. EDP GROUP BUSINESS

VI.1. EDP GROUP

In the first six months of 2010, the EDP Group Net profit attributable to equity holders reached EUR 565 million, compared with EUR 479 million in the same period of 2009.

Net profit attributable to equity holders of EDP rose 18% year on year, to EUR 565 million, fuelled by strong operating and financial performance of the Group. In the first six months of 2010, 85% of consolidated EBITDA stemmed from regulated and long term contracted activities, reflecting the maintenance of a low-risk profile in our operating activities. Financial results declined 19%, to EUR 233 million in the first half of 2010, following a decrease in average cost of debt, from 4.2% to 3.5%.

Income Statement – EDP Group

EUR Milllion	1H10	1H09	% ∆
Gross Profit	**2,729**	**2,454**	**11%**
Supplies and services	405	353	14%
Personnel costs	296	284	4%
Costs with social benefits	61	66	-8%
Concession fees	125	124	1%
Other operating costs (net)	11	15	-27%
Operating costs	**898**	**843**	**7%**
EBITDA	**1,831**	**1,611**	**14%**
Provisions	39	19	109%
Net Depreciation and amortisation	705	613	15%
EBIT	**1,086**	**979**	**11%**
Capital gains/(losses)	5	28	-83%
Financial Results	(233)	(287)	19%
Results from associated companies	13	14	-4%
Pre-tax profit	**871**	**733**	**19%**
Income taxes	232	193	20%
Discontinued Activities	-	-	-
Net Profit for the period	639	540	18%
Net Profit attribut. to EDP shareholders	**565**	**479**	**18%**
Minority interests	75	61	23%

Consolidated EBITDA increased 14% to EUR 1,831 million in the first half of 2010, driven by: (i) a 45% year-on-year (+EUR 105 million) rise in Brazil, fuelled by a 23% appreciation of the Brazilian Real against the Euro (+EUR 64 million), upturn in electricity demand and positive impact from annual tariff updates in both Bandeirante and Escelsa; (ii) increase by 27% year-on-year (+EUR 72 million) in wind power backed by higher installed capacity (+22% year-on-year); and (iii) rise by 13% (+EUR 55 million) in regulated networks propelled by the first time consolidation of the assets acquired from Gas Natural and higher regulated revenues from our gas activities in Spain and Portugal.

EBITDA – EDP Group

EUR Million	1H10	1H09	∆ %
Generation Iberia	670	649	3%
LT Contracted Generation	422	420	0%
Liberalised Generation	247	228	8%
Supply Iberia	1	24	-94%
Distribution Iberia	353	330	7%
Gas Iberia	142	122	17%
Wind	343	271	27%
Brazil	341	236	45%
Other and Adjustments	-20	-21	4%
Consolidated	**1,831**	**1,611**	**14%**

EBITDA from the generation business in the Iberian Peninsula increased 3% in the period (+EUR 21 million) to EUR 670 million in comparison with the same period of 2009.

In the first half of 2010, **EBITDA from long-term contracted generation** remained flat reflecting the positive impact from higher hydro output at mini-hydro plants, new capacity on stream in the special regime and higher results from fuel procurement (+EUR 3.8 million in the first half of 2010 versus a loss of EUR 29 million in the first half of 2009), on the one hand, and the negative impact from the decommissioning at Barreiro, lower inflation and higher operating costs.

Gross profit from CMEC declined 1.3% (-EUR 6 million) in the first half of 2010, to EUR 458 million, mainly reflecting the decommissioning (-EUR 8 million), lower inflation, and impact from lower working hours at our thermal plants. In line with the past, gross profit was positively impacted by EDP's outperformance of contracted levels: real availability rates at our thermal and hydro plants surpassed the contracted levels by 9% and 2%, respectively. The changes in fuel market prices between the moment of procurement and the moment of consumption resulted in a gain of EUR 3.8 million in the first half of 2010 (versus a loss of EUR 29 million in the first half of 2009).

Gross profit from Special regime rose 52% (+EUR 22 million) in the first half of 2010 propelled by higher output at mini hydro plants (+90% year-on-year) and new thermal capacity on stream: 29MW of biomass in Figueira da Foz (June 2009), 13MW of biomass in

Constância (September 2009) and 25MW of cogeneration in Barreiro (March 2010).

EBITDA from liberalized generation activity rose 8% (+EUR 19 million) to EUR 247 million, backed by the end of CO_2 clawback (EUR 20 million in the first half of 2009).

EDP's merchant generation plants enjoy significant flexibility which is proving distinctive under current market conditions: take-or-pay restrictions were mitigated through the optimisation of gas allocation between plants and clients, generation mix is biased to flexible technologies and our thermal plants have amongst the most flexible technological solutions which allow the group to benefit from opportunities brought in the market of ancillary services by the increasing weight of wind technology in the system. As a result of this: (1) EDP's electricity purchases in the pool surged in the first half of 2010 and electricity sales to final clients represented 193% of output from our liberalised electricity power plants; (2) average selling price in the wholesale markets stood well above the Spanish average electricity final price (EUR 38/MWh in the first half of 2010) reflecting our competitive advantages in the complementary markets

In the first half of 2010 our thermal power plants have significantly increased the volumes sold in complementary markets (1.6TWh versus -0.2TWh in the first half of 2009), making use of its flexibility, particularly in the first quarter of 2010.

The performance of our merchant electricity generation fleet in the first half of 2010 was marked by flat average generation cost for MWh and lower production (-18%), as electricity purchases in the pool proved to be a cheaper source of electricity to meet growing needs of our supply activities.

Output from CCGT plants retreated 4% year-on-year in the first half of 2010, following weak thermal demand in the period and average production costs advanced 16% in the first half of 2010. Output from coal plants dropped 57% year-on-year in the first half of 2010, penalised by a longer than expected outage at Aboño 2 in the first quarter of 2010 and sharp contraction of thermal demand. In spite of 33p.p. year-on-year reduction in coal load factors posted in the first half of 2010, our coal plants kept above the Spanish average load factors in the first half of 2010 (25% versus 15%), thanks to its efficiency and to the use of blast furnace gases at Aboño plant. Average production cost declined 16% in the first half of 2010, driven by higher contribution from blast furnace gases at Aboño plant (cheaper fuel source) and by lower CO_2 deficit in the period. Hydro output rose 59% year-on-year in the first half of 2010, reflecting extreme rainy weather, particularly in the first quarter of 2010. Also, nuclear output grew by 13%, reflecting Trillo's longer than expected outage for maintenance works in the first quarter of 2009 during 7-week. In the second quarter of 2010, output from Trillo retreated by 32% year-on-year reflecting a 4-week outage for fuel recharging.

EBITDA from the supply business in the Iberian Peninsula decreased 94% in the period due to growth in operating costs reflecting the impact of increasing activity and the inclusion of last resource supply activities in Spain hereby.

In the first six months of 2010, in the supply business in Portugal, volumes supplied by EDP to clients in the free market surged by 186%, to 4.3TWh, backed by (i) the continuing expansion of the free market (+272% year-on-year), which represented 34% of total consumption in the first half of 2010 (versus 10% in the first half of 2009), and by (ii) a decline in EDP's market share (from 69% to 53% in the first half of 2010) as competition gets fiercer. Average selling price in retail retreated 28% in the first half of 2010 reflecting the higher weight of industrial clients and current market conditions.

In the supply business in Spain, electricity volumes supplied to our clients in the free market rose 55% following a 168% expansion in the client base prompted by the switching of residential clients (with lower per capita consumption) from regulated system and by the agreement reached with CIDE (association of small electricity distributors in Spain) in July 2009. Market share rose 2p.p. to 13% reflecting EDP's ability to keep a share in the supply market which is the double of its share in generation. Average selling price declined 23% year-on-year, reflecting the adjustment of contracted prices to current market conditions.

The EBITDA contribution from **wind power generation to consolidated EBITDA** grew 27% (+EUR 72 million) fuelled by a 33% (+EUR 102 million) rise of gross profit, which was driven by: (i) a 22%

increase of installed capacity; (ii) an average load factor flat year-on-year at 31% (iii) a 32% rise in production; and (iv) an increase by 1% year-on-year in average selling price. In Europe, EBITDA rose 37% (+EUR 60 million) with wind output increasing 50% year-on-year on the back of an 18% year-on-year increase of installed capacity and higher average load factor (+4p.p. to 29%), while average wind tariffs retreated 10%, penalized by Spain market (-13% year-on-year) where the 28% decline in the achieved pool price was mitigated by forward sales at higher prices (with a positive impact of EUR 11 million). In USA, EBITDA rose 11% (+EUR 13 million) driven by a 20% year-on-year increase in output impacted by an increase by 28% of installed capacity that was mitigated by lower load factors (from 36% in the first half of 2009 to 32% the first half of 2010) strongly penalized by low wind resources. Average selling price in USA was up 3% year-on-year reflecting: (i) a 7% increase in the average price of our PPA contracts, to USD 54.8/MWh and (ii) a 24% increase in our average merchant price, to USD 33.5/MWh.

Capacity under construction by June 2010 was 1,318MW from which: (i) 1,180MW of capacity which will be fully consolidated at EBITDA level split by 43% in USA, 28% in Spain and 19% in Romania and (ii) 138MW in Portugal corresponding to our attributable capacity in ENEOP consortium consolidated by EDP Renewable via equity method.

EBITDA from Iberian distribution business increased 7% (+ EUR 23 million) to EUR 353 million.

EBITDA of the distribution in Portugal (electricity distribution and last resource supply activities) rose 3% to EUR 295 million, on the back of 1% increase of regulated gross profit (EUR 668 million), and flat controllable operating costs. Electricity inflow into the grid increased 5.0% year-on-year (+3.9% adjusted for temperature and working days), reflecting an improvement of industrial demand as well as a colder winter. Distribution grid regulated revenues totalled EUR 613 million in the first half of 2010. In the first half of 2010, our electricity distribution company, EDP Distribuição, recorded a EUR 107 million positive tariff deviation to be returned to the tariffs.

In the first half of 2010, volumes supplied by our last resource supplier, EDP Serviço Universal, fell 23% Year-on-year to 15.8TWh, essentially due to a switching of clients to liberalized suppliers, namely in the industrial segment, with EDP Serviço Universal market share in electricity supply in Portugal falling from 90% in the first half of 2009 to 66% in the first half of 2010. Note that the Portuguese Government recently announced the end of last resource supply tariff option for large clients (Very High, High, Medium and Special Low Voltage) starting in 2011. In the first half of 2010, these clients represented 34% of last resource demand and EUR 3 million of regulated revenues.

Looking at electricity purchases, volumes purchased from special regime producers in the first half of 2010 rose 46% year-on-year (26% above ERSE's assumption). EDP Serviço Universal wholesale procurement price stood at EUR 46/MWh in the first half of 2010, which is below ERSE's assumption of EUR 51/MWh, however, total average cost of electricity purchase came 12% above ERSE's estimate due to an higher than expected avg. cost of special regime generation (EUR 100/MWh vs. ERSE's assumption of EUR 91/MWh). Overall, due to higher volumes purchased from special regime producers at higher costs, EDP Serviço Universal recorded a EUR 120 million negative tariff deviation, to be recovered through future tarrifs.

All in all, in the first half of 2010, EDP Group recognised for the electricity distribution and last resource supply activities a EUR 13 million negative tariff deviation, which along with the devolution trough the tariffs of EUR 255 million of tariff deviations from previous periods, among other, translated into a lower regulatory future payments from a positive tariff deviation of EUR 509 million to a positive tariff deviation of EUR 247 million.

EBITDA from our electricity distribution activity in Spain increased 30% year-on-year to EUR 58 million in the first half of 2010, benefitting from: (i) lower supplies and services, on the back of a decrease in O&M, marketing and back-office expenses; and (ii) higher other operating revenues as a result of the application of IFRIC18 (EUR 7.5 million). Gross profit decreased 3% year-on-year to EUR 82 million in the first half of 2010, on the back of lower revenues from upfront network connection fees.

Regulated revenues in the first half of 2010 totaled EUR 77 million, in line with what was defined by the

Spanish government for 2010. In December 2009, a Ministerial Order was published setting provisionally the remuneration for electricity distribution, transmission and supply regulated activities. Regulated revenues attributable to HC Distribución for 2010 amount to EUR 146 million, up 3% year-on-year (excluding EUR 7 million for the transmission activity, which, under current legislation, should be sold to REE in 2010).

Electricity distributed by HC Distribución in the region of Asturias posted a 6% year-on-year increase, following a clear recovery of the industrial activity versus a particularly weak first half of 2009. The revival of capital intensive industries reflected into an 8% increase of electricity consumption from HV and MV segments (mostly industrial), while consumption from the LV segment (mostly residential) remained flat at 1.4TWh.

By the end of June 2010, the Spanish Government announced its intention to freeze electricity tariffs from July 1st, 2010, even though not ruling out the possibility of future tariff increases. Currently, the Spanish electricity system tariff deficit for 2010 is estimated at EUR 3.6 billion.

EBITDA from Iberian gas activity increased 17% (+EUR 20 million) to EUR 142 million due to the first time consolidation of the assets acquired from Gas Natural and higher regulated revenues from our activities in both Spain and Portugal.

In Spain, gas regulated activities gross profit went up 26% year-on-year (+EUR 25 million) to EUR 120 million in the first half of 2010, including the first-time contribution of the assets acquired from Gas Natural (+EUR 29 million). Regulated revenues increased 40% Year-on-year to EUR 111 million due to: i) the assets acquired from Gas Natural contributed with an additional EUR 26 million, regarding approximately 3,000Km of distribution network and 259 thousand points of supply. Excluding this contribution, gas distribution regulated revenues grew 5% year-on-year, reflecting an increase of our network's extension, a 2% rise in the number of supply points to 715 thousands, and higher volumes of gas distributed. Gas distributed through high pressure network (mostly industrials) benefited from a recovery of the industrial sector and a particularly weak in comparison with the first half of 2009. The volume of gas distributed through low pressure network (mostly residentials) increased 11%Year-on-year to 5.3TWh in the first half of 2010. Gas transmission regulated revenues rose 24% year-on-year, due to a 15% increase of transmission network length and higher remuneration per kilometer in recent investments. The Ministerial Order published in December of 2009 set the remuneration for the gas regulated activities. Regulated revenues attributable to Naturgas Energia in 2010 amount to EUR 168 million, up 5% year-on-year, excluding the contribution of the assets acquired from Gas Natural, which represent another EUR 50 million of regulated revenues in 2010.

In Portugal, gas distribution activity regulated revenues went up by EUR 14 million year-on-year to EUR 31 million in the first half of 2010, following a 18% increase of the volumes of gas distributed, supported by a higher number of supply points, and the recognition of the assets revaluations not considered in 2009 regulated revenues.

In June 2010, the Portuguese regulator (ERSE) set the gas tariffs for Portugal for the year going from July 2010 to June 2011. The 9% return on assets for gas distribution, which was set at the beginning of this 3 years regulatory period (July 2008 to June 2011) translated into a regulated gross profit of EUR 61 million, up 21% year-on-year. Additionally, starting July 2010, the transitional last resource tariff option for gas clients with annual consumption >10.000m3 was terminated, in accordance with the undergoing liberalization calendar.

EDP Energias do Brasil's contribution to consolidated EBITDA rose 45% (+EUR 105 million), driven by a 23% appreciation of the Real against the Euro (+EUR 64 million impact on EBITDA). In local terms, EBITDA grew by 17% year-on-year backed by: (i) a strong recovery of electricity demand in our concession areas (volumes of electricity sold went up 9% year-on-year); (ii) the positive impact of the annual tariff updates at both Escelsa (August 2009) and Bandeirante (October 2009); and (iii) a positive impact from tariff deviations in distribution (+EUR 24 million). EBITDA performance at our Brazilian generation and supply activities (-3% year-on-year) was impacted by our quarterly allocation strategy of PPA's yearly contracted volumes, which resulted in a 2% year-on-year decline of volume sold. Installed capacity increased by 1% as a result of the repowering of Suiça

(+3MW in the fourth quarter of 2009) and Rio Bonito (+4MW in the fourth quarter of 2009 and +2MW in the first quarter of 2010) hydro plants and average selling price rose 2% year-on-year in the first half of 2010. All EDP Energias do Brasil's installed capacity is contracted under PPA long term contracts with an average maturity of 14 years and prices updated to inflation.

EDP Group´s controllable operating costs (supply and services, personnel costs and costs with social benefits) rose 7% reflecting (i) the impact from Brazilian real appreciation (adjusted for this, costs would have risen 6% year-on-year), (ii) increasing activity in supply (with an 88% rise in volumes), wind and conventional generation activities (with a 10% increase in installed capacity), (iii) the consolidation of operations acquired from Gas Natural and (iii) in Brazil, adverse weather conditions and regulatory changes.

Financial Results declined 19% (-EUR 54 million), to EUR 233 million in the first half of 2010, supported by a 18% (-EUR 54 million) decrease in net financial interests, following a decrease in average cost of debt, from 4.2% to 3.5%.

Consolidated capex amounted to EUR 1,312 million in the first half of 2010, 77% of which devoted expansion projects. In line with EDP's strategy to increase its exposure to CO_2 free generation technologies and risk controlled activities, capex in new hydro and wind capacity represented 91% of expansion capex and regulated/long-term contracted activities were responsible for 87% of total capex.

EUR Million	1H10	1H09	% Δ
LT Contracted Gen. Iberia	36	50	-28%
Liberalised Activities Iberia	149	401	-63%
Regulated Networks Iberia	150	158	-5%
Wind Power	834	913	-9%
Brazil	122	96	27%
Other	21	35	-42%
EDP Group	**1,312**	**1,653**	**-21%**
Expansion Capex	**1,008**	**1,372**	**-27%**
Maintenance Capex	**304**	**281**	**8%**

Expansion capex was EUR 364 million lower year-on-year, following slower pace of investments in both liberalised generation in Iberia (-EUR 269 million) and wind power (-EUR 78 million). The capex decrease at our liberalised activities in Iberia was prompted the payment of concession rights for Fridão (238MW) and Alvito (225MW) hydro power plants in Portugal, in the first quarter of 2009 (EUR 232 million). Maintenance capex grew EUR 23 million year-on-year, to EUR 304 million in the first half of 2010, mainly reflecting pluri-annual works at some merchant power plants in Portugal.

By the end of June 2010, EDP had already invested a total of EUR 2.6 billion in 3,668MW under construction, of which 2,874MW (78%) are based on CO_2 free technologies (hydro and wind). Additionally, EDP had already paid EUR 285 million for concession rights to build and operate three new plants in Portugal.

As at 30 June 2010, the Group's gross nominal debt totaled EUR 17,352 million. When compared to December 2010, the Group's debt was nearly EUR 1,225 million higher, mostly due to dividends and tax payments and to the execution of the planned investment programme and the anticipation of future funding needs.

The amount of the captions of Cash and cash equivalents and Financial assets at fair value through profit and loss, stood at EUR 1,517 million, as at 30 June 2010, which were held, mainly, by EDP S.A. and EDP Finance B.V. (EUR 585 million), the Group's Brazilian subsidiaries (EUR 300 million) and by EDP Renewables (EUR 519 million).

EDP Group's consolidated net debt at the end of the first semester of 2010 amounted to EUR 16,108 million.

IFRS Debt - EDP Group

(EUR millions)

	Jun 2010	Dec 2009	Change
Debt - Short term	**2,784**	**2,549**	**9%**
Bonds	1,339	581	130%
Bank loans	349	318	10%
Other loans	13	10	27%
Commercial paper	1,083	1,640	-34%
Debt - Long term	**14,568**	**13,578**	**7%**
Bonds	8,831	8,150	8%
Bank loans	5,630	5,332	6%
Other loans	107	96	12%
Nominal debt	**17,352**	**16,127**	**8%**
Interest accrued	234	246	
Fair value hedge adjustments	39	-92	
Debt under IFRSs	**17,625**	**16,281**	**8%**
Cash and Cash Equivalents and Other	1,517	2,274	
Net Debt	**16,108**	**14,007**	**15%**

In terms of maturity, EDP Group's consolidated debt breaks down into 16% in short-term debt and borrowings and 84% in medium and long-term debt and borrowings. In relation to short-term financing and treasury management, EDP S.A. continues to favour the use of its EUR 1,000 million Euro Commercial Paper programme, an instrument that provides access to a large investor base at very competitive pricing, ensuring the necessary flexibility for efficient cash management. In Spain, the Group also has a "pagarés" programme (domestic commercial paper) through its HC subsidiary, in the amount of EUR 500 million, which provides similar flexibility and efficiency in terms of cash management.

During the first six months of 2010, EDP maintained its policy of centralizing funding at EDP S.A., EDP Finance BV and EDP Sucursal, which represented 87% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings, project finance debt, mainly from the subsidiaries of the EDP Renewables Group, as well as short term debt and borrowings contracted by Hidrocantábrico.

In the first half of 2010, EDP Finance B.V. took advantage of a lower volatility in the international capital markets to issue a Eurobond in the amount of EUR 1,000 million, and a tenor of five years, under EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". This issue allowed EDP Group to extend the average life of its debt portfolio and strengthen its liquidity position.

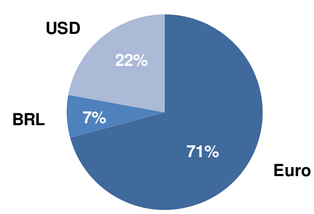
During the first semester of 2010, with the objective of keeping its liquidity strength, EDP Finance B.V. issued two privately placed bonds under EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)", in amounts of USD 100 million and EUR 500 million, with tenors of 5 years and 1 year, respectively. Additionally, EDP Finance B.V. contracted a 2 years bilateral revolving facility of EUR 75 million, which was fully utilized.

Maintaining a prudent financial management policy, by the end of June 2010 EDP SA had access to EUR 1,795 million of available credit lines and EUR 650 million of commercial paper with underwriting commitment, of which EUR 500 million were fully available. It is the Group's policy to maintain its liquidity sources with several banks with a good credit standing.

During the first six months of 2010, the average cost of debt of the EDP Group was 3.5% per year and approximately 46% of its debt and borrowings had a fixed rate.

In terms of currencies, the USD financing contracted to fund the purchase and capex of Horizon justifies the Group's exposure to USD (22%). Euro continues to be the main funding currency of the EDP Group (71%).

Debt by Currency



Rating

In June 2010, Moody's and Fitch confirmed the long term rating of EDP SA, EDP Finance BV and HC Energia.

	Global scale					
	S&P	**Last update**	**Moody's**	**Last update**	**Fitch**	**Last update**
EDP SA, BV	A-/Neg/A-2	4-8-09	A3/Stab/P2	13-7-10	A-/Stab/F2	17-6-10
HC Energia			Baa1/Stab/P2	9-6-09	A-/Stab/F2	6-2-09
Bandeirante	BB+/brAA+/Stab	16-3-10	Baa3/Aa1.br/Stab			
Escelsa	BB/brAA/Stab	16-3-10	Baa3/Aa1.br/Stab			
EDP Brasil			Ba1/Aa2.br/Stab			

VI.2. EDP'S MAIN RISKS FOR THE SECOND SEMESTER OF 2010

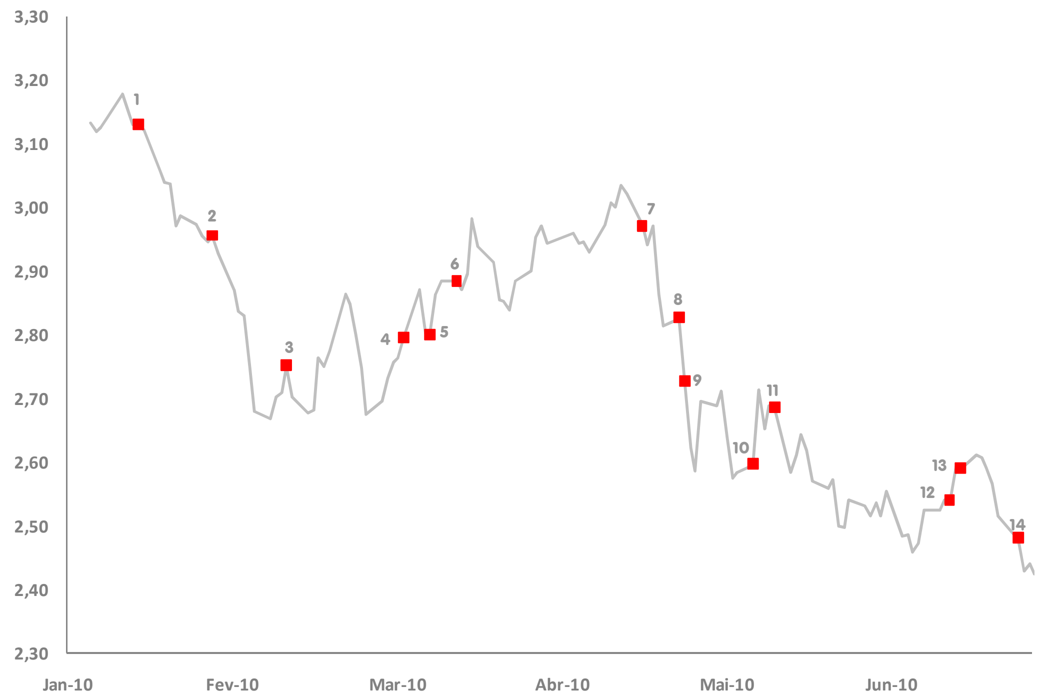
The diversity of EDP Group business lines continues to maintain a specific level of low risk, mainly due to the high relevance of regulated business, the growth in low-risk activities and the application of appropriate hedging policies to mitigate risks financial, fuel, price and volume of electricity purchased or placed in the market.

Therefore, there shouldn't be expected relevant changes on risk exposure for the 2nd half of 2010. Most open market production is already covered until the end of the year and electricity demand in EDP operating markets is higher when compared to values recorded in the 1st half of 2009. Despite global difficulties of access credit, the Group has maintained its credit quality and a comfortable liquidity position, which has proven its strength in these troubled times. However, this unfavorable economic scenario is still a source of concern, mainly in Portugal and Spain. In both countries, the austerity measures undertaken by the governments will be felt in slower growth of consumption and slower recovery of market margins, as we are living a period of excess generation capacity. Another relevant aspect is reflected in the regulatory pressure for a more immediate cost-containment system.

The impact in 2010 can therefore be considered stabilized, except for the measures already in place for the 2nd semester, in Spain, on the reduction of the regulatory tariffs and the wind generation's purchase price. EDP Group will continue to pay close attention to these issues, either directly or through the sector's enterprise association. It is also to be noted that from January 1st, 2011, the system of regulated tariffs will finish, except for last resort low consumption customers. The Group is prepared to act in this new context, both in terms of its commercial strategy, or by adjusting positions in its trading portfolio. The trading activity is central to optimize Group production and to create value to a reasonable level of risk, through the appropriate matching of hedging and the close coordination of commercial positions, relatively to contracts with final consumers.

EDP Group has anticipated the financial markets' liquidity problems and the eventual infection effect of the Portuguese public debt rating degradation. Thus, EDP Group has also reanalyzed the investment priorities, achieving favorable results on some relevant financial indicators to the own rating maintenance.

Main Events Affecting the EDP Share Price



#	Date	Description
1	13/Jan	EDP signs construction contract for Venda Nova III new hydro plant
2	27/Jan	EDP Renováveis enters in the italian wind market through the acquisition of 520 MW to be developed
3	10/Fev	Replacement of representative of Sonatrach in the General Supervisory Board
4	4/Mar	Disclosure of the 2009 financial results
5	9/Mar	EDP issues EUR 1 billion 5 year bond
6	12/Mar	Pictet Asset Management reduced its participation in EDP's share capital
7	16/Abr	EDP's Annual General Shareholders Meeting
8	23/Abr	Appointment of representative of Senfora in the General Supervisory Board
9	26/Abr	EDP Renováveis awards Vestas a procurement contract to deliver up to 2.1 GW of wind capacity
10	7/Mai	Disclosure of the financial results for the first quarter of 2010
11	13/Mai	Payment of gross dividend of EUR 0.155 per share for the 2009 financial year (net dividend of EUR 0.124)
12	15/Jun	Moody's maintained EDP's long term 'A3'stable credit rating
13	17/Jun	Fitch maintained EDP's long term 'A-' stable credit rating
14	28/Jun	EDP Renováveis fully closes Vento III institutional partnership structure through the sale of the remaining stake amounting to USD 141 million
14	28/Jun	Blackrock decreases participation in EDP

Capital Market Indicators

	1H2010	2009	2008	2007	2006	2005
EDP Shares on Euronext Lisbon (euros)						
Opening price	3.108	2.695	4.470	3.84	2.60	2.22
Closing price	2.440	3.108	2.695	4.47	3.84	2.60
Peak price	3.218	3.218	4.760	5.00	3.86	2.68
Minimum price	2.43	2.430	2.062	3.79	2.58	2.04
Variation in share price and reference indices						
EDP Shares	(21.5%)	15.3%	(39.7%)	16%	48%	17%
PS120	(16.5%)	33.5%	(51.3%)	16%	30%	13%
Dow Jones Eurostoxx Utilities	(15.8%)	1.0%	(38.1%)	18%	36%	26%
Euronext 100	(8.6%)	25.5%	(45.2%)	3%	19%	23%
Liquidity of EDP shares on the markets						
Volume on NYSE Euronext Lisbon (EUR million)	3,846.0	4,969.7	9,710.1	21,256.5	12,812.5	5,639.4
Mean daily volume (EUR million)	30.3	23.0	37.9	83.4	50.2	21.9
Number of shares traded (million)	1,411.4	1,722.3	2,761.1	5,079.7	4,080.9	2,505.2
Total number of shares issued (million)	3,656.5	3,656.5	3,656.5	3,656.5	3,656.5	3,656.5
Privatised shares at the end of the year (million)	2,936.2	2,936.2	2,936.2	3,096.2	3,096.2	3,096.2
% of capital already privatised	80%	80%	80%	85%	85%	85%
Number of own shares held (treasury stock) as at 30 Jun (million)	33.5	34.2	35.7	15.5	7.1	17.3
Annual rotation of capital (privatised shares)	48.1%	58.7%	94.0%	164.1%	131.8%	85.0%
EDP Market Value (EUR million)						
Market appreciation at the end of the financial year	8,922.0	11,364.5	9,854.4	16,344.7	14,041.1	9,507.0
Total shareholder profitability						
Annual variation in share price	(0.67)	0.41	(1.78)	0.63	1.24	0.37
Gross dividend distributed per share in the year	0.155	0.140	0.125	0.110	0.100	0.092
Total shareholder profitability	(16.5%)	20.5%	-36.9%	19%	52%	21%
Dividends						
Dividend per share	-	0.155	0.14	0.125	0.11	0.10
Dividend yield	-	5.0%	5.2%	2.8%	2.9%	3.8%

VIII. EDP'S CORPORATE BODIES

VIII.1. CORPORATE GOVERNANCE STRUCTURE

VIII.1.1. Corporate Governance Model

EDP has adopted, since 2006, a dual corporate governance model comprising a structure of management and supervisory made up of three bodies:

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

This corporate governance model is aimed at ensuring separation of functions and specialisation of supervision with the due transparency and rigor and is also aimed at aligning the interests of EDP and its shareholders. Accordingly, the EDP General Meeting of Shareholders appoints and dismisses the members of the Executive Board of Directors and the General and Supervisory Board as well as the Statutory Auditor, the latter upon proposal by the General and Supervisory Board (or by the Committee on Financial Matters/Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board and the Remuneration Committee, responsible for fixing the remuneration of members of the corporate bodies (with the exception of the members of the Executive Board of Directors, whose remuneration is fixed by the Remuneration Committee appointed by the General and Supervisory Board.

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

The choice of this management and supervision model was made in the context of the amendments to the Companies Code introduced by Decree-Law no. 76-A/2006 of 29 March. The model came into force from 2006, on the same date as the new EDP Articles of Association, i.e. 30 June 2006, according with the deliberation approved on the Annual General Shareholders Meeting of 30 March 2006. For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated for its shareholders on its website (www.edp.pt), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees. All these documents are available in both Portuguese and English.

VIII.1.2. STATUTORY FRAMEWORK IN RESPECT OF INDEPENDENCE AND INCOMPATIBILITIES

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

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

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

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

- The quality of natural or legal person associated with a legal person that is a competitor of EDP;

- Holding any office or performing any tasks of any kind or designation – namely through appointment to a corporate office, a work contract or a service contract – in a legal person competing with EDP or in a legal person associated with an EDP competing company;

- Appointment, even if only *de facto*, as a member of a corporate body by a rival legal person competing with EDP or by a natural or legal person associated with a legal person that is a competitor of EDP.

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

- A legal person that carries out, directly or indirectly, a business activity that competes with that pursued by EDP or by a company in which EDP has a stake of at least 50% (fifty per cent) of the respective capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a fixed establishment.

- A person associated with an EDP competing legal person is: (i) a person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that modifies or substitutes it; (ii) a person that, directly or indirectly, holds, in a EDP competing legal person, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake of at least 10% (ten per cent) or more of the voting rights corresponding to a shareholding in that company.

- A person that indirectly carries out a business activity in competition with EDP is the one that, directly or indirectly, holds a share, or of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or an EDP subsidiary.

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

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

VIII.1.3. STATEMENTS REGARDING THE INDEPENDENCE AND INCOMPATIBILITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

At the beginning of 2010, the members of the General and Supervisory Board renewed their declarations regarding incompatibilities and independence, and on 4 March 2010 the General and Supervisory Board assessed the application to its members of the rules on incompatibilities and independence.

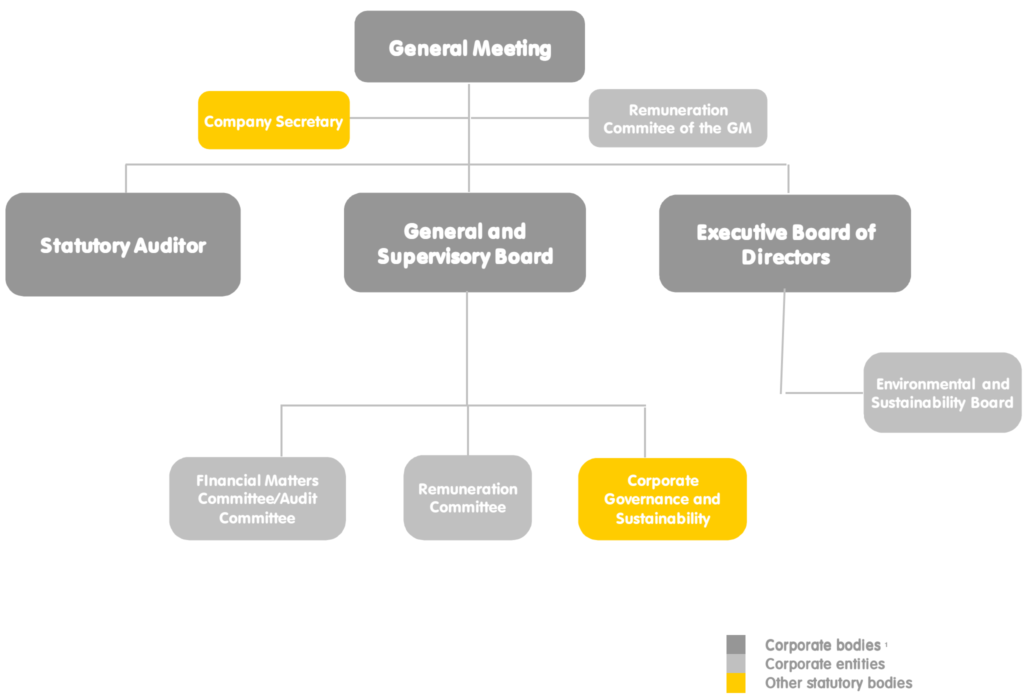
The same declarations of compliance with the independence and incompatibility checking criteria for the exercise of their duties, set forth in Article 414(5) and Article 414-A(1) of the Companies Code and in Articles 9 and 10 of the Articles of Association, were made by the Chairman and Vice-Chairman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

No circumstance has arisen during the current term leading to the loss of independence or to any incompatibility in the case of members of the Executive Board of Directors or members of the General and Supervisory Board, nor of the Chairman or Vice-Chairman of the General Meeting.

Point VIII.3.2. will identify the members of the General and Supervisory Board as being of independent status.

The above-mentioned declarations are available to the public on the EDP website at www.edp.pt.

VIII.2. ORGANIC CORPORATE STRUCTURE



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

VIII.3. CORPORATE BODIES

The current corporate bodies were elected at the annual General Meeting held on the 15 April 2009, for a term of 3 years (triennial 2009/2011).

VIII.3.1. GENERAL MEETING OF SHAREHOLDERS

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

- Assessing the annual reports of the Executive Board of Directors, discussing and voting on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Committee on Financial Matters/Audit Committee and voting on proposals for the allocation of profits;
- Electing and dismissing the members of the board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board as well as their respective chairmen and vice-chairmen and, if applicable, the Statutory Auditor, under proposal of the General and Supervisory Board or, by delegation, of the Committee on Financial Matters/Audit Committee, and also the members of the Environment and Sustainability Board;
- Deciding on amendments to the Articles of Association, including capital increases;
- Appointing a Remuneration Committee responsible for establishing the remuneration of the members of the corporate bodies; the majority of the committee members should be independent;
- Assessing the annual company report produced by the General and Supervisory Board;
- Dealing with any other matters brought before it;
- Exercising any other powers that may be conferred to it by law.

BOARD OF THE GENERAL MEETING

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

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

BOARD OF THE GENERAL MEETING	
Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	António Bernardo de Menezes e Lorena de Sèves
Company Secretary	Maria Teresa Isabel Pereira

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

VIII.3.2. GENERAL AND SUPERVISORY BOARD

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

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

The competencies of the General and Supervisory Board are to:

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

- Issue an opinion on the annual report and accounts;

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

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

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

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

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

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

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

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

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

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

- Represent the company in its relations with the directors;

- Oversee the work of the Executive Board of Directors;

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

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

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

- Oversee the drawing up and disclosure of financial information;

- Convene the General Meeting when it deems appropriate;

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

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

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

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Contracting financing operations of significant value;
- The opening and closure of establishments, or important parts thereof, and important extensions or limitations of the company activity;
- Other transactions or operations of significant economic or strategic value;
- The commencement or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for divisions, mergers or transformations;
- Amendments to the Articles of Association, including changes of registered office and capital increases when these are of the initiative of the Executive Board of Directors.

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

- Convening and chairing meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and supervising the correct functioning of its committees;
- Provide timely availability to members of the General and Supervisory Board of the information necessary for the complete fulfilment of their duties;
- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;
- Promote the necessary arrangements for proper monitoring of social activity by the General and Supervisory Board;
- Control the implementation of the budget of the General and Supervisory Board and manage the human and material resources allocated to this body;
- Ensuring correct implementation of the General and Supervisory Board decisions.

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

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

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on its own initiative or at the request of any member, of the Executive Board of Directors or of its respective Chairman. In first half of 2010, the General and Supervisory Board met 4 times.

The composition of the General and Supervisory Board was as follows:

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

On 10 February 2010, Sonatrach informed EDP that, pursuant to the resignation to the office of Mohamed Meziane, he would be replaced by Farid Boukhalfa as its representative in the General and Supervisory Board. On 23 April 2010, Senfora SARL, elected in the Annual General Shareholders Meeting held on April 16, 2010, appointed Mohamed Al Fahim as its representative to exercise the office replacing Khalifa Al Romaithi who resigned to its term of office.

VIII.3.3. EXECUTIVE BOARD OF DIRECTORS

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

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

The Executive Board of Directors requires the presence of a majority of its members at a meeting in order to deliberate. Each member may not represent more than one other member at a meeting. All directors have equal voting rights and the Chairman has the casting vote.

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

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

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

- Drawing up the annual business and financial plans;

- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies;

- Representing the company actively and passively in and out of court, with the power to concede, acquiesce and plead in any legal proceedings, as well as to sign arbitration agreements;

- Buying, selling or by any other means disposing of, or encumbering, rights or immovable assets;

- Incorporating companies and subscribing, acquiring, encumbering and transferring shareholdings;

- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board;

- Establishing the technical and administrative organisation of EDP and the rules of its internal operation, particularly in relation to personnel and their remuneration;

- Establishing proxies with such powers as it may deem fit, including the power to delegate;

- Appointing the general secretary and his/her alternate;

- Contracting and dismissing the External Auditor upon instruction of the General and Supervisory Board;

- Exercising any other powers invested in it by law or by the General Meeting; and

- Establishing its regulation setting out rules applicable to its internal functioning.

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

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

- Representing the Executive Board of Directors;

- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;

- Ensuring the correct execution of the decisions of the Executive Board of Directors.

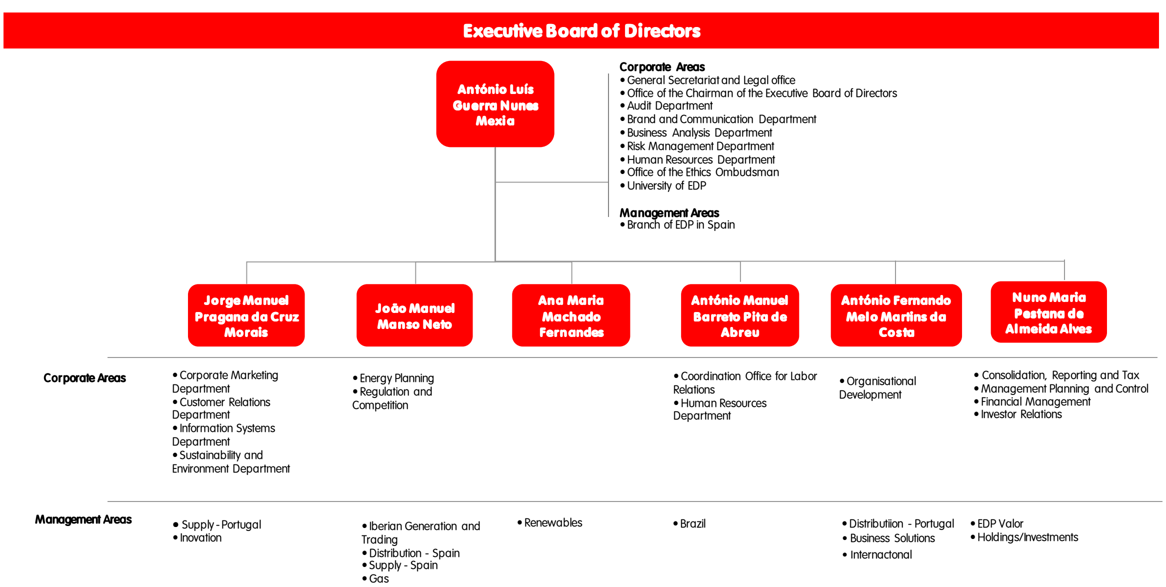
The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations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

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

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

The Executive Board of Directors met 26 times in first half of 2010.

The Executive Board of Directors is organised in accordance with the following management areas and corporate areas:



VIII.3.4. STATUTORY AUDITOR

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

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

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

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

VIII.3.5. REMUNERATION COMMITTEE - GENERAL MEETING

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

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

The Remuneration Committee – General Meeting is composed of the following members:

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

In the annual General Meeting held on 16 April, the Chairman of the Remuneration Committee - General Meeting submitted the remuneration policy of the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period term and the proposal was rejected by shareholders.

VIII.3.6. ENVIRONMENT AND SUSTAINABILITY BOARD

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

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

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

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

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

VIII.3.7. COMPANY SECRETARY

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

The Company Secretary and alternate are:

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

VIII.3.8. SPECIALISED COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

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

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

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

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

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

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

COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting, requirements meet by the Chairman of the Committee.

The Committee on Financial Matters/Audit Committee is composed of the following members:

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

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

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

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

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

The members of the Committee on Financial Matters/Audit Committee meet the legal requirements in terms of independence and qualification for holding their office.

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

In first half of 2010, the Committee on Financial Matters/Audit Committee met 9 times. Minutes of all meetings were drawn up.

WHISTLE-BLOWING POLICY

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

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

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

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

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

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

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

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

REMUNERATION COMMITTEE

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

According to EDP Articles of Association, the Remuneration Committee of the General Supervisory Board must submit to the Annual General Shareholders' Meeting, a statement of the policy regarding remuneration of the members of the Executive Board of Directors approved by it, at least in the years in which such policy is set forth or modified. Given the publication of the Law nº 28/2009, of June 19th, the Remuneration Committee will act in accordance with the applicable legal rules.

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

In first half of 2010, the committee met 2 times. Minutes of all meetings were drawn up.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent.

Remuneration Committee of the GSB	
Chairman	Alberto João Coraceiro de Castro
	Eduardo de Almeida Catroga
	Vasco Maria Guimarães José de Mello

In the Annual General Meeting held on 16 April, in accordance with Law nº 28/2009, of June 19th, the Chairman of this Committee submitted for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the current three-year period term and was approved by shareholders.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

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

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

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

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

- Of the corporate governance practices adopted by the Company;
- Of the human resources and succession plans management.

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

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

In first half of 2010, the Committee met 1 time and. Minute of the meetings was drawn up.

On May 6, 2010, the General and Supervisory Board appointed Mohamed Al Fahim as a member of the Corporate Governance and Sustainability Committee, in replacement of Khalifa Al Romaithi.

The committee currently consists of the following members:

Corporate Governance and Sustainability Committee	
Chairman	António de Almeida
	Alberto João Coraceiro de Castro
	António Sarmento Gomes Mota
	Diogo Campos Barradas de Lacerda Machado
	José Maria Brandão de Brito (on behalf of Cajastur Inversiones, S.A.)
	José Manuel dos Santos Fernandes
	José Maria Espírito Santo Silva Ricciardi
	Mohamed Ali Ismaeil Ali Al Fahim (on behalf of Senfora SARL)
	Ricardo José Minotti da Cruz Filipe

VIII.3.9. BUSINESS OPERATIONS BETWEEN THE COMPANY AND THE MEMBERS OF THE CORPORATE MANAGEMENT AND SUPERVISION BODIES WITH QUALIFYING HOLDINGS AND COMPANIES IN A GROUP OR CONTROL RELATIONSHIP WITH EDP

In the current exercise of its activity, EDP performs business transactions and operations in normal market conditions for similar operations with a range of entities, in particular financial institutions. These include holders of qualifying holdings in the EDP capital and EDP group companies and subsidiaries which are not considered relevant due to their very nature or the fact that they are not significant in economic terms.

Moreover, in accordance with article 246, paragraph 3, point c) of the Securities Code, it is noted that during the first half of 2010, EDP did not enter into the relevant transactions between related parties that have materially affected its financial position or performance.

In the context of the qualitative improvement of the governance practices, it should be noted that the General and Supervisory Board has approved, on 16 October 2008, the "Reference Framework for the Treatment of Conflicts of Interests", which is available for consultation on the EDP website (www.edp.pt). This set of rules on the prevention, identification and resolution of potential important conflicts of interest has a wider scope of application than that resulting from CMVM Regulation no. 1/2010.

Following the deliberation taken by the General and Supervisory Board, the Executive Board of Directors approved, on May 17, 2010, the rules of identification, internal reporting and action in case of conflicts of interests applicable to all EDP Group employees who take decisions in transactions with related parties. These rules are also available on EDP's "Website" (www.edp.pt).

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its activity to the General and Supervisory Board.

Based on the work developed by the Corporate and Sustainability Committee, the General and Supervisory Board noted that, with respect to the cases it analysed and the information provided by the Executive Board of Directors regarding the first half of 2010, there was no evidence that potential conflicts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.

IX. EDP SHAREHOLDER STRUCTURE, MANAGEMENT TRANSACTIONS AND TREASURY STOCK TRANSACTIONS

IX.1.1. Shareholder Structure

QUALIFYING HOLDINGS

Pursuant to Article 9.1c of CMVM Regulation no. 5/2008, the following information on qualifying holdings held by shareholders in the EDP share capital in first half of 2010 and the allocation of voting rights in accordance with Article 20.1 of the Securities Code is hereby provided:

Allocation of Voting Rights in Accordance with Article 20 of the Securities Code
Holdings interests informed by the shareholders

Shareholders	Nº of Shares	% Capital	% Vote	
PARPÚBLICA - Participações Públicas, (SGPS), S.A.				
Privatised shares - Category A	29,009,161	0.79%	0.65%	
Non-privatised shares - Category B	704,141,551	19.26%	19.44%	
Capitalpor – Participações Portuguesas, SGPS, S.A.	408,797,735	11.18%	11.28%	
PARPÚBLICA - Participações Públicas, SGPS, S.A.	295,343,816	8.08%	8.15%	
Total	**733,150,712**	**20.05%**	**20.09%**	(1)
The company Capitalpor – Participações Portuguesas, SGPS, S.A. Is fully owned by PARPÚBLICA - Participações Públicas, SGPS, S.A.				
IBERDROLA - Participações, SGPS, SA				
IBERDROLA - Participações, SGPS, SA	**248,437,516**	**6.79%**	**5.00%**	(2)
GROUP CAIXA GERAL DE DEPÓSITOS				
Privatised shares - Category A	192,769,209	5.27%	4.35%	
Caixa Geral de Depósitos	187,568,271	5.13%	-	
Pension Fund of CGD	1,873,051	0.05%	-	
Companhia de Seguros Fidelidade Mundial, S.A.	2,799,275	0.08%	-	
Império Bonança - Companhia de Seguros, S.A.	179,439	0.00%	-	
Via Directa - Companhia de Seguros, S.A.	13,490	0.00%	-	
Multicare - Seguros de Saúde, S.A.	10,683	0.00%	-	
Non-privatised shares - Category B	325,000	0.01%	-	
Parcaixa, SGPS, S.A.	16,173,184	0.44%	0.45%	
Total	**208,942,393**	**5.71%**	**4.79%**	(1) (2)
CGD holds 100% of share capital and voting rights of Caixa Seguros, SGPS, S.A. which, in turn, holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, S.A. which, in turn, holds 100% of the share capital and voting rights of Via Directa - Companhia de Seguros, S.A.; ii) 70% of the share capital and voting rights of Império Bonança, SGPS, SA, which, in turn, holds 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A.; iii) 100% of the share capital and voting rights of Multicare - Seguros de Saúde, S.A.; iv) 51% of the share capital and voting rights of Parcaixa, SGPS, SA.				
CAJA DE AHORROS DE ASTURIAS (CajAstur)				
Cantabrica de Inversiones de Cartera, S.L.	128,409,447	3.51%	-	
Caja de Ahorros de Asturias (CajAstur)	54,848,066	1.50%	-	
Total	**183,257,513**	**5.01%**	**5.00%**	(2)
The company Cantabrica de Inversiones de Cartera, S.L. is fully onwed by Caja de Ahorros de Asturias (CajAstur)				
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.				
José de Mello Energia, SGPS, S.A.	176,283,526	4.82%	4.87%	
Management and supervisory bodies	57,432	-	0.00%	
Total	**176,340,958**	**4.82%**	**4.87%**	
The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital in fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.				
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)				
Senfora SARL	148,431,999	4.06%	4.10%	
Total	**148,431,999**	**4.06%**	**4.10%**	
The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.				
Group Millennium BCP + PENSION FUND				
Corporate Bodies	28,380	-	0.00%	
Foundation Millennium BCP	350,000	0.01%	0.01%	
Banco Comercial Português, S.A.	885,952	0.02%	0.02%	
Pension Fund of Group Millennium BCP	122,289,594	3.34%	3.38%	
Total	**123,553,926**	**3.38%**	**3.41%**	
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.				
BANCO ESPÍRITO SANTO, S.A.				
Company's in a group relationship with BES or exercising control over the company	111,000,000	3.04%	3.06%	
Members of the Corporate Bodies	13,214	-	0.00%	
Total	**111,013,214**	**3.04%**	**3.06%**	
SONATRACH				
Sonatrach	**81,713,076**	**2.23%**	**2.26%**	(3)
EDP (Treasury Stock)	**33,522,339**	**0.92%**		
REMAINING SHAREHOLDERS	**1,608,174,069**	**43.99%**		
TOTAL	**3,656,537,715**	**100.00%**		

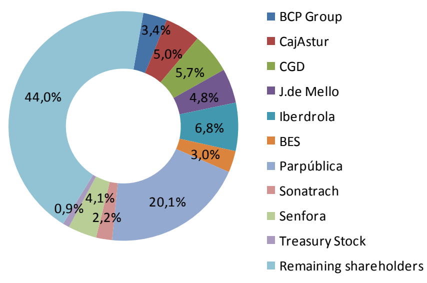
(1) For purposes of determining the percentage of 5% of the votes that may be issued by a shareholder, are considered the voting rights attached to category A shares held by other entities attributable to it pursuant to paragraph 1 of Article 20 of the Securities Code

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

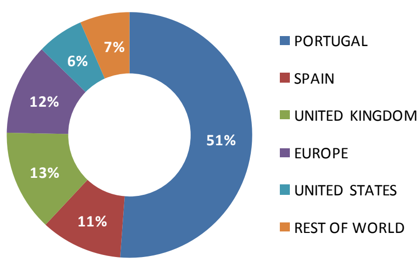
(3) In compliance with the understanding imparted by CMVM to Sonatrach in relation to the effects of a shareholder agreement entered into with Parpública - Participações Públicas, SGPS, S.A. And Caixa Geral de Depósitos, the voting rights corresponding to the stock held by these two shareholders have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

SHAREHOLDER STRUCTURE

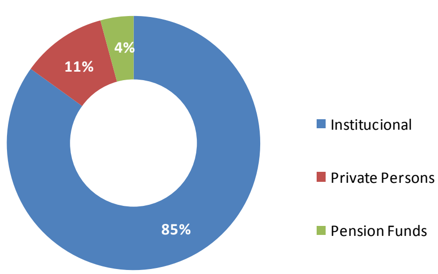
The breakdown of the EDP shareholder structure by region and investor type in 30 June 2010 was as follows:



Geographic Breakdown of Shareholder Structure



Breakdown of Shareholder Structure by Investor Type



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

IX.1.2. EDP Shares held by company officers

The table below shows the shares held by the members of the corporate bodies, as well as any changes verified in the first half of 2010, in compliance with Articles 9.1a and 14.7 of the CMVM's Regulation 5/2008.

	EDP - Energias de Portugal, S.A.		EDP Renováveis, S.A.		Energias do Brasil, S.A.	
	N.º Shares 30-06-2010	N.º Shares 31-12-2009	N.º Shares 30-06-2010	N.º Shares 31-12-2009	N.º Shares 30-06-2010	N.º Shares 31-12-2009
General and Supervisory Board						
António de Almeida	0	0	1,200	1,200	0	0
Alberto João Coraceiro de Castro	4,578	4,578	1,580	1,580	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0
Cajastur Inversiones, S.A.	183,257,513	183,257,513	0	-	0	-
José Maria Brandão de Brito (em representação da Cajastur Inversiones, S.A.)	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira (1)	40,000	40,000	0	0	0	0
Diogo Campos Barradas de Lacerda Machado	260	260	0	0	0	0
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0
Fernando Manuel Barbosa Faria de Oliveira (2)	0	0	0	0	0	0
José dos Santos Fernandes	0	0	600	600	0	0
José Maria Espírito Santo Silva Ricciardi (3)	0	0	2,320	2,320	0	0
Manuel Fernando de Macedo Alves Monteiro	0	0	2,750	2,750	0	0
Ricardo José Minotti da Cruz Filipe	6,622	6,622	500	500	0	0
Rui Eduardo Ferreira Rodrigues Pena	1,445	1,445	380	380	0	0
Sonatrach	81,713,076	81,713,076	0	-	0	-
Farid Boukhalfa (em representação da Sonatrach)	0	0	0	-	-	-
Vasco Maria Guimarães José de Mello (4)	0	0	0	0	0	0
Vítor Fernando da Conceição Gonçalves	3,465	3,465	680	680	0	-
Senfora SARL	148,431,999	148,431,999	0	-	0	-
Mohamed Al Fahim (em representação da Senfora SARL)	0	0	-	-	-	-
Executive Board of Directors						
António Luís Guerra Nunes Mexia	31,000	1,000	4,200	4,200	1	1
Ana Maria Machado Fernandes	0	0	1,510	1,510	1	1
António Fernando Melo Martins da Costa (5)	13,299	13,299	1,480	1,480	11	11
António Manuel Barreto Pita de Abreu (6)	34,549	34,549	1,810	1,810	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0
Jorge Manuel Pragana da Cruz Morais (7)	62,497	12,497	1,990	1,990	0	0
Nuno Maria Pestana de Almeida Alves	70,000	50,000	5,000	5,000	1	1

Notes:
1) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the Executive Board of Directors Banco Comercoal Português, S.A. which had, on June 30, 2010, a qualified shareholding in EDP share capital (Please see chapter IX.1.1.).
2) Fernando Manuel Barbosa Faria de Oliveira is the Chairman of the Board of Caixa Geral de Depósitos,S.A. and Parcaixa, SGPS, S.A. which had on June 30, 2010, a qualified shareholding in EDP share capital (Please see chapter IX.1.1.).
3) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.
4) Vasco Maria Guimarães José de Mello is Chairman of the Board of Directors of José de Mello Energia, SGPS, S.A. which had, on June 30, 2010, a qualified shareholding in EDP share capital (See chapter IX.1.1.).
5) The shares of EDP Renováveis includes 150 shares held by his wife, Anna Starzenska Martins da Costa;
6) The shares of EDP - Energias de Portugal, SA includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;
7) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barrêto;

During the first half of 2010, the following members of the Corporate Bodies performed the following trade operations of EDP shares:

	EDP - Energias de Portugal , S.A.			
Executive Board of Directors	Date	N.º Shares	Operation	Avg. Purch./Sales price (euros)
António Luís Guerra Nunes Mexia	05/03/10	2,111	Acquisition	2.845
	05/03/10	7,889	Acquisition	2.847
	05/03/10	10,000	Acquisition	2.848
	05/03/10	10,000	Acquisition	2.850
Jorge Manuel Pragana da Cruz Morais	05/03/10	50,000	Acquisition	2.830
Nuno Maria Pestana de Almeida Alves	05/03/10	10,000	Acquisition	2.837
	12/03/10	10,000	Acquisition	2.870

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X. CONDENSED FINANCIAL STATEMENTS AS OF 30TH JUNE 2010

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EDP - Energias de Portugal

Consolidated Income Statement
for the six months periods ended 30 June 2010 and 2009

	Notes	2010 (Thousand Euros)	2009 (Thousand Euros)
Turnover	6	6,762,619	5,889,750
Cost of consumed electricity	6	-3,246,709	-2,512,813
Cost of consumed gas	6	-415,315	-346,316
Changes in inventories and cost of raw materials and consumables used	6	-371,637	-576,839
		2,728,958	2,453,782
Other operating income / (expenses)			
Other operating income	7	125,727	113,830
Supplies and services	8	-404,567	-353,463
Personnel costs	9	-296,439	-283,839
Employee benefits	9	-60,846	-66,030
Other operating expenses	10	-262,034	-253,761
		-898,159	-843,263
		1,830,799	1,610,519
Provisions	11	-39,278	-18,751
Depreciation and amortisation expense	12	-717,864	-619,068
Compensation of amortisation and depreciation	12	12,661	5,806
		1,086,318	978,506
Gains / (losses) on the sale of financial assets	13	4,809	27,884
Other financial income	14	441,450	488,588
Other financial expenses	14	-674,385	-775,813
Share of profit in associates		13,139	13,709
Profit before income tax		871,331	732,874
Income tax expense	15	-231,914	-193,256
Net profit for the period		639,417	539,618
Attributable to:			
Equity holders of EDP		564,791	479,350
Minority interests	32	74,626	60,268
Net profit for the period		639,417	539,618
Earnings per share (Basic and Diluted) - Euros	29	**0.16**	**0.13**

LISBON, 29 JULY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Balance Sheet as at 30 June 2010 and 31 December 2009

	Notes	2010 (Thousand Euros)	2009 (Thousand Euros)
Assets			
Property, plant and equipment	16	20,060,011	18,413,589
Intangible assets	17	6,455,616	6,467,507
Goodwill	18	3,553,446	3,162,156
Investments in associates	20	179,247	175,272
Available for sale investments	21	461,055	443,117
Deferred tax assets	22	680,538	661,335
Trade receivables	24	118,145	114,821
Debtors and other assets	25	2,737,811	2,313,227
Total Non-Current Assets		34,245,869	31,751,024
Inventories	23	321,971	273,376
Trade receivables	24	2,061,652	1,893,313
Debtors and other assets	25	1,586,715	1,865,016
Tax receivable	26	508,906	557,641
Financial assets at fair value through profit or loss	27	81,828	84,852
Cash and cash equivalents	28	1,435,405	2,189,560
Assets classified as held for sale	39	30,951	-
Total Current Assets		6,027,428	6,863,758
Total Assets		40,273,297	38,614,782
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-117,093	-119,784
Share premium	29	501,992	501,992
Reserves and retained earnings	31	2,859,365	2,228,560
Consolidated net profit attributable to equity holders of EDP		564,791	1,023,845
Total Equity attributable to equity holders of EDP		7,465,593	7,291,151
Minority interests	32	2,924,730	2,687,537
Total Equity		10,390,323	9,978,688
Liabilities			
Financial debt	34	14,607,455	13,486,499
Employee benefits	35	1,862,035	1,879,704
Provisions	36	392,465	342,755
Hydrological correction account	33	94,018	112,631
Deferred tax liabilities	22	845,141	760,938
Trade and other payables	37	3,998,703	3,159,573
Total Non-Current Liabilities		21,799,817	19,742,100
Financial debt	34	3,017,670	2,794,481
Trade and other payables	37	4,503,285	5,171,507
Tax payable	38	562,202	928,006
Total Current Liabilities		8,083,157	8,893,994
Total Liabilities		29,882,974	28,636,094
Total Equity and Liabilities		40,273,297	38,614,782

LISBON, 29 JULY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Income Statement
for the three months periods from 1 April to 30 June 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	3,268,367	2,656,431
Cost of consumed electricity	-1,558,212	-1,048,044
Cost of consumed gas	-193,942	-128,037
Changes in inventories and cost of raw materials and consumables used	-189,536	-287,406
	1,326,677	1,192,944
Other operating income / (expenses)		
Other operating income	71,439	59,148
Supplies and services	-210,364	-187,925
Personnel costs	-145,897	-142,533
Employee benefits	-28,069	-30,586
Other operating expenses	-122,548	-129,625
	-435,439	-431,521
	891,238	761,423
Provisions	-29,220	-14,082
Depreciation and amortisation expense	-370,874	-303,845
Compensation of amortisation and depreciation	6,549	2,893
	497,693	446,389
Gains / (losses) on the sale of financial assets	-978	14,991
Other financial income	248,594	210,345
Other financial expenses	-363,404	-332,026
Share of profit in associates	6,190	9,069
Profit before income tax	388,095	348,768
Income tax expense	-102,892	-105,220
Net profit for the period	285,203	243,548
Attributable to:		
Equity holders of EDP	255,612	214,038
Minority interests	29,591	29,510
Net profit for the period	285,203	243,548
Earnings per share (Basic and Diluted) - Euros	0.07	0.06

LISBON, 29 JULY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income for the six months periods ended 30 June 2010 and 2009

(Thousand Euros)

	2010		2009	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Net profit for the period	564,791	74,626	479,350	60,268
Exchange differences arising on consolidation	173,871	170,632	159,596	145,914
Fair value reserve (cash flow hedge)	7,612	-3,327	74,158	-4,109
Tax effect from the fair value reserve (cash flow hedge)	-3,363	683	-19,160	1,553
Fair value reserve (available for sale investments)	8,969	5,908	67,537	-
Tax effect from the fair value reserve (available for sale investments)	-406	-	-5,965	-
Actuarial gains / (losses)	-17,288	1,682	-423	1,218
Tax effect from the actuarial gains / (losses)	-	-	-1,062	-414
Other comprehensive income for the period, net of income tax	169,395	175,578	274,681	144,162
Total comprehensive income for the period	734,186	250,204	754,031	204,430

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 30 June 2010 and 31 December 2009

(Thousand 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	Minority interests
Balance as at 31 December 2008	**8,567,425**	**3,656,538**	**501,992**	**443,838**	**1,975,487**	**-34,523**	**44,038**	**-94,018**	**-126,532**	**6,366,820**	**2,200,605**
Comprehensive income:											
Net profit for the period	539,618	-	-	-	479,350	-	-	-	-	479,350	60,268
Changes in the fair value reserve (cash flow hedge) net of taxes	52,442	-	-	-	-	54,998	-	-	-	54,998	-2,556
Changes in the fair value reserve (available for sale investments) net of taxes	61,572	-	-	-	-	-	61,572	-	-	61,572	-
Actuarial gains/(losses) net of taxes	-681	-	-	-	-1,485	-	-	-	-	-1,485	804
Exchange differences arising on consolidation	305,510	-	-	-	-	-	-	159,596	-	159,596	145,914
Total comprehensive income for the period	958,461	-	-	-	477,865	54,998	61,572	159,596	-	754,031	204,430
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-	-	-	-
Dividends Paid	-507,153	-	-	-	-507,153	-	-	-	-	-507,153	-
Dividends attributable to minority interests	-16,170	-	-	-	-	-	-	-	-	-	-16,170
Purchase and sale of treasury stock	-1,163	-	-	-	-749	-	-	-	-414	-1,163	-
Share - based payments	2,062	-	-	-	100	-	-	-	1,962	2,062	-
Changes in minority interests resulting from acquisitions / sales and equity increases	12,797	-	-	-	-	-	-	-	-	-	12,797
Other reserves arising on consolidation	951	-	-	-	154	-	-	-	-	154	797
Balance as at 30 June 2009	**9,017,210**	**3,656,538**	**501,992**	**471,387**	**1,918,155**	**20,475**	**105,610**	**65,578**	**-124,984**	**6,614,751**	**2,402,459**
Comprehensive income:											
Net profit for the period	628,329	-	-	-	544,495	-	-	-	-	544,495	83,834
Changes in the fair value reserve (cash flow hedge) net of taxes	39,401	-	-	-	-	41,319	-	-	-	41,319	-1,918
Changes in the fair value reserve (available for sale investments) net of taxes	68,898	-	-	-	-	-	68,493	-	-	68,493	405
Actuarial gains / (losses) net of taxes	-84,059	-	-	-	-82,413	-	-	-	-	-82,413	-1,646
Exchange differences arising on consolidation	196,512	-	-	-	-	-	-	100,281	-	100,281	96,231
Total comprehensive income for the period	849,081	-	-	-	462,082	41,319	68,493	100,281	-	672,175	176,906
Dividends attributable to minority interests	-58,521	-	-	-	-	-	-	-	-	-	-58,521
Purchase and sale of treasury stock	4,008	-	-	-	-1,192	-	-	-	5,200	4,008	-
Sale of treasury stock - Energias do Brasil	166,621	-	-	-	-	-	-	-	-	-	166,621
Changes in minority interests resulting from acquisitions / sales and equity increases	2,541	-	-	-	-	-	-	-	-	-	2,541
Other reserves arising on consolidation	-2,252	-	-	-	217	-	-	-	-	217	-2,469
Balance as at 31 December 2009	**9,978,688**	**3,656,538**	**501,992**	**471,387**	**2,379,262**	**61,794**	**174,103**	**165,859**	**-119,784**	**7,291,151**	**2,687,537**
Comprehensive income:											
Net profit for the period	639,417	-	-	-	564,791	-	-	-	-	564,791	74,626
Changes in the fair value reserve (cash flow hedge) net of taxes	1,605	-	-	-	-	4,249	-	-	-	4,249	-2,644
Changes in the fair value reserve (available for sale investments) net of taxes	14,471	-	-	-	-	-	8,563	-	-	8,563	5,908
Actuarial gains / (losses) net of taxes	-15,606	-	-	-	-17,288	-	-	-	-	-17,288	1,682
Exchange differences arising on consolidation	344,503	-	-	-	-	-	-	173,871	-	173,871	170,632
Total comprehensive income for the period	984,390	-	-	-	547,503	4,249	8,563	173,871	-	734,186	250,204
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to minority interests	-20,643	-	-	-	-	-	-	-	-	-	-20,643
Purchase and sale of treasury stock	-134	-	-	-	-1,095	-	-	-	961	-134	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Changes in minority interests resulting from acquisitions / sales and equity increases	7,802	-	-	-	-	-	-	-	-	-	7,802
Other reserves arising on consolidation	-79	-	-	-	91	-	-	-	-	91	-170
Balance as at 30 June 2010	**10,390,323**	**3,656,538**	**501,992**	**502,888**	**2,332,829**	**66,043**	**182,666**	**339,730**	**-117,093**	**7,465,593**	**2,924,730**

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements for the six months periods ended 30 June 2010 and 2009

(Thousand Euros)

	Group		Company	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Operating activities				
Cash receipts from customers	6,348,284	5,890,432	865,550	867,298
Proceeds from tariff adjustments securitization	-	1,204,422	-	-
Cash paid to suppliers	-4,404,340	-4,083,875	-710,621	-864,495
Cash paid to personnel	-385,505	-360,303	-21,852	-20,423
Concession rents paid	-119,036	-120,156	-	-
Other receipts / (payments) relating to operating activities	-35,329	-66,096	-34,674	59,052
Net cash from operations	1,404,074	2,464,424	98,403	41,432
Income tax received / (paid)	-540,026	-54,892	16,419	-39,288
Net cash from operating activities	864,048	2,409,532	114,822	2,144
Investing activities				
Cash receipts relating to:				
Financial assets	85,425	67,972	6,942	-
Property, plant and equipment and intangible assets	2,805	667	865	109
Investment grants	5,423	75,001	-	-
Interest and similar income	67,693	26,355	131,152	149,276
Dividends	19,489	21,433	333,255	378,580
	180,835	191,428	472,214	527,965
Cash payments relating to:				
Financial assets	-70,618	-63,861	-974	-124,478
Changes in cash resulting from perimeter variations	4,220	3,199	-	-
Property, plant and equipment and intangible assets	-1,493,931	-1,972,587	-18,999	-10,942
	-1,560,329	-2,033,249	-19,973	-135,420
Net cash from investing activities	-1,379,494	-1,841,821	452,241	392,545
Financing activities				
Receipts / (payments) relating to loans	575,014	1,363,633	-475,173	1,419,521
Interest and similar costs including hedge derivatives	-276,934	-339,023	-173,241	-207,984
Share capital and share premium increases	-	8,318	-	-
Receipts / (payments) relating to derivative financial instruments	-147,360	-165	52,691	6,830
Dividends paid to equity holders of EDP	-561,819	-507,153	-561,819	-507,153
Treasury stock sold / (purchased)	-335	721	1,782	721
Receipts / (payments) from wind activity institutional partnerships - USA	108,773	39,289	-	-
Net cash from financing activities	-302,661	565,620	-1,155,760	711,935
Changes in cash and cash equivalents	-818,107	1,133,331	-588,697	1,106,624
Effect of exchange rate fluctuations on cash held	63,952	24,375	-7,040	5
Cash and cash equivalents at the beginning of the year	2,189,560	713,587	891,356	182,880
Cash and cash equivalents at the end of the year (*)	1,435,405	1,871,293	295,619	1,289,509

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

EDP - Energias de Portugal, S.A.

Company Income Statement
for the six months periods ended 30 June 2010 and 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Turnover	6	948,552	793,144
Cost of consumed electricity	6	-675,041	-573,175
Changes in inventories and cost of raw materials and consumables used	6	-154,503	-144,939
		119,008	75,030
Other operating income / (expenses)			
Other operating income	7	6,681	4,310
Supplies and services	8	-79,136	-47,536
Personnel costs	9	-6,393	-9,526
Employee benefits	9	-129	-90
Other operating expenses	10	-10,536	-14,861
		-89,513	-67,703
		29,495	7,327
Provisions	11	-13,599	-3,632
Depreciation and amortisation expense	12	-4,659	-3,285
		11,237	410
Gains / (losses) on the sale of financial assets	13	6,942	-10
Other financial income	14	1,173,783	1,249,198
Other financial expenses	14	-840,474	-922,733
Profit before income tax		351,488	326,865
Income tax expense	15	-12,765	-691
Net profit for the year		338,723	326,174

LISBON, 29 JULY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Balance Sheet as at 30 June 2010 and 31 December 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	130,767	123,562
Intangible assets	17	28	33
Investments in subsidiaries	19	9,536,137	9,535,843
Investments in associates	20	45,398	45,398
Available for sale investments	21	265,048	238,401
Debtors and other assets	25	4,844,593	4,537,916
Total Non-Current Assets		14,821,971	14,481,153
Inventories	23	17,327	11,351
Trade receivables	24	103,229	97,432
Debtors and other assets	25	3,366,922	1,727,737
Tax receivable	26	56,974	44,545
Cash and cash equivalents	28	295,619	891,356
Total Current Assets		3,840,071	2,772,421
Total Assets		18,662,042	17,253,574
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-110,998	-113,689
Share premium	29	501,992	501,992
Reserves and retained earnings	31	1,962,856	1,868,007
Net profit for the year		338,723	630,021
Total Equity		6,349,111	6,542,869
Liabilities			
Financial debt	34	1,184,786	1,962,393
Provisions	36	31,407	18,637
Hydrological correction account	33	94,018	112,631
Deferred tax liabilities	22	84,812	80,489
Trade and other payables	37	3,451,336	2,824,741
Total Non-Current Liabilities		4,846,359	4,998,891
Financial debt	34	6,349,291	4,194,840
Trade and other payables	37	1,025,194	1,032,380
Tax payable	38	92,087	484,594
Total Current Liabilities		7,466,572	5,711,814
Total Liabilities		12,312,931	10,710,705
Total Equity and Liabilities		18,662,042	17,253,574

LISBON, 29 JULY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three months periods from 1 April to 30 June 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	477,923	335,857
Cost of consumed electricity	-344,093	-209,773
Changes in inventories and cost of raw materials and consumables used	-90,414	-89,236
	43,416	36,848
Other operating income / (expenses)		
Other operating income	4,012	2,603
Supplies and services	-40,792	-28,898
Personnel costs	-2,197	-6,284
Employee benefits	-66	-48
Other operating expenses	-2,422	-13,290
	-41,465	-45,917
	1,951	-9,069
Provisions	-5,524	-3,882
Depreciation and amortisation expense	-2,364	-1,650
	-5,937	-14,601
Gains / (losses) on the sale of financial assets	-	-10
Other financial income	809,910	661,633
Other financial expenses	-469,576	-323,256
Profit before income tax	334,397	323,766
Income tax expense	-20,854	-10,861
Net profit for the year	313,543	312,905

LISBON, 29 JULY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at 30 June 2010 and 31 December 2009

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2008	**6,270,678**	**3,656,538**	**501,992**	**443,838**	**1,774,327**	**-8,770**	**23,190**	**-120,437**
Comprehensive income:								
Net profit for the period	326,174	-	-	-	326,174	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	29,785	-	-	-	-	29,785	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	28,982	-	-	-	-	-	28,982	-
Total comprehensive income for the period	384,941	-	-	-	326,174	29,785	28,982	-
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-
Dividends Paid	-507,153	-	-	-	-507,153	-	-	-
Purchase and sale of treasury stock	-1,163	-	-	-	-749	-	-	-414
Share-based payments	2,062	-	-	-	100	-	-	1,962
Balance as at 30 June 2009	**6,149,365**	**3,656,538**	**501,992**	**471,387**	**1,565,150**	**21,015**	**52,172**	**-118,889**
Comprehensive income:								
Net profit for the period	303,847	-	-	-	303,847	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	20,089	-	-	-	-	20,089	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	65,560	-	-	-	-	-	65,560	-
Total comprehensive income for the period	389,496	-	-	-	303,847	20,089	65,560	-
Transfer to legal reserve	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Purchase and sale of treasury stock	4,008	-	-	-	-1,192	-	-	5,200
Share-based payments	-	-	-	-	-	-	-	-
Balance as at 31 December 2009	**6,542,869**	**3,656,538**	**501,992**	**471,387**	**1,867,805**	**41,104**	**117,732**	**-113,689**
Comprehensive income:								
Net profit for the year	338,723	-	-	-	338,723	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	5,288	-	-	-	-	5,288	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	22,066	-	-	-	-	-	22,066	-
Total comprehensive income for the year	366,077	-	-	-	338,723	5,288	22,066	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	-134	-	-	-	-1,095	-	-	961
Share-based payments	2,118	-	-	-	388	-	-	1,730
Balance as at 30 June 2010	**6,349,111**	**3,656,538**	**501,992**	**502,888**	**1,612,501**	**46,392**	**139,798**	**-110,998**

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 Iberian (Portugal and Spain) and American (Brazil and the United States of America) energy sectors.

During the six months period ended 30 June 2010 no significant changes occured in the economic activity of EDP Group.

2. Accounting policies

a) Basis of presentation

The accompanying condensed consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company`s operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the period of six months ended 30 June 2010 and the financial position as at 30 June 2010.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 29 July 2010. The financial statements are presented in thousand 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 were prepared in accordance with the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements for the six months period ended 30 June 2010 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 2009

In 2010, EDP Group adopted the IFRS 3 (revised) - Business combinations and the interpretations IFRIC 12 -Service Concession Arrangements and IFRIC 18 - Transfers of Assets from Costumers. These interpretations, which had to be applied with reference to 1 January, 2010 had impact on the assets and liabilities of the Group. According to the transition rules of these interpretations, the new disclosures required include comparative information.

These financial statements also present the second quarter income statement of 2010 with comparative figures for the second quarter of previous year.

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

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

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

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

b) Basis of consolidation

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 minority interests exceed the minority 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 minority interests previously recognised by the Group have been recovered. As from 1 January, 2010, the due proportion of accumulated losses are attributed to minority interests, implying that the Group can recognise negative minority 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 parcial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Associates

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

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

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

As from 1 January, 2010 onwards, the EDP Group has the possibility to book minority 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 minority interests, against minority 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 minority interests and dilution

Until 31 December 2009, in an acquisition of minority interests, the difference between the fair value of the minority interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The difference between the minority 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 minority interests not resulting in a loss of control, the difference between the fair value of the minority interests acquired and the consideration paid, is accounted against reserves. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding).

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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 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 from the category of financial assets designated at the moment of its initial recognition at the fair value, with 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 minority interests.

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.

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

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

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	20
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

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

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of borrowing 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 goods or services. 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 the economic benefits generated under the caption depreciation.

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 years.

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

CO_2 licenses held by the Group for trade purposes are booked for 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 as at 1 January 2004, to recognise the full amount of the deferred actuarial losses at that date against reserves.

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

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

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

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

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

Defined contribution plans

In Portugal, Spain and Brazil, the companies EDP Estudos e Consultoria, HC Energia, EDP Renewables Europe and Bandeirante have defined contribution social benefit plans that complement those granted by the Social Welfare System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

In Portugal and in Brazil (Escelsa) some EDP Group companies provide medical benefits during retirement and early retirement, through complementary benefits to those provided by the Social Welfare System. The medical benefits plans are classified as defined benefit plans, the liability being covered by provisions booked in the Group's balance sheet. 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 refer regardless of when paid or received, in accordance with the accrual concept. Differences between amounts received and paid and the corresponding revenue and costs are recognised under other assets or other liabilities, in conformity.

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 cost 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 compensates, as established in IAS 12, the deferred tax assets and liabilities if, and only if:

(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Segment reporting

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

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

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

x) Tariff adjustments

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

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

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 Powernext 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 Powernext market quote in the last working day of each month. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Cash Flow Statement

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

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

aa) Group concession activities

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

In the case of the EDP Group, the first annual period after the approval date is 2010 and, therefore, the EDP Group adopted IFRIC 12 for comparative purposes as of 1 January 2009.

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.

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.

The changes resulting from the application of IFRIC 12 are presented in note 45 to the condensed financial statements.

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 this Consolidated Financial Statements.

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation (CMEC)

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

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousand 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 generating assets which, consequently, led to a propspective 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.

Tariff adjustments

Tariff adjustments represent the difference between costs and income of the National Electricity System (SEN), estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the Electricity 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 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 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 collecting right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009.

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

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

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. Hence, 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 and medical plans. 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 in accordance to existing legal or contractual obligations to cover the present value of the estimated cost to restore the locations and land where the power generations units are installed. The calculation of the provisions is based on estimates of the present value of the future liabilities.

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

4. Financial-risk management policies

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

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

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

Sensitivity analysis - exchange rate

Relating to financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 30 June 2010 and 2009, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

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

	30 Jun 2009			
	Results Euro'000		Equity Euro'000	
	+10%	-10%	+10%	-10%
USD	-21,406	26,162	-	-
PLN	-	-	7,316	-8,942
	-21,406	26,162	7,316	-8,942

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

Interest rate risk management

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

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

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

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

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 30 June 2010 and 2009 would lead to the following increases / (decreases) in equity and results of the EDP Group:

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

	30 Jun 2009			
	Results Euro'000		Equity Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-24,777	24,777	-	-
Unhedged debt	-61,031	61,031	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	20,903	-23,062
Trading derivatives (accounting perspective)	17,881	-22,418	-	-
	-67,927	63,390	20,903	-23,062

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

Counterparty credit risk management

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

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

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

Liquidity risk management

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

Energy market risk management

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

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

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

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

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

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

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

	P@R Distribution by risk factor	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Risk factor:		
Negociation	1,000	4,000
Fuel	40,000	32,000
CO2	4,000	33,000
Electricity	34,000	44,000
Hydrological	19,000	17,000
Diversification effect	-82,000	-93,000
Total	16,000	37,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 30 June 2010 and 31 December 2009 the EDP Group's exposure to credit risk rating is as follows:

	Jun 2010	Dec 2009
Credit risk rating (S&P):		
AAA to AA-	14.74%	48.48%
A+ to A-	81.04%	47.66%
BBB+ to BBB-	0.68%	0.92%
BB+ to B-	1.72%	2.25%
No rating assigned	1.82%	0.69%
Total	100.00%	100.00%

Brazil — Interest rate and exchange rate risk management

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

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

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

The summary of VaR on the operations of the Brazilian subsidiaries at 30 June 2010 and 31 December 2009 is as follows:

	VaR	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Exchange rate risk	1,026	809
Interest rate risk	4,715	3,619
Covariation	-974	-1,098
Total	4,767	3,330

5. Consolidation perimeter

During the six months period ended 30 June 2010, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:
- EDP Renewables Europe, S.L. (previously Nuevas Energias de Occidente, S.L.) acquired 85% of the share capital of Repano Wind S.R.L. and EDP Renewables Italia, S.R.L.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO and Farma Wiatrowa Wyszogrod SP ZOO, through its subsidiary EDP Renewables Polska SP ZOO (previously Neolica Polska SP ZOO).

Considering the existence of a written put option of 15% of the companies Repano Wind, S.R.L. and EDP Renewables Italia, S.R.L. from the minority interests, EDP Group has consolidated these companies at 100% in accordance with the accounting policy 2.b) (see note 41).

Companies sold and liquidated:
- Horizon Wind Energy L.L.C. liquidated Freeport Windpower I, L.P.*;
- Hidrocantábrico Explotación Centrales dissolved and liquidated Mazarrón Cogeneración, S.A. and Papresa Cogeneración AIE in April 2010;
- Naturgás Energía Grupo, S.A. sold its 100% shareholding, through its subsidiary Naturgas Participaciones, in Tecman, S.L..

Companies incorporated:
The following companies were merged into Naturgás Comercializadora, S.A.:
- Naturgás Energía Suministro Sur, S.L;
- Naturgás Energía Suministro, S.L.

Companies incorporated:
- Headwaters Wind Farm L.L.C.*;
- Round Barn Wind Farm L.L.C.*;
- Waverly Wind Farm L.L.C.*;
- EDP - Projectos SGPS, S.A.;
- EDP Renewables Canada;
- 2010 Vento VII, L.L.C.*;
- Horizon Wind Ventures VII, L.L.C.*;
- ECPME-Entidade Com. Pro Mobilidade Eléctrica, S.A.;
- EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.
- SGORME - SGO Rede Mobilidade Eléctrica,S.A..

* EDP Group holds, through EDP Renováveis and its subsidiary Horizon, a set of subsidiaries in the United States legally incorporated without share capital and that as at 30 June 2010 do not have any assets, liabilities, or any operating activity.

Other changes:
- EDP Renewables Europe, S.L. increased its shareholding from 19,6% to 36% on ENEOP - Éolicas de Portugal, S.A., through its subsidiary Enernova - Novas Energias, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 49% to 61% on Parque Eólico Altos del Voltoya, S.A. through its subsidiary Sinae, S.L.;
- Naturgás Energia Distribución, S.A.U. now holds 100% of the share capital of Naturgás Energía Distribución Cantabria, S.A., following the amortisation of the shares held by the Minority Interests.

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Revenue by business sector:				
Electricity	5,971,322	5,257,980	805,321	709,596
Gas	597,311	516,036	33,354	-
Steam and ashes	2,666	5,849	-	-
Other	50,837	27,094	37,284	24,357
	6,622,136	5,806,959	875,959	733,953
Services rendered by business sector:				
Associated with electricity sales	75,210	28,393	4,584	29,195
Gas	23,737	19,563	-	-
Power availability agreement	1,832	872	-	-
Advisory and management services	3,427	3,298	21,222	26,524
Information Systems and technologies	-	-	46,453	-
Other	36,277	30,665	334	3,472
	140,483	82,791	72,593	59,191
	6,762,619	5,889,750	948,552	793,144

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Total turnover:				
Electricity	6,046,532	5,286,373	809,905	738,791
Gas	621,048	535,599	33,354	-
Steam and ashes	2,666	5,849	-	-
Power availability agreement	1,832	872	-	-
Advisory and management services	3,427	3,298	21,222	26,524
Information Systems and technologies	-	-	46,453	-
Other	87,114	57,759	37,618	27,829
	6,762,619	5,889,750	948,552	793,144

In 2010, on a consolidated basis, the caption Electricity in Portugal includes a net income of 13,160 thousand Euros (cost in June 2009: 11,662 thousand Euros) regarding the tariff adjustments of the period, as described under accounting policies - note 2 x).

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

	Jun 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	3,438,755	1,474,053	997,870	135,854	6,046,532
Gas	105,432	515,616	-	-	621,048
Steam and ashes	2,666	-	-	-	2,666
Power availability agreement	1,832	-	-	-	1,832
Advisory and management services	3,170	257	-	-	3,427
Other	56,421	11,281	19,412	-	87,114
	3,608,276	2,001,207	1,017,282	135,854	6,762,619

	Jun 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	3,468,438	961,451	749,677	106,807	5,286,373
Gas	62,902	472,697	-	-	535,599
Steam and ashes	5,849	-	-	-	5,849
Power availability agreement	872	-	-	-	872
Advisory and management services	2,962	336	-	-	3,298
Other	24,419	16,460	13,625	3,255	57,759
	3,565,442	1,450,944	763,302	110,062	5,889,750

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

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

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Cost of consumed electricity	3,246,709	2,512,813	675,041	573,175
Cost of consumed gas	415,315	346,316	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	77,144	265,689	-	-
Gas	278,003	248,487	119,891	113,339
Cost of consumables used	9,369	71,506	-	-
CO2 licenses				
Consumptions	86,653	144,363	34,611	31,600
Government grants	-93,087	-115,656	-	-
Other	51,658	74,635	1	-
Own work capitalised	-38,103	-112,185	-	-
	371,637	576,839	154,503	144,939
	4,033,661	3,435,968	829,544	718,114

On a company basis, Cost of consumed electricity includes costs of 358,305 thousand Euros (30 June 2009: 389,058 thousand 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. Other operating income

Other operating income is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Supplementary income	12,041	12,960	296	319
Operating Government grants	1,025	574	-	-
Gains on fixed assets	2,016	996	731	51
Reversal of impairment losses:				
- Doubtful debtors	9,499	7,409	-	-
- Debtors and other assets	2,574	1,169	-	-
Own work capitalised	1,555	1,115	-	-
Excess amount over customers contributions	2,928	1,462	-	-
Insurance premiums - Energia RE	4,767	8,498	-	-
Income arising from institutional partnerships - Horizon	51,390	46,616	-	-
Amortisation of the power purchase agreements fair value - Horizon	6,200	9,244	-	-
Turbine availability bonus - Horizon	585	6,414	-	
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya	3,170	-	-	-
Other operating income	27,977	17,373	5,654	3,940
	125,727	113,830	6,681	4,310

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

The power purchase agreements between Horizon 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 thousand USD and recorded as a non-current liability (note 37). This liability is depreciated over the period of the agreements against other operating income. As at 30 June 2010, the amortisation for the period amounts to 6,200 thousand Euros (30 June 2009: 9,244 thousand Euros) and the variation of the period results mainly from the exchange rate increase of the American Dollar against the Euro.

During the first semester of 2010, the EDP Group acquired an additional interest of 12% in the share capital of Parque Eólico Altos del Voltoya, S.A., changing the consolidation method of this company to full consolidation. Based on the preliminary purchase price allocation and according to the accounting policy of the Group, the shareholding previously held was revaluated to fair value, originating the recognition of a gain of 3,170 thousand Euros (see note 2 b)).

8. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Subcontracts	3,068	2,041	-	-
Supplies and services:				
Water, electricity and fuel	6,306	6,017	424	1,159
Tools and office material	3,437	3,890	448	171
Rents and leases	46,833	45,491	19,301	5,025
Communication	21,221	19,596	4,985	926
Insurance	19,560	15,943	200	262
Transportation, travelling and representation	13,492	11,925	1,246	618
Commission and fees	2,118	1,653	27	53
Maintenance and repairs	129,212	110,402	7,160	1,114
Advertising	12,244	11,773	3,764	2,459
Surveillance and security	5,401	4,904	223	219
Specialised works:				
- Commercial activity	63,214	42,672	1,775	-
- IT services	22,382	15,691	8,964	571
- Legal fees	9,504	7,336	1,610	1,434
- Advisory fees	10,685	13,978	3,094	1,980
- Other services	22,297	22,653	6,173	9,574
Provided personal	-	-	18,517	18,077
Other supplies and services	13,593	17,498	1,225	3,894
	404,567	353,463	79,136	47,536

9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Board of Directors remuneration	7,237	7,453	2,706	2,862
Employee's remuneration	241,570	229,222	831	199
Social charges on remuneration	62,181	53,554	158	136
Indemnities	2,850	1,331	-	-
Performance, assiduity and seniority bonus	33,893	41,962	2,094	5,453
Other costs	13,760	12,528	604	876
Own work capitalised	-65,052	-62,211	-	-
	296,439	283,839	6,393	9,526

Employee benefits are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Pension plans costs	36,438	35,096	65	36
Medical plans costs and other benefits	23,988	25,018	61	54
Cost of rationalising human resources	-	5,208	-	-
Other	420	708	3	-
	60,846	66,030	129	90

Pension plans costs include 28,253 thousand Euros (30 June 2009: 31,064 thousand Euros) related to defined benefit plans (see note 35) and 8,185 thousand Euros (30 June 2009: 4,032 thousand Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 23,988 thousand Euros (30 June 2009: 24,920 thousand Euros) related to the charge of the period.

10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Concession rents paid to local authorities	119,504	120,488	-	-
Rents from power generation units	5,836	3,832	-	-
Direct taxes	8,061	7,760	120	127
Indirect taxes	39,739	28,185	879	176
Impairment losses on doubtful debts	46,050	32,001	10	152
Impairment losses on debtors and other assets	2,203	1,892	3	35
Losses on fixed assets	2,023	2,281	128	57
Regulation costs	3,094	1,969	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	-	20,072	-	-
Operating compensations	3,575	238	-	-
Donations	11,603	7,029	6,946	6,131
Other operating costs	20,346	28,014	2,450	8,183
	262,034	253,761	10,536	14,861

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.

Return of CO2 licenses (Royal Decree - Law 11/07) reflects the amount of the licenses that the Group expects to return to the Spanish Government as a result of the publication of Royal Decree - Law 11/07, which establishes that the cost relating to CO2 licenses granted free of charge by the Spanish Government will be deducted from the sector's tariff deficit in 2009.

11. Provisions

Provisions are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Charge for the year	52,304	19,353	13,978	4,007
Write-back for the year	-13,026	-602	-379	-375
	39,278	18,751	13,599	3,632

12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Property, plant and equipment:				
Buildings and other constructions	6,089	8,467	230	235
Plant and machinery:				
Hydroelectricity generation	58,627	65,030	4	4
Thermoelectric generation	138,535	134,688	-	-
Renewable generation	196,362	139,948	-	-
Electricity distribution	37,510	23,908	-	-
Gas distribution	27,705	15,428	-	-
Other plant and machinery	1,399	890	7	7
Transport equipment	5,597	4,782	374	331
Office equipment and tools	30,263	24,633	3,333	1,997
Other	1,540	1,218	707	707
Impairment reversal loss	88	-	-	-
	503,715	418,992	4,655	3,281
Intangible assets:				
Industrial property and other rights	10,967	6,631	4	4
Concession rights and impairment	41,538	40,531	-	-
Intangible assets related to concessions	161,644	152,914	-	-
	214,149	200,076	4	4
	717,864	619,068	4,659	3,285
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-12,661	-5,806	-	-
	705,203	613,262	4,659	3,285

The partially-funded property, plant and equipment is deppreciated 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.

In accordance with IFRS 3 - Business combinations, the adjustments resulting from the purchase price allocation concluded in the second semester of 2009 for the goodwill booked in 2008 for EDP Brasil subgroup resulted in the restatement of the comparative financial information for the deppreciation and amortisation expense regarding property, plant and equipment and intangible assets of 1,934 thousand Euros and -1,108 thousand Euros, respectively.

In accordance with IFRIC 12, the depreciation of tangible fixed assets allocated to concessions and corresponding subsidies have been reclassified to the caption Amortisation of intangibles pertaining to concessions - IFRIC 12. As at 30 June 2010 the referred reclassification amounts to 212,915 thousand Euros (30 June 2009: 201,010 thousand Euros) and 51,097 thousand Euros (30 June 2009: 48,072 thousand Euros), respectively.

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

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

	Jun 2010		Jun 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Sonaecom, S.A.	-	-	0.076%	307
Held for sale assets:				
ESC90 - Telecomunicações, Lda.	-	-	48.51%	14,661
Investments in subsidiaries and associates:				
Ambitec Laboratorio Medioambiental, S.A.	-	-	100.00%	-150
Central Térmica Ciclo Combinado Soto 4	-	-	25.00%	12,899
Ibersol E. Solar Ibérica, S.A.	-	-	50.00%	268
Oni SGPS, S.A.	-	6,942	-	-
Tecman, S.L.	100.00%	-846	-	-
Other	-	-1,287	-	-101
		4,809		27,884

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

	Jun 2010		Jun 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Pirites Alentejanas, S.A. *	-	-	-	-10
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	6,942	-	-
		6,942		-10

* Minority interest, corresponding to a total of 332 shares sold.

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

On 30 June 2009 the Group sold its investment in ESC 90 Telecomunicações Ltda. ("ESC 90"), representing 48.51% of the respective share capital, to Net Serviços de Comunicação S.A. as agreed on the Sales and Purchase Private Agreement celebrated on August 2008; this operation generated a gain of 14,661 thousand Euros.

In January 2009 the share capital of Central Térmica Ciclo Combinado Soto 4 ("CTCC Group 4") was increased and subscribed by EDP through its subsidiary Electrica de la Ribera del Ebro, S.A. (the sole previous shareholder) and also by a new shareholder, Sonatrach, who paid a share premium of approximately 16,204 thousand Euros. Following the share capital increase, Sonatrach holds 25% of the share capital of CTCC Group 4, and EDP reduced its participation (by dilution) from 100% to 75%. EDP benefited from the capital increase of CTCC Soto 4 as a result of the share premium paid by the minority shareholders. This operation generated, for the EDP Group, a gain of 12,899 thousand Euros booked against the profit and loss of the period, according to the accounting policy described on paragraph 2b).

14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Other financial income				
Interest income from investments	40,214	22,387	142,455	178,502
Derivative financial instruments:				
Interest	53,363	92,309	37,224	97,647
Fair value	196,507	235,555	648,307	421,760
Other interest income	32,637	26,514	4,574	2,781
Income from equity investments	10,173	7,609	330,270	334,580
Foreign exchange gains	43,116	34,662	9,800	213,602
CMEC	40,191	41,210	-	-
Interest Income - Tariff adjustment and tariff deficit	6,956	16,867	-	-
Other financial income	18,293	11,475	1,153	326
	441,450	488,588	1,173,783	1,249,198

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Other financial expenses				
Interest expense from financial debt	322,126	328,990	148,158	206,608
Capitalised interest expense from financial debt	-84,190	-46,002	-	-
Derivative financial instruments:				
Interest	23,358	72,017	20,326	85,000
Fair value	226,380	232,460	323,346	417,689
Other interest expense	4,394	5,550	2,297	7,552
Impairment of available for sale financial assets	-	29,274	-	-
Banking services	7,204	6,737	2,995	1,984
Foreign exchange losses	72,398	27,010	339,105	201,941
CMEC	10,137	12,848	-	-
Unwinding	54,789	59,083	-	-
Interest Expenses - Tariff adjustment	12,710	8,612	-	-
Other financial expenses	25,079	39,234	4,247	1,959
	674,385	775,813	840,474	922,733
Financial income / (expenses)	-232,935	-287,225	333,309	326,465

The caption Other financial Income - CMEC totalling 40,191 thousand Euros includes 29,641 thousand Euros related to interest of the initial CMEC included in the annuity for 2010 and 10,550 thousand Euros related to the financial effect considered in the calculation of the initial CMEC. Other financial expenses - CMEC, in the amount of 10,137 thousand Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 37).

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

The Unwinding expenses refer essentially to, (i) the financial update of the dismantling provision for the wind farms, (ii) the implied return in institutional partnership in US wind farms (see note 37), (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe (see note 37) and (iv) the financial unwinding related to the liabilities resulting from put options of minority interests.

15. Income tax

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

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

Income tax expense is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Current tax	-178,710	-166,948	-10,896	151,824
Deferred tax	-53,204	-26,308	-1,869	-152,515
	-231,914	-193,256	-12,765	-691

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

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

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

The impact of this change in the tax rate was considered in the computation of current and deferred income tax for the six month period ended 30 June 2010, as disclosed under Change in tax rate (deferred tax) and State surcharge (current tax).

The reconciliation between the nominal and the effective income tax rate for the**Group** as at 30 June 2009, is analysed as follows:

	Jun 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	732,874	194,212
Charges / reversals of non deductible provisions and amortisations for tax purposes	-0.5%	-13,547	-3,590
Tax losses and tax credits	-0.7%	-18,626	-4,936
Dividends	0.8%	22,483	5,958
Tax benefits	-0.9%	-26,147	-6,929
Fair value of financial instruments and financial investments	1.6%	44,558	11,808
Difference between tax and accounting gains/losses	1.5%	40,974	10,858
Financial investments in associates and subsidiaries	-0.8%	-22,430	-5,944
Autonomous taxation and tax benefits	0.4%	10,951	2,902
Other adjustments and changes in estimates	-1.5%	-41,823	-11,083
Effective tax rate and total income tax	26.4%	729,267	193,256

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

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

The reconciliation between the nominal and the effective income tax rate for the **Company** as at 30 June 2009, is analysed as follows:

	Jun 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	326,865	86,619
Charges / reversals of non deductible provisions and amortisations for tax purposes	1.2%	14,842	3,933
Tax losses and tax credits	-3.9%	-48,140	-12,757
Dividends	-25.3%	-312,332	-82,768
Fair value of financial instruments and financial investments	1.6%	20,068	5,318
Other adjustments and changes in estimates	0.1%	1,306	346
Effective tax rate and total income tax	0.2%	2,609	691

16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Land and natural resources	161,617	150,048	46,500	46,502
Buildings and other constructions	516,564	473,608	25,061	25,252
Plant and machinery:				
Hydroelectric generation	7,842,567	7,720,225	254	254
Thermoelectric generation	7,176,444	7,161,919	-	-
Renewable generation	8,634,661	7,346,192	-	-
Electricity distribution	1,977,723	1,921,172	-	-
Gas distribution	1,202,386	1,186,579	-	-
Other plant and machinery	41,685	30,139	148	148
Transport equipment	91,512	88,356	3,990	3,788
Office equipment and tools	625,209	600,807	101,432	98,114
Other	124,105	120,080	14,246	14,246
Assets under construction	3,916,206	3,282,174	44,388	36,056
	32,310,679	30,081,299	236,019	224,360
Accumulated depreciation and impairment losses:				
Depreciation charge for the period	-503,627	-918,479	-4,655	-6,927
Accumulated depreciation in previous years	-11,740,490	-10,734,351	-100,597	-93,871
Impairment reversal losses for the period	-88	-416	-	-
Impairment losses in previous years	-6,463	-14,464	-	-
	-12,250,668	-11,667,710	-105,252	-100,798
Carrying amount	20,060,011	18,413,589	130,767	123,562

As referred under accounting policies - note 2 b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2009, regarding the acquisition of Investco, Neo Catalunya, Instalaciones Electricas Rio Isabena and Septentrional de Gás of HC Group and Romanian companies Cernavoda and EDP Renewables Romania in 2008, determined the allocation of 30,990 thousand euros (29,822 thousand Euros net of accumulated depreciation) 21,199 thousand Euros, 5,559 thousand Euros and 67,823 thousand Euros, respectively, with reference to 31 December 2008.

Additionally, the final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Ébre in 2009, determined an increase of the fair value of Property plant and equipment of 4,041 thousand euros with reference to 30 June 2009.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Land and natural resources	150,048	3,000	-235	502	9,187	-885	161,617
Buildings and other constructions	473,608	601	-3,930	2,696	44,033	-444	516,564
Plant and machinery	25,366,226	21,555	-16,020	613,996	868,192	21,517	26,875,466
Transport equipment	88,356	2,275	-5,935	2,824	3,992	-	91,512
Office equipment and tools	600,807	7,289	-145	11,040	4,982	1,236	625,209
Other	120,080	3,761	-638	390	629	-117	124,105
Assets under construction	3,282,174	1,121,919	-591	-693,551	165,446	40,809	3,916,206
	30,081,299	1,160,400	-27,494	-62,103	1,096,461	62,116	32,310,679

	Balance at 1 January Euro'000	Charge and Impairment for the year Euro'000	Transfers for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	6,089	-	-3,108	7,948	107	146,740
Plant and machinery	10,962,463	460,138	-30,232	-14,189	86,113	31,301	11,495,594
Transport equipment	59,074	5,597	-	-5,304	3,255	48	62,670
Office equipment and tools	441,004	30,263	-	-33	3,713	-2,500	472,447
Other	69,465	1,628	-	-1,021	175	2,970	73,217
	11,667,710	503,715	-30,232	-23,655	101,204	31,926	12,250,668

The opening balances as at 1 January 2010 include the effect of the IFRIC 12 application with the reexpression of comparative amounts as of 31 December 2009, of -5,684,190 thousand Euros (see note 45).

Transfers include 61,183 thousand Euros of cost of assets and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, which were classified as non-current assets held for sale (see note 39).

The caption Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Group during the first semester of 2010, namely EDP Renewables Italia, S.r.l. and Repano Wind, S.r.l. 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 Exchange differences in the period results mainly from the revaluation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the six months period ended 30 June 2010.

The movements in **Property, plant and equipment, for the Group,** for the six months period ended 30 June 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Land and natural resources	129,936	1,723	-92	849	8,617	-8	141,025
Buildings and other constructions	394,513	71	-291	310	43,107	-91	437,619
Plant and machinery	21,810,979	22,424	-14,152	655,784	138,243	4,412	22,617,690
Transport equipment	78,078	3,912	-5,674	2,534	3,672	46	82,568
Office equipment and tools	521,145	2,592	-63	13,410	3,082	-98	540,068
Other	92,456	292	-19,473	901	-39	1,720	75,857
Assets under construction	3,505,873	1,230,986	-6,190	-673,788	20,045	9,234	4,086,160
	26,532,980	1,262,000	-45,935	-	216,727	15,215	27,980,987

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	112,915	8,467	-	-213	10,979	-2,580	129,568
Plant and machinery	10,034,822	379,892	-	-12,765	92,865	12,669	10,507,483
Transport equipment	54,743	4,782	-	-4,586	-51,996	38	2,981
Office equipment and tools	387,109	24,633	-	-40	2,974	-1,815	412,861
Other	53,324	1,218	-	-6,144	-21	2,968	51,345
	10,642,913	418,992	-	-23,748	54,801	11,280	11,104,238

The movement in Exchange differences in the period relates mainly to the appreciation of the American Dollar (USD) and the Brazilian Real (BRL) against the Euro, during the first semester of 2010.

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

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

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

The movements in **Property, plant and equipment, for the Company,** for the six months period ended 30 June 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Cost:						
Land and natural resources	46,502	-	-	-	-	46,502
Buildings and other constructions	25,648	-	-2	-	-	25,646
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,262	811	-639	-	-	3,434
Office equipment and tools	85,001	82	-	916	-	85,999
Other	14,246	-	-	-	-	14,246
Assets under construction	26,834	10,407	-	-916	-	36,325
	201,895	11,300	-641	-	-	212,554

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,647	235	-1	-	-	17,881
Plant and machinery	99	11	-	-	-	110
Transport equipment	1,469	331	-525	-	-	1,275
Office equipment and tools	68,354	1,997	-	-	-	70,351
Other	7,288	707	-	-	-	7,995
	94,857	3,281	-526	-	-	97,612

17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Industrial property, other rights and other intangibles	205,547	189,570	100	100
Concession rights	14,549,347	14,126,916	-	-
CO2 licenses	217,924	287,989	-	-
Intangible assets in progress	594,406	566,909	-	-
	15,567,224	15,171,384	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-203,182	-495,063	-	-
Amortisation of industrial property and other intangibles during the period	-10,967	-15,752	-4	-8
Accumulated amortisation in previous years	-8,897,459	-8,193,062	-68	-59
	-9,111,608	-8,703,877	-72	-67
Carrying amount	6,455,616	6,467,507	28	33

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 EDP Lajeado, Lajeado Energia, Tocatins and Investco, are amortised on a straight line basis over the period of the concession, until 2032.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Industrial property, other rights and other intangibles	189,570	379	-	813	20,674	-5,889	205,547
Concession rights							
Concession rights - Brazil	1,190,694	-	-	-	66,066	-	1,256,760
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	411,437	-	-	-	-	-	411,437
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	211,361	-281,426	-	-	-	217,924
Intangible assets assigned to concessions	11,525,486	7	-10,106	84,365	282,099	-	11,881,851
Intangible assets assigned to concessions - in progress	254,238	169,778	-68	-158,112	9,173	-	275,009
Intangible assets not assigned to concessions - in progress	312,671	10,861	-3,305	-813	224	-241	319,397
	15,171,384	392,386	-294,905	-73,747	378,236	-6,130	15,567,224

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

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

The movements in **Intangible assets** during the six months period ended 30 June 2009, **for the Group**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Cost:							
Industrial property, other rights and other intangibles	145,427	234	-6,495	-	14,760	-10,187	143,739
Concession rights							
Concession rights - Brazil	1,082,498	-	-	-	67,431	-525	1,149,404
Concession rights - Gas	152,232	-	-	-	-	-13,878	138,354
Use rights Alqueva/Pedrogão	377,460	20,169	-	-	-	-	397,629
domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	1	-	-	-	-	10,828
CO2 licenses	385,096	229,132	-366,791	25,917	-	-	273,354
Intangible assets assigned to concessions	10,792,886	-	-8,235	92,571	201,215	-	11,078,437
Intangible assets assigned to concessions - in progress	256,989	161,856	-	-131,921	14,753	-	301,677
Intangible assets not assigned to concessions - in progress	75,880	243,729	-	-	3,811	3,045	326,465
	14,129,413	655,121	-381,521	-13,433	301,970	-21,545	14,670,005

	Balance at 1 January Euro'000	Charge for the Year Euro'000	Accelerated depreciation/ Impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	64,953	6,631	-	-6,677	-	8,692	-6	73,593
Concession rights	365,793	40,531	-	-	-	6,671	-1,892	411,103
Intangible assets assigned to concessions	7,548,201	152,914	-	-4,770	-	92,279	-368	7,788,256
	7,978,947	200,076	-	-11,447	-	107,642	-2,266	8,272,952

Acquisitions of CO2 Licences as at 30 June 2010 includes 209,978 thousand Euros (31 December 2009: 234,817 thousands Euros) of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2009 and delivered to regulatory authorities in the amount of 247,399 thousand Euros (31 December 2009: 366,115 thousand Euros).

18. Goodwill

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

	Group	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Electric business:		
Hidrocantábrico Group	953,930	969,050
EDP R-EU Group	843,385	767,599
Horizon Group	644,499	550,868
Brazil Group	59,073	56,762
EDP Renováveis Brazil Group	1,707	1,501
Other (Portugal Group)	35,312	35,312
	2,537,906	2,381,092
Gas Distribution business:		
Naturgás Group	1,015,540	781,064
	3,553,446	3,162,156

During 2010, EDP Group performed the final allocation of the acquisition cost to the acquired assets, liabilities and contigent liabilities (PPA) of Bon Vent de L'Ébre, acquired in 2009. According to IFRS 3, the fair value of assets, liabilities and contigent liabilities should be adjusted to the purchase date within one year from the date of acquisition. As a consequence, the Group reexpressed the goodwill value of EDPR Renewables Europe Group, as at 31 December 2009, in the amount of 2,324 thousands Euros.

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

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Electric business:							
Hidrocantábrico Group	969,050	-	-15,120	-	-	-	953,930
EDP R-EU Group	767,599	76,697	-	-	-911	-	843,385
Horizon Group	550,868	-	-	-	93,631	-	644,499
Brazil Group	56,762	-	-	-	2,311	-	59,073
EDP Renováveis Brazil Group	1,501	-	-	-	206	-	1,707
Other (Portugal Group)	35,312	-	-	-	-	-	35,312
	2,381,092	76,697	-15,120	-	95,237	-	2,537,906
Gas Distribution business							
Naturgás Group	781,064	236,770	-2,294	-	-	-	1,015,540
	3,162,156	313,467	-17,414	-	95,237	-	3,553,446

The movements in **Goodwill** during the six months period ended 30 June 2009, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Electric business:							
Hidrocantábrico Group	954,196	6,740	-	-	-	-	960,936
EDP R-EU Group	735,229	10,135	-	-	-	-	745,364
Horizon Group	569,777	-	-	-	-8,552	-	561,225
Brazil Group	57,288	-	-	-	2,357	-	59,645
EDP Renováveis Brazil Group	-	5,415	-	-	495	-	5,910
Other (Portugal Group)	34,137	48	-	-	-	-	34,185
	2,350,627	22,338	-	-	-5,700	-	2,367,265
Gas Distribution business							
Naturgás Group	754,352	-	-	-	-	-	754,352
	3,104,979	22,338	-	-	-5,700	-	3,121,617

HC Energia Group

During the six months period ended 30 June 2010, the goodwill from Hidrocantabrico Group decreased by 15,120 thousand Euros as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renewables Europe Group

The goodwill held in EDP Renewables Europe Group, with reference to 30 June 2010 and 31 December 2009, is presented as follows:

	EDP Renewables Europe Group	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Genesa subgroup	477,522	477,522
Ceasa subgroup	117,513	117,513
Relax Wind subgroup	41,684	26,410
Neo Galia subgroup	83,160	83,160
Romania subgroup	10,931	10,931
Neo Catalunya subgroup	7,013	7,013
EDPR Portugal subgroup	41,876	41,876
Italia subgroup	60,512	-
Other	3,174	3,174
	843,385	767,599

Relax Winds Group

During the first semester of 2010, Relax Winds Group goodwill has increased 16,185 thousand Euros, related to the acquisition of 100% of the share capital of Polish companies Farma Wiatrowa Bodzanow SP ZOO (6,071 thousand Euros), Farma Wiatrowa Starozreby SP ZOO (5,399 thousand Euros) and Farma Wiatrowa Wyszogrod SP ZOO (4,715 thousand Euros). Aditionally, goodwill has decreased 911 thousand Euros as a result of the exchange rate variation of PLN against the Euro.

Italia subgroup

On 27 January 2010, EDP Group acquired, through its subsidiary EDP Renewables Europe (EDPR EU), 85% of the share capital of EDP Renewables Italy, S.R.L. Additionally, EDP R-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 41). As a consequence, as at 30 June 2010, the EDP Group has consolidated 100% of EDP Renewables Italy, S.R.L., considering the put option as an antecipated acquisition of minority interests.

	Euro'000
Tangible fixed assets	4,758
Financial investments	200
Goodwill	15,149
Non current assets	20,107
Current assets	15
Total assets	20,122
Non current liabilities	25
Current liabilities	542
Total liabilities	567
Net assets acquired	19,555
Acquisition cost	64,872
Goodwill	45,317

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

Horizon Group

Goodwill arising from the acquisition of the Horizon Group was determinated in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 644,499 thousand Euros as at 30 June 2010 (31 December 2009: 550,868 thousand Euros), including transaction costs of 12,723 thousand Euros. The increase in this caption is related with the effect of exchange differences EUR/USD, which amounts to 93,631 thousand Euros.

Brazil Group

The increase in Brazil Group goodwill results from the effect of exchange differences of 2,311 thousand Euros in goodwill expressed in BRL ensuing the revaluation of the Brazilian Real against the Euro.

Naturgas Group

During the first semester of 2010, the Naturgas goodwill increased 227,810 thousand Euros as a consequence of the negotiation process and revaluation of the liability related with the anticipated acquisition of minority interests of Ente Vasco de la Energia through a written put option (see note 41) held by this entity over 30.4% of Naturgas Energia share capital, as described in the accounting policy 2b).

The increase in Naturgas goodwill also results from the share capital reduction of GED Cantabria originated by the amortisation of shares of minority interests. The acquisition cost of the additional shareholding in this company amounted to 12,779 thousand Euros and resulted in a goodwill of 8,960 thousand Euros.

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

19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Historical acquisition cost	10,812,657	10,812,363
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,646,861	9,646,567
Impairment losses on equity investments in subsidiaries	-110,724	-110,724
	9,536,137	9,535,843

20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Associated companies:				
Investments in associates	179,384	175,409	45,535	45,535
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	179,247	175,272	45,398	45,398

21. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	194,317	163,644	194,317	163,644
Ampla Investimentos e Serviços, S.A.	17,102	15,038	17,102	15,038
Banco Comercial Português, S.A.	76,205	104,118	-	-
Denerge	35,878	15,563	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Rede Eléctrica Nacional, S.A.	49,360	55,883	49,360	55,883
Sociedade Eólica de Andalucia, S.A.	11,766	11,766	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,636	25,636	-	-
Other	40,516	41,194	4,269	3,836
	461,055	443,117	265,048	238,401

During the first semester of 2010, the investments held in Ampla Energia e Serviços, S.A. and Denerge, increased by 30,673 thousand Euros and 20,315 thousand Euros respectively, as a consequence of the positive evolution in the listed market price of these shares. These increases in the fair value were booked against fair value reserves (see note 31).

During the six months period ending 30 June 2010, the financial investments held in Banco Comercial Português, S.A. and REN - Rede Eléctrica Nacional, S.A., decreased by 27,913 thousand Euros and 6,523 thousand Euros respectively, and were booked against fair value reserves (see note 31).

Available for sale investments are booked at fair value being the changes from the date of acquisition recorded against fair value reserves (see note 31). The fair value reserves attributable to the Group as at 30 June 2010 and 31 December 2009 are analysed as follows:

	Jun 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	125,378	94,705
Ampla Investimentos e Serviços, S.A.	11,527	9,463
Banco Comercial Português, S.A.	123	28,036
Denerge	11,299	370
EDA - Electricidade dos Açores, S.A.	1,322	1,322
REN - Rede Eléctrica Nacional, S.A.	23,540	30,063
Sociedade Eólica de Andalucia, S.A.	6,671	6,671
Tagusparque	965	965
Tejo Energia, S.A.	19,281	19,281
Other	756	1,017
	200,862	191,893

22. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Balance as at 1 January	661,335	539,878	-760,938	-675,737
Tariff adjustment for the period	-75,549	104,297	6,319	191,380
Provisions	4,794	9,960	-	-
Deferred tax over CMEC´s in the period	-	-	12,139	-43,129
Use of tax credits	-925	-140,606	-	-
Financial and available for sale investments	4,183	3,591	-1,988	-1,074
Fair value of derivative financial instruments	3,565	-21,526	2,928	-1,987
Allocation of fair value adjustments to assets and liabilities acquired	1,985	-	-28,514	-25,520
Exchange differences and other	19,483	41,757	-38,544	-18,529
Change in tax rate	69,501	-	-44,377	-
Netting of deferrred tax assets and liabilities	-7,834	147,486	7,834	-147,486
Balance as at 30 June	680,538	684,837	-845,141	-722,082

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:

	Deferred tax assets		Deferred tax liabilities	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Balance as at 1 January	-	60 716	-80,489	-
Tax credits	-	- 62 306	-	-
Provisions	3 123	- 9 682	-	-
Financial and available for sale investments	5	2 526	-2,719	789
Fair value of derivative financial instruments	- 2 364	- 20 050	5,310	-10,297
Other changes	- 377	- 133	10	-392
Change in tax rate	-	-	-7,311	-
Netting of deferrred tax assets and liabilities	- 387	28 929	387	-28,929
Balance as at 30 June	-	-	-84,812	-38,829

23. Inventories

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Merchandise	21,348	24,937	-	-
Advances on account of purchases	9,381	4,650	-	-
Finished and intermediate products	11,956	10,384	-	-
Sub-products, waste, residues and scrap	16,186	13,159	-	-
Raw and subsidiary materials and consumables:				
Coal	122,769	94,780	-	-
Fuel	38,613	41,041	-	-
Nuclear fuel	12,296	13,594	-	-
Other consumables				
CO2 licenses	40,464	11,351	17,327	11,351
Other	48,958	59,480	-	-
	321,971	273,376	17,327	11,351

CO2 licenses correspond to the amount of available for sale licenses as at 30 June 2010, valued at market price on the same date against the income statement, as described in accounting policy 2 y).

24. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	807,586	772,701	103,229	97,432
Spain	766,514	669,427	-	-
Brazil	364,881	332,441	-	-
U.S.A.	24,980	27,434	-	-
Other	12,493	12,429	-	-
Public Sector:				
Portugal				
State and official entities	17,283	16,674	-	-
Local government	36,525	33,769	-	-
Brazil				
State and official entities	7,922	8,306	-	-
Local government	23,468	20,132	-	-
	2,061,652	1,893,313	103,229	97,432
Doubtful debts	267,224	230,851	9,950	9,941
Impairment losses	-267,224	-230,851	-9,950	-9,941
	2,061,652	1,893,313	103,229	97,432

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	41,475	38,386	-	-
Public Sector:				
Portugal - Local government	139,979	142,521	-	-
	181,454	180,907	-	-
Impairment losses	-63,309	-66,086	-	-
	118,145	114,821	-	-
	2,179,797	2,008,134	103,229	97,432

25. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	943,731	811,279
Loans to related companies	90,287	142,976	25,053	7,492
Other debtors:				
- Advances to pensioners on account of the Social Security	1,841	13,717	-	-
- Amounts receivable from staff	4,677	3,520	3	-
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	121,735	117,915	-	-
- Amounts receivable from Portuguese tariff adjustments	445,782	559,724	-	-
- Receivables from the State and concessors	13,121	13,040	-	-
- Amounts with RTP - broadcasting charge	32,125	32,125	-	-
- Receivables relating to other goods and services	95,224	66,831	8,783	84,651
- Derivative financial instruments	177,031	230,195	194,440	216,534
- Subsidiaries companies	-	-	2,015,653	524,888
- Amounts receivable relating to gas sales operations	2,618	1,402	-	-
- Amounts receivable relating to insurance and reinsurance operations	10,613	5,067	-	-
- Amounts receivable relating to the renewable operations	6,065	11,272	-	-
- Expenditure on concessions	13,708	14,284	-	-
- Insurance	3,241	10,130	-	6,269
- Other deferred costs	19,501	6,879	896	-
- Rents receivable of Energin lease	23,744	24,976	-	-
- Amounts receivable relating to CMEC	172,054	363,350	-	-
- Tied deposits (Horizon)	30,263	90,505	-	-
Accrued income relating to energy sales and purchase activity in the market	103,930	27,425	150,386	38,191
Sundry debtors and other operations	237,392	148,234	28,888	39,341
	1,660,592	1,939,207	3,367,833	1,728,645
Impairment losses on short-term debtors - Current	-73,877	-74,191	-911	-908
	1,586,715	1,865,016	3,366,922	1,727,737

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Medium and long term debtors - Non Current:				
Loans to subsidiaries	-	-	4,488,592	4,480,386
Loans to related companies	36,752	25,672	8,781	18,874
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	166,679	76,127	-	-
- Amounts receivable from Spanish tariff expenses	621,055	536,205	-	-
- Expenditure on concessors	15,148	16,199	-	-
- Guarantees and linked deposits	189,238	126,601	4,459	1,385
- Amounts receivable relating to CMEC	1,106,724	1,026,181	-	-
- Derivative financial instruments	61,381	46,116	342,623	37,271
- O&M contract valuation - Mapple Ridge I (Horizon)	7,786	7,405	-	-
- Amounts receivable from concessors - IFRIC 12 (see note 45)	444,924	370,257	-	-
Sundry debtors and other operations	90,968	85,303	138	-
	2,740,655	2,316,066	4,844,593	4,537,916
Impairment losses on medium and long term debtors - Non current	-2,844	-2,839	-	-
	2,737,811	2,313,227	4,844,593	4,537,916
	4,324,526	4,178,243	8,211,515	6,265,653

The amounts receivable from Spanish tariff expenses current and non-current correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 June 2010, according to the applicable legal framework (see note 3).

The amounts receivable relating to CMEC totalize 1,278,778 thousand Euros, which include 1,106,724 thousand Euros as medium and long term debts and 172,054 thousand Euros as short term debts. The amount receivable relating to the initial CMEC of 751,524 thousand Euros as medium and long term debts and 32,355 thousand Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the receivable annuity for 2007 to 2010. The remaining 355,200 thousand Euros in the medium and long term and 139,699 thousand Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2008 to 2010.

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 444,924 thousand Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brasil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brasil, resulting from the application of the Financial Asset model (see note 2 aa) and note 45).

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

	Current Euro'000	Non Current Euro'000
Balance as at 1 January 2009	10,444	1,435,033
Receipts through the electric energy tariff	-5,508	-
Securitisation of the non regular tariff adjustments of 2007 and 2008	-	-1,225,376
Tariff adjustment of 2008	-	34,150
Tariff adjustment for the period	-	379,845
Interest expense	3,541	13,318
Transfer from Non-Current to Current	126,931	-126,931
Balance as at 30 June 2009	135,408	510,039
Receipts through the electric energy tariff	-5,507	-
Securitisation of the non regular tariff adjustments of 2007 and 2008	-	-447,469
Tariff adjustment of 2008	-	15,285
Tariff adjustment for the period	-	368,327
Interest expense	-2,970	62,738
Transfer from Non-Current to Current	432,793	-432,793
Balance as at 31 December 2009	559,724	76,127
Receipts through the electric energy tariff	-285,669	-
Tariff adjustment of 2009	10,698	10,698
Tariff adjustment for the period	117,099	117,099
Interest expense	5,866	819
Transfer from non current to current	38,064	-38,064
Balance as at 30 June 2010	445,782	166,679

26. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	159,621	144,016	12,026	14,077
- Value added tax (VAT)	289,095	334,110	44,948	30,468
- Turnover tax (Brazil)	46,267	72,786	-	-
- Social tax (Brazil)	363	288	-	-
- Other taxes	13,560	6,441	-	-
	508,906	557,641	56,974	44,545

27. Financial assets at fair value through profit or loss

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

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Fixed income securities:				
Listed funds	35,262	33,012	-	-
Bonds and other listed fixed income securities	46,050	47,749	-	-
	81,312	80,761	-	-
Variable income securities:				
Listed funds	516	4,091	-	-
	81,828	84,852	-	-

28. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Cash:				
- Cash in hand	288	124	11	-
Bank deposits:				
- Current deposits	549,527	333,102	71,008	13,856
- Term deposits	447,874	613,506	-	-
- Other deposits	752	505	-	-
	998,153	947,113	71,008	13,856
Other short term investments:				
- Banks - Euros	243,225	915,156	224,600	877,500
- Banks - Other currencies	193,739	327,167	-	-
	436,964	1,242,323	224,600	877,500
Cash and cash equivalents	1,435,405	2,189,560	295,619	891,356

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

29. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have minority interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.76% of the share capital of EDP, S.A.

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

Share capital and Share premium are analysed as follows:

	Group and Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2009	3,656,538	501,992
Movements during the period	-	-
Balance as at 30 June 2010	3,656,538	501,992

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

	Group		Company	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Net profit attributable to the equity holders of EDP (in Euros)	564,790,707	479,349,656	338,722,931	326,174,338
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	564,790,707	479,349,656		
Weighted average number of ordinary shares outstanding	3,622,758,926	3,620,991,688	3,624,271,926	3,622,504,688
Weighted average number of diluted ordinary shares outstanding	3,623,533,953	3,622,056,629	3,625,046,953	3,623,569,629
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.16	0.13		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.16	0.13		
Basic earnings per share from continuing operations (in Euros)	0.16	0.13		
Diluted earnings per share from continuing operations (in Euros)	0.16	0.13		

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

The average number of shares was determined as follows:

	Group		Company	
	Jun 2010	Jun 2009	Jun 2010	Jun 2009
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-33,778,789	-35,546, 027	-32,265,789	-34,033, 027
Average number of shares during the period	3,622,758,926	3,620,991,688	3,624,271,926	3,622,504,688
Effect of stock options	775,027	1,064,941	775,027	1,064,941
Diluted average number of shares during the period	3,623,533,953	3,622,056,629	3,625,046,953	3,623,569,629

30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Jun 2010	Dec 2009	Jun 2010	Dec 2009
Book value of EDP, S.A. treasury stock (thousand Euros)	117,093	119,784	110,998	113,689
Number of shares	33,522,339	34,212,975	32,009,339	32,699,975
Market value per share (in Euros)	2.440	3.108	2.440	3.108
Market value of EDP, S.A.'s treasury stock (thousand Euros)	81,795	106,334	78,103	101,632

Operations performed from 1 January 2010 to 30 June 2010:	EDP, S.A.	Energia RE
Volume acquired (number of shares)	561,219	-
Purchase price average	2.77	-
Volume sold (number of shares)	-1,251,855	-
Selling price average	2.67	-
Final position (number of shares)	32,009,339	1,513,000
Highest market price (in Euros)	3.18	-
Lowest market price (in Euros)	2.21	-
Average market price (in Euros)	2.84	-

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

31. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Legal reserve	502,888	471,387	502,888	471,387
Fair value reserve (cash flow hedge)	88,056	80,444	65,511	56,561
Tax effect of fair value reserve (cash flow hedge)	-22,013	-18,650	-19,119	-15,457
Fair value reserve (available-for-sale investments)	200,862	191,893	155,984	129,809
Tax effect of fair value reserve (available-for-sale investments)	-18,196	-17,790	-16,186	-12,077
Exchange differences arising on consolidation	339,730	165,859	-	-
Treasury stock reserve (EDP, S.A.)	110,998	113,689	110,998	113,689
Other reserves and retained earnings	1,657,040	1,241,728	1,162,780	1,124,095
	2,859,365	2,228,560	1,962,856	1,868,007

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

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

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

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2008	322,565	-275,601
Changes in fair value	67,843	-29,274
Transfer of impairment to profit or loss	-	29,274
Transfer to the income statement relating to assets sold	-307	-
Balance as at 30 June 2009	390,101	-275,601
Changes in fair value	111,913	-567
Transfer of impairment to profit or loss	-	15
Transfer to the income statement relating to assets sold	-33,968	-
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	43,666	-34,697
Balance as at 30 June 2010	511,712	-310,850

Changes in fair value reserve attributable to the EDP Group during the six months period ended 30 June 2010 are analysed as follows:

	Increases Euro'000	Decreases Euro'000
Ampla Energia e Serviços, S.A.	30,673	-
Ampla Investimentos e Serviços, S.A.	2,064	-
BCP	-	-27,913
Denerge	10,929	-
REN - Rede Eléctrica Nacional, S.A.	-	-6,523
Other	-	-261
	43,666	-34,697

Exchange difference on consolidation

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

		Exchange rates at Jun 2010		Exchange rates at Dec 2009	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.227	1.327	1.441	1.390
Brazilian Real	BRL	2.208	2.384	2.511	2.783
Macao Pataca	MOP	9.842	10.632	11.506	11.088
Quetzal	GTQ	9.855	10.818	12.003	11.332
Zloty	PLN	4.147	4.002	4.105	4.362
Lei	RON	4.370	4.149	4.236	4.245
Pound Sterling	GBP	0.817	0.870	-	-

Dividends

On 16 April 2010, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which ocurred on 13 May 2010 over the net profit for the year 2009 in the amount of 566,763 thousand Euros, corresponding to a dividend of 0.155 Euros per share (including the treasury stock dividend amounting to 4,944 thousand Euros).

32. Minority interests

This caption is analysed as follows:

	Group	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Minority interests in income statement	74,626	144,102
Minority interests in reserves	2,850,104	2,543,435
	2,924,730	2,687,537

Minority interests , by company, are made up as follows:

	Group	
	Jun 2010 Euro'000	Dec 2009 Euro'000
EDP Renováveis Group	1,298,282	1,281,672
Energias do Brasil Group	1,570,603	1,346,792
Hidrocantábrico Group	29,930	35,534
Other	25,915	23,539
	2,924,730	2,687,537

During the first semester of 2010, EDP Group generated profit of 74,626 thousand Euros attributable to minority interests (31 December 2009: 144,102 thousand Euros).

The movement in minority interests of EDP Renováveis Group is mainly related to profits attributable to minority interests of 7,978 thousand Euros and to variations resulting from acquisitions and share capital increases attributable to minority interests totalling 12,138 thousand Euros.

The movement booked in minority interests of Energias do Brasil Group includes mainly 64,174 thousand Euros of profits attributable to minority interests, 171,464 thousand Euros from the positive exchange difference and a decrease of 19,402 thousand Euros related to dividends paid. Additionally, during the period of six months ended at 30 June 2010, the variation of fair value reserve associated to available for sale financial assets, has originated an increase in the minority interests of 5,908 thousand Euros.

The movement in minority interests of the Hidrocantábrico Group mainly includes 3,819 thousand Euros related to a share capital decrease on GED Cantabria following the amortisation of shares held by the minority interests.

The caption Other minority interests includes 25,625 thousand Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2009: 22,287 thousand Euros).

33. Hydrological account

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

	Group and Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000
Balance at the beginning of the period	112,631	237,822
Amounts received / (paid) during the period	-20,636	-
Financial charges	2,023	5,294
Balance at the end of the period	94,018	243,116

34. Financial debt

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Short term debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	79,682	51,277	79,682	51,277
- EDP Energias do Brasil Group	129,530	119,661	-	-
- HC Energia Group	2,315	1,488	-	-
- Renewables Group	105,602	103,039	-	-
- Generation - Portugal	9,381	8,991	-	-
- Portgás	22,552	33,999	-	-
	349,062	318,455	79,682	51,277
Non convertible bond loans:				
- EDP, S.A.	747,352	-	747,352	-
- EDP Finance B.V.	499,360	499,861	-	-
- EDP Energias do Brasil Group	92,222	81,077	-	-
	1,338,934	580,938	747,352	-
Commercial paper:				
- EDP, S.A.	895,000	1,218,500	5,507,000	4,107,500
- EDP Energias do Brasil Group	-	91,586	-	-
- HC Energia Group	188,119	329,322	-	-
	1,083,119	1,639,408	5,507,000	4,107,500
Other loans:				
- EDP Energias do Brasil Group	7,801	5,402	-	-
- Renewables Group	3,957	4,096	-	-
- Generation - Portugal	1,231	701	-	-
	12,989	10,199	-	-
Accrued interest	233,566	245,481	15,257	36,063
	3,017,670	2,794,481	6,349,291	4,194,840

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Medium and long term debts and borrowings - Non current				
Bank loans:				
- EDP, S.A.	735,009	759,024	735,009	759,024
- EDP Finance B.V.	3,464,363	3,206,321	-	-
- EDP Energias do Brasil Group	766,272	707,426	-	-
- HC Energia Group	4,461	4,991	-	-
- Renewable Group	416,015	402,599	-	-
- Generation - Portugal	183,055	185,046	-	-
- Portgás	61,019	66,862	-	-
	5,630,194	5,332,269	735,009	759,024
Non convertible bond loans:				
- EDP, S.A.	426,487	1,174,742	426,487	1,174,742
- EDP Finance B.V.	8,276,749	6,795,215	-	-
- EDP Energias do Brasil Group	127,860	180,639	-	-
	8,831,096	8,150,596	426,487	1,174,742
Other loans:				
- Preference shares of Investco	20,858	22,494	-	-
- EDP Energias do Brasil Group	51,728	37,349	-	-
- Renewable Group	28,812	29,530	-	-
- Generation - Portugal	5,633	6,151	-	-
	107,031	95,524	-	-
	14,568,321	13,578,389	1,161,496	1,933,766
Other liabilities:				
- Fair value of the issued debt hedged risk	39,134	-91,890	23,290	28,627
	14,607,455	13,486,499	1,184,786	1,962,393
	17,625,125	16,280,980	7,534,077	6,157,233

EDP Group, at EDP, S.A. level, has short-term credit facilities of 260,410 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 245,410 thousand Euros have a firm underwriting commitment, being available 194,608 thousand Euros; as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, being available as at 30 June 2010 500,000 thousand Euros. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 1,600,000 thousand Euros, with a firm underwriting commitment, totally available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousand USD with a firm underwriting commitment, which as at 30 June 2010 is totally drawn.

The Group has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 June 2010 and 31 December 2009 these loans amounted to 728,179 thousand Euros and 716,429 thousand Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of **Bond loans issued and outstanding** , as at 30 June 2010, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.						
EDP, S.A.	Mar/03	Euribor 6 months + 0.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
					450,000	450,000
Issued under the Euro Medium Term Notes program						
EDP, S.A.	Mar/01	Fixed rate EUR 5.875%	Fair Value	Mar/11	747,352	747,352
EDP Finance B.V.	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.	Nov/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	814,930	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	814,930	-
EDP Finance B.V.	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii)	Feb/09	Fixed rate EUR 5.5%	Fair Value	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	Net Investment	Jun/19	91,920	-
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	814,930	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	81,493	-
EDP Finance B.V.	Mar/10	Fixed Rate EUR 3,25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Jun/10	Variable Rate EUR (iv)	n.a.	Jun/11	500,000	-
					9,649,226	747,352
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov/01	IGPM + 10.5%	n.a.	Nov/11	29,278	-
Bandeirante	Apr/06	104.4% of CDI	n.a.	Mar/11	37,738	-
Escelsa	Jun/06	104.4% of CDI	n.a.	Jun/11	39,851	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	113,214	-
					220,081	-
					10,319,307	1,197,352

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

Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Bank loans and overdrafts:				
Up to 1 year	361,034	324,586	80,771	52,513
From 1 to 5 years	4,364,116	4,012,942	137,197	131,155
More than 5 years	1,266,078	1,319,327	597,812	627,869
	5,991,228	5,656,855	815,780	811,537
Bond loans:				
Up to 1 year	1,559,719	820,699	761,055	34,726
From 1 to 5 years	4,230,466	3,232,718	150,157	891,685
More than 5 years	4,639,764	4,825,988	299,620	311,684
	10,429,949	8,879,405	1,210,832	1,238,095
Commercial paper:				
Up to 1 year	1,083,584	1,638,513	5,507,465	4,107,601
Other loans:				
Up to 1 year	13,333	10,683	-	-
From 1 to 5 years	54,945	42,921	-	-
More than 5 years	52,086	52,603	-	-
	120,364	106,207	-	-
	17,625,125	16,280,980	7,534,077	6,157,233

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

	Jun 2010		Dec 2009	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	3,017,670	2,810,908	2,794,481	2,547,504
Medium/Long term debt and borrowings - Non current	14,607,455	15,105,528	13,486,499	14,110,568
	17,625,125	17,916,436	16,280,980	16,658,072

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

As at 30 June 2010, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	293,205	1,688,539	2,446,128	2,495,929	7,683,654	14,607,455
Short term debt and borrowings	1,508,882	1,508,788	-	-	-	-	3,017,670
	1,508,882	1,801,993	1,688,539	2,446,128	2,495,929	7,683,654	17,625,125

Future payments of capital in debt and interests and guarantees are detailed in note 41.

35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Provisions for social liabilities and benefits	1,083,068	1,109,347	-	-
Provisions for medical liabilities and other benefits	778,967	770,357	-	-
	1,862,035	1,879,704	-	-

Provisions for social liabilities and benefits as at 30 June 2010 include 1,070,720 thousand Euros relating to retirement pension defined benefit plans (31 December 2009: 1,095,981 thousand Euros) and 12,348 thousand Euros (31 December 2009: 13,366 thousand 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** during the period of six months ended at 30 June 2010 is analysed as follows :

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Balance at the beginning of the period	1,109,347	1,082,905	-	-
Charge for the period	28,253	31,064	-	-
Actuarial (gains)/losses	16,137	2,927	-	-
Charge-off	-74,539	-74,261	-	-
Transfers, reclassifications and exchange differences	3,870	-2,486	-	-
Balance at the end of the period	1,083,068	1,040,149	-	-

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

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

	Jun 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period				
Current service cost	5,858	254	233	6,345
Interest cost	52,552	2,384	10,253	65,189
Expected return on plan assets	-30,542	-	-9,484	-40,026
Plan participants contributions	-	-	-444	-444
Net cost for the period	27,868	2,638	558	31,064

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

	Group		Company	
	Jun 2010 Euro'000	Jun 2009 Euro'000	Jun 2010 Euro'000	Jun 2009 Euro'000
Balance at the beginning of the period	770,358	750,982	-	-
Charge for the period	23,988	24,920	-	-
Actuarial (gains)/losses	-530	-3,724	-	-
Charge-off	-20,197	-16,497	-	-
Transfers, reclassifications and exchange differences	5,348	2,956	-	-
Balance at the end of the period	778,967	758,637	-	-

The components of the net consolidated cost with this plan recognised during the year are as follows:

	Jun 2010			Jun 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period						
Current service cost	3,482	71	3,553	3,311	79	3,390
Interest cost	18,812	1,623	20,435	20,571	959	21,530
Net cost for the period	22,294	1,694	23,988	23,882	1,038	24,920

As at 30 June 2010, current service cost, interest cost and expected return on plan assets were determined based on the estimated cost for the year in accordance with the actuarial study as of 31 December 2009.

36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Provision for legal and labour matters and other contingencies	103,905	94,520	-	-
Provision for customer guarantees under current operations	29,640	28,561	-	-
Provision for other liabilities and charges	258,920	219,674	31,407	18,637
	392,465	342,755	31,407	18,637

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists in investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 June 2010, the amount of this Tax contingency totals 189.7 million Euros.

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

Consequently, EDP Group is currently executing all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and tax perspective. The Group intends to, at a final instance, call upon a judicial proceeding, if necessary.

37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Current:				
Suppliers	865,498	803,457	140,691	110,501
Property, plant and equipment suppliers	775,332	901,417	342	7,217
Advances from customers	30,407	29,500	43	43
Other payables:				
- Employees	24,574	56,949	5,312	6,901
- Supply of other goods and services	172,364	193,914	19,946	9,777
- Concession rents	15,683	15,822	-	-
- Amount payable to the regulatory entity in Brazil	17,878	11,988	-	-
- Amount to be invested in research and development - Brazil	20,394	16,449	-	-
- Amounts payable for electricity transactions in MIBEL	29,585	-	29,585	-
Payables - related companies	64,997	30,481	-	-
Payables from the Regulated Activity	9,841	40,159	-	-
Energetic efficiency program - Brazil	29,828	21,056	-	-
Holiday pay, bonus and other charges	87,187	96,606	613	587
Derivative financial instruments	38,017	88,745	114,668	132,349
Government grants and co-participation in investment in fixed assets	1,322	1,322	-	-
Accrued costs - Energy management business	77,577	17,132	151,378	102,176
Accrued costs - Energy purchase (PRE)	104,428	143,280	-	-
Accrued income - supply energy	25,068	20,395	-	-
Accrued costs relating to the fix network utilization tariff	8,033	72,140	-	-
CO2 emission licenses	257,649	341,446	-	-
Accrued costs - Subcontracts (Horizon)	15,745	22,841	-	-
Deferred income - CMEC	133,036	92,446	-	-
OMIP futures (own use)	5,917	9,620	3,194	9,620
Amounts payable for tariff adjustments - Portugal	640,443	1,056,236	-	-
Amounts payable for tariff adjustments - Spain	31,305	65,231	-	-
Tariff adjustment payable	14,317	14,317	-	-
Creditors - Group companies	-	-	511,251	621,941
Put options over minority interests liabilities	520,710	710,113	-	-
Other creditors and sundry operations	486,150	298,445	48,171	31,268
	4,503,285	5,171,507	1,025,194	1,032,380

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	11,906	10,893	11,906	10,893
Deposits received from customers and other debtors	36,361	37,670	3	3
Payables to associates	145,017	121,006	-	-
Suppliers of property, plant and equipment	6,682	6,789	1,887	1,888
Government grants for investment in fixed assets	426,340	413,897	-	-
Put options over minority interests liabilities	541,344	101,622	-	-
Amounts payable for tariff adjustments - Portugal	219,297	88,479	-	-
Deferred income	2,818	750	-	-
Energy sales contracts - Horizon	100,439	97,951	-	-
Deferred income - CMEC	339,850	381,278	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,675,700	1,353,612	-	-
Amounts payable for concessions	251,618	235,903	-	-
Derivative financial instruments	97,890	178,628	11,620	773
Payables - Group companies (EDP Finance BV)	-	-	3,423,013	2,809,277
Amounts payable for the acquisition of companies	4,335	21,230	-	-
Success fees payable related to companies acquisitions	89,508	57,354	-	-
Other creditors and sundry operations	49,598	52,511	2,907	1,907
	3,998,703	3,159,573	3,451,336	2,824,741

In the caption Put options over minority interests liabilities short term, as referred under Accounting policies - note 2 b) the Group books the effect of written put options related to interests held by minority interests in EDP Group subsidiaries, at the acquisition date or in a subsequent date, as an anticipated acquisition of those minority interests, booking a financial liability for the present value of the best estimate of the payable amount, regardless of the probability of the options being exercised. As at 30 June 2010 the responsibilities with options over minority interests include the put option of Caja Madrid over EDPR EU for 20% of Genesa share capital of 303,722 thousand Euros (31 December 2009: 303,722 thousand Euros) and the put option of Ente Vasco de la Energia over HC Energia for 30.4% of Naturgas Energia share capital of 216,979 thousand Euros (short term component).

In the caption Put options over minority interests liabilities medium / long term as at 30 June 2010 the responsibilities with options over minority interests include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 85,690 thousand Euros (31 December 2009: 100,812 thousand Euros), the put option of Ente Vasco de la Energia over HC Energia of 30.4% of Naturgas Energia share capital of 419,300 thousand Euros (medium and long term component) and the put option of Energia in Natura over EDP R-EU of 15% of EDPR Italia share capital of 35,947 thousand Euros.

The subsidiary Horizon books the receipts from equity investors associated to wind farms projects as non current liabilities under Liability to institutional investors in corporate partnership in wind farms in USA. This liability is reduced by the amount of tax benefits provided and payments made to the equity investors during the period. The amount of tax benefits provided is booked as a non current deferred income (30 June 2010: 596,132 thousand Euros and 31 December 2009: 433,763 thousand Euros), recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest calculated based on the liability amount and the expected return rate of the equity investors (see note 14).

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

	Current Euro'000	Non-Current Euro'000
Balance as at 1 January 2009	300,073	-
Payment through the electricity tariff	-157,997	-
Tariff adjustment of 2008	-	34,150
Tariff adjustment of the period	-	520,672
Interest expense	8,286	326
Transfer from Non-Current to Current	17,075	-17,075
Balance as at 30 June 2009	167,437	538,073
Payments through the electric energy tariff	-157,998	-
Tariff adjustment of 2008	-	-6
Tariff adjustment for the period	-	588,580
Interest expense	7,636	993
Transfer from Non-Current to Current	1,039,161	-1,039,161
Balance as at 31 December 2009	1,056,236	88,479
Payments through the electric energy tariff	-540,238	-
Tariff adjustment of 2009	10,698	10,698
Tariff adjustment for the period	57,228	163,810
Interest expense	12,279	550
Transfer from Non-Current to Current	44,240	-44,240
Balance as at 30 June 2010	640,443	219,297

38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	240,762	599,032	91,858	483,912
- Withholding tax	29,159	40,186	198	277
- Social Security contributions	9,987	9,982	19	20
- Value added tax (VAT)	34,912	42,344	11	385
- Turnover tax (Brazil)	70,508	57,179	-	-
- Social tax (Brazil)	36,680	41,402	-	-
- Other taxes	140,194	137,881	1	-
	562,202	928,006	92,087	484,594

As at 30 June 2010, Other taxes include foreign taxes regarding HC Energia Group of 51,266 thousand Euros, Naturgas Group of 33,430 thousand Euros (31 December 2009: HC Energia Group 44,225 thousand Euros and Naturgás Group of 31,671 thousand Euros) and Energia do Brazil Group of 48,348 thousand Euros (31 December 2009: 55,347 thousand Euros).

39. Assets and liabilities classified as held for sale

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

This caption is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Assets classified as held for sale				
Electricity transport equipment - Hidrocantabrico	30,951	-	-	-
	30,951	-	-	-

In 2010, EDP Group has reclassified to held for sale the electricity lines and substations belonging to Hidrocantabrico with a net amount of 30,951 thousand Euros. This reclassification results from the EDP Group expectations that the legal obligation to sell these electricity transport assets of Rede Eléctrica de España will occur in a 12 months period.

40. Derivative financial instruments

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

The fair value of the derivative financial instruments portfolio as at 30 June 2010 and 31 December 2009 is analysed as follows:

	Group		Company	
	Jun 2010 Euro'000	Dec 2009 Euro'000	Jun 2010 Euro'000	Dec 2009 Euro'000
Derivatives held for trading	18,183	-3,716	20,632	-9,767
Fair value hedge	63,104	-27,086	339,691	67,993
Cash-flow hedge	21,218	39,740	50,452	62,457
	102,505	8,938	410,775	120,683

41. Commitments

Financial and real guarantees granted by the EDP Group, not included in the balance sheet as at 30 June 2010 and 31 December 2009, are analysed as follows:

Type	Group Jun 2010 Euro'000	Group Dec 2009 Euro'000	Company Jun 2010 Euro'000	Company Dec 2009 Euro'000
Guarantees of a financial nature				
EDP, S.A.	450,592	396,175	450,592	396,175
Hidrocantábrico Group	42,183	36,858	-	-
Brazil Group	15,450	46,587	-	-
EDP Renováveis Group	5,845	9,465	-	-
Other	3,721	3,720	-	-
	517,791	492,805	450,592	396,175
Guarantees of an operating nature				
EDP, S.A.	978,807	829,891	978,807	829,891
Hidrocantábrico Group	343,468	324,839	-	-
Brazil Group	112,275	102,732	-	-
EDP Renováveis Group	1,915,054	1,613,885	-	-
Other (Portugal)	25,064	25,191	-	-
	3,374,668	2,896,538	978,807	829,891
Total	3,892,459	3,389,343	1,429,399	1,226,066
Real guarantees	24,705	12,504	-	-

The financial guarantees contracted include, at 30 June 2010 and 31 December 2009, 415,349 thousand Euros and 452,063 thousand Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 372,448 thousand Euros at 30 June 2010 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 137,985 thousand Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 June 2010 and 31 December 2009, 485,273 thousand Euros and 439,030 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has *project finance* loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 June 2010 and 31 December 2009 these loans amounted to 655,067 thousand Euros and 716,429 thousand Euros, respectively, and are included in the Group's consolidated debt.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the balance sheet) and other liabilities relating to purchases and future lease payments under operating leases (not included in the balance sheet) are disclosed, as at 30 June 2010 and 31 December 2009, by maturity, as follows:

	Jun 2010				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	21,161,747	3,438,853	4,259,189	6,237,243	7,226,462
Finance lease commitments	7,096	1,530	4,702	864	-
Operating lease commitments	534,986	35,415	69,615	66,281	363,675
Purchase obligations	40,826,450	3,072,715	6,273,197	4,447,751	27,032,787
Other long term commitments	2,549,555	239,534	520,778	474,070	1,315,173
	65,079,834	6,788,047	11,127,481	11,226,209	35,938,097

	Dec 2009				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	19,905,950	3,145,007	3,679,269	5,477,719	7,603,955
Finance lease commitments	7,178	2,957	3,862	359	-
Operating lease commitments	476,479	36,143	61,991	54,383	323,962
Purchase obligations	40,463,940	4,762,822	7,578,651	5,990,735	22,131,732
Other long term commitments	2,510,646	243,036	498,702	485,940	1,282,968
	63,364,193	8,189,965	11,822,475	12,009,136	31,342,617

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 Iberian Peninsula 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-end.

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 balance sheet (note 35 — Employee benefits).

As at 30 June 2010, 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;
- Put option of Ente Vasco de la Energia over HC Energia for 30.4% of Naturgás, which can be exercised until 30 July 2010, being the terms of exercising the option currently under negotiation, for the higher of the following amounts:
  - Initial price discounted to the put option exercise date, considering the dividends distributed up to date;
  - Fair value of the asset, determined by investment banks;
- Put option of Caja Madrid over EDP Renewables Europe, S.A. for 20% of its investment in Genesa. The option can be exercised between January 2010 and January 2011, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds a put option over Mercado Electrónico and Mercado Electrónico has a call option over EDP of 34% of the investment in Central E, S.A. The price of the options will be determined based on the last 12 months invoicing and the exercise period of the options starts in June 2010 and ends in June 2015;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Veinco Energia Limpia, S.L. a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;
- The EDP Group, through its subsidiary EDP - Energias do Brasil, acquired an interest of 3.16% in Denerge following the asset swap transaction occurred in August 2008 with Rede Group. The acquisition contract for this investment includes an option clause, valid for 2 years, to swap Denerge shares for a subscription of Rede Group shares in a potential Initial Public Offering, or an equivalent shareholding in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share;
- Alstom Portugal, S.A. holds a put option over EDP Produção S.A. of the investment in Soporgen (10 %), exercisable at any time until six months before the final project date (30 September 2015). The price of the options corresponds to the proportion of Alstom Portugal, SA in the equity of Soporgen, SA on the date of the option;
- Soporcel holds a call option over the shares held by EDP, exercisable on 30 September 2015, with an exercise price of 5 Euros, to be paid in proportion to the shares held by Alstom Portugal, S.A. and EDP Produção S.A.;
- Soporcel holds a call option exercisable at any time of the shares held by EDP Produção, S.A. in Soporgen. This option is exercisable at any time until 31 December 2014. The exercise price is fixed depending on the date of exercise of the option;
- EDP holds, through its subsidiary EDP Renewables Europe, a call option of the remaining 15% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurence of one of the following events:
  - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
  - When EDP Renewables Italy is able to build, develop and operate 350 MW in Italy.

42. Share based payments

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

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

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

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

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2008	1,117,485	2.21
Options exercised	105,088	
Options granted	-	
Balance as at 30 June 2009	1,012,397	2.21
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 30 June 2010	605,477	2.22

Information regarding stock options as at 30 June 2010:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options Euro'000
605,477	2.22	3.45	605,477	438,194

During the first semester of 2010 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the six months period ended at 30 June 2010, EDP Group granted treasury stocks to employees (744,935 shares) totalling 2,118 thousand Euros.

43. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 June 2010 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	733,150,712	20.05%	20.09%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	5.00%
Caixa Geral de Depósitos Group	208,942,393	5.71%	4.79%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,340,958	4.82%	4.87%
Senfora, SARL	148,431,999	4.06%	4.10%
Millennium BCP Group and Pension Fund	123,553,926	3.38%	3.41%
Banco Espírito Santo Group	111,013,214	3.04%	3.06%
Sonatrach	81,713,076	2.23%	2.26%
EDP Group (Treasury stock)	33,522,339	0.92%	
Remaining shareholders	1,608,174,069	43.99%	
	3,656,537,715	100.0%	

The number of shares of EDP S.A. held by company officers in 2010 and 2009 are as follows:

	2010 Nr. of shares	2009 Nr. of shares
General and Supervisory Board		
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,745	57,745
Executive Board of Directors		
António Luís Guerra Nunes Mexia	31,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	62,497	12,497
Nuno Maria Pestana de Almeida Alves	70,000	50,000
	212,613	112,613

Balances and transactions with subsidiaries and associates

As at 30 June 2010, the **credits** over subsidiaries and associates, at **Company** level and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	3,617	265,000	5,615	274,232
EDP Produção Bioeléctrica	-	12,458	82	12,540
EDP Produção	192,160	3,523,515	160,430	3,876,105
EDP Distribuição	687,134	928,125	103,928	1,719,187
EDP Comercial	56,401	50,000	68,600	175,001
EDP Finance	-	-	1,024,026	1,024,026
EDP Gas Com	-	-	25,190	25,190
EDP Imobiliária e Participações	643	201,122	505	202,270
EDP Inovação	702	3,990	397	5,089
EDP Soluções Comerciais	-	-	6,391	6,391
EDP Renováveis	-	-	329,808	329,808
EDP Renewables Europe	-	-	4,664	4,664
EDP Serviço Universal	-	-	4,245	4,245
EDP Gás	817	82,400	1,382	84,599
EDP Valor	-	-	7,368	7,368
EDP Renováveis Portugal	9	-	1,108	1,117
HDC Gestion de Energia	-	-	268,880	268,880
Hidroeléctrica do Guadiana (Alqueva)	96,698	-	1,017	97,715
Hidroeléctrica del Cantábrico	232	22,069	27,109	49,410
Hidroeléctrica de Pinhel	-	-	943	943
Hidroeléctrica do Rabaçal Ponte	-	-	827	827
EDP Internacional	2,007	1,469	211	3,687
Naturgas Energía Servicios	-	-	2,806	2,806
EDP Investimentos	1,083	15,000	267	16,350
Pebble Hydro	-	-	2,267	2,267
Portgás	-	-	725	725
Other	-	-	6,219	6,219
	1,041,503	5,105,148	2,055,010	8,201,661

As at 31 December 2009, the **credits** over subsidiaries and associates, at **Company** level and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	17,741	265,000	1,604	284,345
EDP Produção Bioeléctrica	-	13,045	94	13,139
EDP Produção	2,459	3,693,962	213,626	3,910,047
EDP Brasil	-	-	14,947	14,947
EDP Distribuição	3,960	628,125	120,967	753,052
EDP Comercial	115,409	-	50,365	165,774
EDP Finance	-	15,183	1,190	16,373
EDP Gás.Com	-	-	3,902	3,902
EDP Imobiliária e Participações	4,349	206,622	505	211,476
EDP Inovação	3,893	2,545	269	6,707
EDP Soluções Comerciais	-	-	22,828	22,828
EDP Renováveis	-	-	17,016	17,016
EDP Serviço Universal	-	-	254,574	254,574
EDP Gás	35,944	47,452	1,115	84,511
EDP Valor	-	-	13,837	13,837
Electrica Ribera del Ebro	-	-	8,443	8,443
Energin	-	-	1,135	1,135
EDP Renováveis Portugal	-	-	1,177	1,177
HDC Gestion de Energia	-	303,139	-	303,139
Hidroeléctrica del Cantábrico	-	55,616	32,082	87,698
EDP Internacional	1,007	1,047	336	2,390
Labelec	-	-	2,138	2,138
EDP Investimentos	-	17,000	976	17,976
Soporgen	-	-	877	877
Other	-	-	5,910	5,910
	184,762	5,248,736	769,913	6,203,411

As at 30 June 2010, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Produção	-	-	188,272	188,272
EDP Distribuição	-	-	16,783	16,783
EDP Comercial	-	-	2,293	2,293
EDP Estudos e Consultoria	4,013	2,500	3,261	9,774
EDP Finance	-	-	3,736,359	3,736,359
EDP Gas Com	-	-	3,267	3,267
EDP Imobiliária e Participações	-	-	1,497	1,497
EDP Inovação	-	-	1,216	1,216
EDP Soluções Comerciais	13,027	-	1	13,028
EDP Renováveis	-	-	91,584	91,584
EDP Renewables Europe	-	-	35,795	35,795
EDP Serviner	1,366	-	165	1,531
EDP Serviço Universal	-	-	108,257	108,257
EDP Valor	20,889	-	1,154	22,043
Electrica Ribera del Ebro	-	-	17,465	17,465
Hidroeléctrica do Guadiana (Alqueva)	-	-	3,928	3,928
Hidroeléctrica del Cantábrico	-	-	69,496	69,496
Labelec	713	-	189	902
Naturgás	-	-	93,775	93,775
NQF Gás III SGPS	62,135	-	585	62,720
OPTEP	-	-	884	884
Sãvida	11,852	-	3	11,855
Other	-	1	2,227	2,228
	113,995	2,501	4,378,456	4,494,952

As at 31 December 2009, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Produção	-	-	102,718	102,718
EDP Distribuição	-	-	16,041	16,041
EDP Comercial	-	-	6,354	6,354
EDP Estudos e Consultoria	3,284	-	6,562	9,846
EDP Finance	-	3,337,359	36,740	3,374,099
EDP Imobiliária e Participações	-	-	6,402	6,402
EDP Inovação	-	-	4,599	4,599
EDP Soluções Comerciais	38,123	-	-	38,123
EDP Renováveis	-	37,690	-	37,690
EDP Serviner	1,304	-	24	1,328
EDP Valor	31,308	-	792	32,100
Electrica Ribera del Ebro	-	-	28,933	28,933
Energin	-	-	2,446	2,446
Hidrocantábrico Energia	-	-	1,219	1,219
Hidroeléctrica do Guadiana (Alqueva)	-	-	1,143	1,143
Hidroeléctrica del Cantábrico	4,604	-	16,545	21,149
Labelec	3,707	-	286	3,993
Naturgás	-	4,636	-	4,636
EDP Renewables Europe	-	21,554	11,377	32,931
EDP Gás III SGPS	62,147	-	381	62,528
EDP Investimentos	1,919	-	-	1,919
Sãvida	12,163	-	2	12,165
Soporgen	-	-	1,507	1,507
Other	-	-	704	704
	158,559	3,401,239	244,775	3,804,573

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

Companies	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
EDP Produção	43	-	466,072	466,115
EDP Distribuição	-	-	4,795	4,795
EDP Estudos e Consultoria	5	-	9,903	9,908
EDP Finance	-	94,704	18,441	113,145
EDP Gas Com	-	-	1,903	1,903
EDP Inovação	-	-	1,600	1,600
EDP Renováveis	-	99	1,173	1,272
EDP Renewables Europe	-	-	11,392	11,392
EDP Valor	49	-	2,930	2,979
Electrica Ribera del Ebro	-	-	24,269	24,269
Hidrocantábrico Energia	-	-	3,007	3,007
Hidroeléctrica do Guadiana (Alqueva)	-	-	17,109	17,109
Hidroeléctrica del Cantábrico	-	-	50,402	50,402
Other	78	206	1,685	1,969
	175	95,009	614,681	709,865

Expenses related to intra-Group transactions as at 30 June 2009, at **Company level**, eliminated on consolidation are as follows:

Companies	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
EDP Produção	32	-	547,586	547,618
EDP Energias do Brasil	-	-	1,293	1,293
EDP Distribuição	1,304	-	4,380	5,684
EDP Estudos e Consultoria	17	-	10,808	10,825
EDP Finance	-	85,102	43,769	128,871
EDP Inovação	18	-	1,470	1,488
EDP Soluções Comerciais	646	-	189	835
EDP Renováveis	-	163	39,850	40,013
EDP Valor	164	-	2,801	2,965
Electrica Ribera del Ebro	-	-	36,489	36,489
Hidrocantábrico Energia	-	-	6,561	6,561
Hidroeléctrica del Cantábrico	-	-	15,227	15,227
EDP Renewables Europe	-	-	11,876	11,876
Other	77	70	1,223	1,370
	2,258	85,335	723,522	811,115

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

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	103	3,657	49	3,809
EDP Produção	335	103,315	37,960	141,610
EDP Energias do Brasil	-	-	3,418	3,418
EDP Distribuição	1,663	17,207	20,168	39,038
EDP Comercial	575	349	194,200	195,124
EDP Gas Com	-	-	33,368	33,368
EDP Imobiliária e Participações	11	2,610	193	2,814
EDP Soluções Comerciais	77	-	14,154	14,231
EDP Renováveis	-	-	323,303	323,303
EDP Renewables Europe	-	-	13,984	13,984
EDP Serviço Universal	-	-	5,680	5,680
EDP Gás SGPS	131	1,642	916	2,689
EDP Valor	-	-	4,144	4,144
Electrica Ribera del Ebro	-	-	17,928	17,928
Hidrocantábrico Distribuição Eléctrica S.A.U.	-	-	1,292	1,292
Hidrocantábrico Energia	-	-	1,602	1,602
HC Soluções Comerciais	-	-	1,024	1,024
HDC Gestão de Energia	-	1,515	172	1,687
Hidroeléctrica do Guadiana (Alqueva)	-	-	849	849
Hidroeléctrica del Cantábrico	-	-	29,008	29,008
Naturgas Energía Servicios	-	-	2,218	2,218
Other	18	553	4,053	4,624
	2,913	130,848	709,683	843,444

Income related to intra-Group transactions as at 30 June 2009, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	54	4,786	69	4,909
EDP Produção	1,232	90,788	93,326	185,346
EDP Distribuição	6,041	35,967	19,809	61,817
EDP Comercial	246	-	26,126	26,372
EDP Finance	-	38	13,945	13,983
EDP Imobiliária e Participações	70	8,048	289	8,407
EDP Soluções Comerciais	1,091	-	15,411	16,502
EDP Renováveis	-	24,188	2,332	26,520
EDP Serviço Universal	-	-	10,236	10,236
EDP Gás SGPS	121	378	1,009	1,508
EDP Valor	-	-	4,536	4,536
Electrica Ribera del Ebro	-	-	14,890	14,890
Hidrocantábrico Distribuição Eléctrica S.A.U.	-	-	1,000	1,000
Hidroeléctrica del Cantábrico	-	17	41,611	41,628
EDP Renewables Europe	-	-	5,241	5,241
Other	46	910	3,631	4,587
	8,901	165,120	253,461	427,482

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

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	89,367	2,178	87,189
Jointly controlled entities	45,709	11,404	34,305
	135,076	13,582	121,494

Assets and Liabilities with related companies at 31 December 2009, for the **Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	123,327	2,086	121,241
Jointly controlled entities	49,261	12,063	37,198
	172,588	14,149	158,439

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

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	4,790	1,942	-597	-4
Jointly controlled entities	28,057	3,512	-10,938	-300
	32,847	5,454	-11,535	-304

Transactions with related companies at 30 June 2009, **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	5,555	845	-820	-11
Jointly controlled entities	989	1,059	-6,331	-369
	6,544	1,904	-7,151	-380

44. Fair value of financial assets and liabilities

	Group Jun 2010			Group Dec 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	461,055	461,055	-	443,117	443,117	-
Trade receivables	2,179,797	2,179,797	-	2,008,134	2,008,134	-
Derivative financial instruments	238,412	238,412	-	276,311	276,311	-
Financial assets at fair value through profit or loss	81,828	81,828	-	84,852	84,852	-
Cash and cash equivalents (assets)	1,435,405	1,435,405	-	2,189,560	2,189,560	-
	4,396,497	4,396,497	-	5,001,974	5,001,974	-
Financial liabilities						
Loans	17,625,125	17,916,436	291,311	16,280,980	16,658,072	377,092
Trade payables	1,640,830	1,640,830	-	1,704,874	1,704,874	-
Derivative financial instruments	135,907	135,907	-	267,373	267,373	-
	19,401,862	19,693,173	291,311	18,253,227	18,630,319	377,092

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.

45. Adoption of IFRIC 12 - Service concession arrangements

IFRIC 12 is designate to provide an accounting framework to businesses developed by operators in public-private infrastructure concessions with underlying services of public interest.

IFRIC 12 was adopted by the EU Commission on 25 March 2009 and applies to annual periods that begin after that date. In EDP, the application of this interpretation is mandatory from January 1, 2010, being mandatory the presentation of comparative information for the year of 2009.

IFRIC 12 applies to contracts of public-private concessions in which the grantor:

• Controls or regulates the type of services that can be provided using the underlying infrastructure;
• Controls or regulates the price at which services are provided;
• Controls / holds a significant interest in the infrastructure at the end of the concession.

Under IFRIC 12, a public-private concession will present, typically, the following characteristics:

- An infrastructure underlying the grant which is used to provide services;
- An agreement / contract between the grantor and operator;
- The operator provides a range of services during the concession;
- The operator receives a fee throughout the concession contract, either directly from the grantor or the users of the infrastructure, or both;
- Infrastructures are transferred to the grantor at the end of the concession, typically for free or even for reward.

In the business of **Generation of electricity**, IFRIC 12 applies to the operation of mini-hydroelectric generation plants (with regulated electricity prices), being applicable the Intangible Assets Model, as described in accounting policy 2 aa).

In the business of **Distribution of electricity**, IFRIC 12 applies to the High / Medium Voltage (RND) and Low Voltage (Municipalities - Local Authorities) concessions of EDP Distribuição and also to the electricity distribution concessions granted to the Brazilian subsidiaries Bandeirante and Escelsa, being for all cases applied the mixed model, as described in accounting policy 2 aa).

In the business of **gas distribution**, IFRIC 12 applies to the concession attributed to EDP Gás in Portugal being applicable the mixed model, as described in accounting policy 2 aa).

In the business of **electricity transportation**, IFRIC 12 applies to the Brazilian subsidiary Évrecy - Transmission, applying the Financial Model, as described in accounting policy 2 aa).

The impacts of the adoption of IFRIC 12 are presented as follows:

Balance Sheet	**31.12.2009 ***	**Adjustments IFRIC 12**	**31.12.2009 Adjusted**	**01.01.2009**	**Adjustments IFRIC 12**	**01.01.2009 Adjusted**
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Assets						
Property, plant and equipment	24,097,779	-5,684,190	18,413,589	21,249,965	-5,359,898	15,890,067
Intangible assets	2,806,714	3,660,793	6,467,507	2,648,792	3,501,674	6,150,466
Goodwill	3,162,156	-	3,162,156	3,104,979	-	3,104,979
Investments in associates	175,272	-	175,272	172,754	-	172,754
Available for sale investments	443,117	-	443,117	350,887	-	350,887
Deferred tax assets	661,335	-	661,335	539,878	-	539,878
Trade receivables	114,821	-	114,821	112,044	-	112,044
Debtors and other assets	1,942,970	370,257	2,313,227	2,637,703	273,420	2,911,123
Total Non-Current Assets	33,404,164	-1,653,140	31,751,024	30,817,002	-1,584,804	29,232,198
Inventories	273,376	-	273,376	276,800	-	276,800
Trade receivables	1,893,313	-	1,893,313	1,646,613	-	1,646,613
Debtors and other assets	1,865,016	-	1,865,016	1,632,172	-	1,632,172
Tax receivable	557,641	-	557,641	544,740	-	544,740
Financial assets at fair value through profit or loss	84,852	-	84,852	83,227	-	83,227
Cash and cash equivalents	2,189,560	-	2,189,560	713,587	-	713,587
Assets classified as held for sale	-	-	-	30,828	-	30,828
Total Current Assets	6,863,758	-	6,863,758	4,927,967	-	4,927,967
Total Assets	40,267,922	-1,653,140	38,614,782	35,744,969	-1,584,804	34,160,165
Equity						
Share capital	3,656,538	-	3,656,538	3,656,538	-	3,656,538
Treasury stock	-119,784	-	-119,784	-126,532	-	-126,532
Share premium	501,992	-	501,992	501,992	-	501,992
Reserves and retained earnings	2,228,560	-	2,228,560	1,243,293	-	1,243,293
Consolidated net profit attributable to equity holders of EDP	1,023,845	-	1,023,845	1,091,529	-	1,091,529
Total Equity attributable to equity holders of EDP	7,291,151	-	7,291,151	6,366,820	-	6,366,820
Minority interests	2,687,537	-	2,687,537	2,200,605	-	2,200,605
Total Equity	9,978,688	-	9,978,688	8,567,425	-	8,567,425

	31.12.2009 *	Adjustments IFRIC 12	31.12.2009 Adjusted	01.01.2009	Adjustments IFRIC 12	01.01.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Liabilities						
Financial debt	13,486,499	-	13,486,499	10,874,311	-	10,874,311
Employee benefits	1,879,704	-	1,879,704	1,833,887	-	1,833,887
Provisions	342,755	-	342,755	323,719	-	323,719
Hydrological correction account	112,631	-	112,631	237,822	-	237,822
Deferred tax liabilities	760,938	-	760,938	675,737	-	675,737
Trade and other payables	4,678,589	-1,519,016	3,159,573	4,862,651	-1,493,431	3,369,220
Total Non-Current Liabilities	21,261,116	-1,519,016	19,742,100	18,808,127	-1,493,431	17,314,696
Financial debt	2,794,481	-	2,794,481	3,812,014	-	3,812,014
Trade and other payables	5,305,631	-134,124	5,171,507	4,153,100	-91,373	4,061,727
Tax payable	928,006	-	928,006	388,462	-	388,462
Liabilities classified as held for sale	-	-	-	15,841	-	15,841
Total Current Liabilities	9,028,118	-134,124	8,893,994	8,369,417	-91,373	8,278,044
Total Liabilities	30,289,234	-1,653,140	28,636,094	27,177,544	-1,584,804	25,592,740
Total Equity and Liabilities	40,267,922	-1,653,140	38,614,782	35,744,969	-1,584,804	34,160,165

* This column includes, under the terms of IFRS 3, the effect of the adjustments resulting from the final purchase price allocation of Bon Vent de L'Ébre performed in 2010, which led to a reclassification of comparative financial information as of 31 December 2009, increasing the value of property plant and equipment by 4,041 thousand Euros, goodwill by 2,324 thousand Euros, deferred tax liabilities by 2,045 thousand Euros and trade and other payables (non-current) by 4,320 thousand Euros.

The impact of the adoption of IFRIC 12 in EDP Group's income statement is presented as follows:

	30.06.2009	Adjustments IFRIC 12	30.06.2009 Adjusted
Income Statement	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Turnover	5,889,774	-24	5,889,750
Cost of consumed electricity	-2,512,813	-	-2,512,813
Cost of consumed gas	-346,316	-	-346,316
Changes in inventories and cost of raw materials and consumables used	-576,839	-	-576,839
	2,453,806	-24	2,453,782
Other operating income / (expenses)			
Other operating income	113,830	-	113,830
Supplies and services	-353,463	-	-353,463
Personnel costs	-283,839	-	-283,839
Employee benefits	-66,030	-	-66,030
Other operating expenses	-253,761	-	-253,761
	-843,263	-	-843,263
Provisions	-18,751	-	-18,751
Depreciation and amortisation expense	-667,164	48,096	-619,068
Compensation of amortisation and depreciation	53,878	-48,072	5,806
	-632,037	24	-632,013
	978,506	-	978,506
Gains / (losses) on the sale of financial assets	27,884	-	27,884
Other financial income	488,588	-	488,588
Other financial expenses	-775,813	-	-775,813
Share of profit in associates	13,709	-	13,709
Profit before income tax	732,874	-	732,874
Income tax expense	-193,256	-	-193,256
Net profit for the period	539,618	-	539,618
Attributable to:			
Equity holders of EDP	479,350	-	479,350
Minority interests	60,268	-	60,268
Net profit for the perioc	539,618	-	539,618
Earnings per share (Basic and Diluted) - Euros	0.13	-	0.13

In accordance with IFRS 3 - Business combinations, the adjustments that resulted from the definitive purchase price allocation performed in the second semester of 2009 for goodwill recorded for Investco Network and Paved led to the reclassification of the comparative financial information, increasing the value of the depreciation for current period by 826 thousand Euros and decreasing the income statement by 545 thousand Euros.

The impacts of the adoption of IFRIC 12 per business are presented as follows:

	Group	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Intangible assets		
Concession rights		
Portugal		
Electricity		
Distribution	2,377,955	2,424,483
Generation	273,457	122,970
Gas	122,012	263,979
Brasil		
Electricity		
Distribution and transport	928,178	849,361
Tangible and intangible fixed assets not related to concessions	-5,899,607	-5,684,190
Receivables from concessions - IFRIC 12 - Non current	444,924	370,257
Total impact on assets	-1,753,081	-1,653,140
Allowances and asset investment - non current	-2,825,463	-2,672,251
Allowances and investment assets - current	1,072,382	1,019,111
Total impact on liabilities	-1,753,081	-1,653,140

The value of grants and contributions obtained related to investment assets was considered in the gross value of intangible fixed assets allocated to concessions - IFRIC 12 and the amortisation of these grants and contributions was considered in the accumulated amortisation of intangible fixed assets allocated to concessions - IFRIC 12.

	Group	
	Jun 2010 Euro'000	Jun 2009 Euro'000
Amortisation of concession rights	212,915	201,010
Depreciation of tangible fixed assets	-161,644	-152,914
Compensation for depreciation	-51,097	-48,072
Other	- 174	- 24
Total impact on results	-	-

46. Subsequent events

Moody's confirms EDP's long term credit rating to "A3" assigning stable outlook

On 13 July 2010 Moody's Investors Service ("Moody's") confirmed the A3 rating of Energias de Portugal, S.A. ("EDP") with a stable outlook. This risk assessment followed Moody's notification on the reduction of the Portuguese Republic rating from Aa2 to A1.

EDP and Sonangol sign contract for financial advisory services to build combined cycle plant

On 22 July 2010, the EDP Group and Sonangol signed a financial advisory contract with Banco Privado Atlântico to build the first combined cycle plant in Angola.

This 400 MW project is the result of a partnership between EDP and Sonangol signed in July 2009 through the setting up of holding EIH, which is owned 30% by EDP, 30% by Sonangol, 30% by Banco Privado Atlântico and the remaining 10% by Finicapital.

EDP Reinforces control over Naturgas

Within the scope of the privatisation process of Naturgas Energia Grupo, S.A. ("Naturgas") which occurred in 2003, Hidroeléctrica Del Cantábrico S.A. ("HC) (96,86% owned by EDP) acquired a controlling stake in Naturgas and closed with Ente Vasco De La Energia ("EVE"), a shareholder agreement valid until 30 July 2010, which included a put option for part or the whole of EVE's stake in Naturgas, to be exercised at market value until 30 July 2010.

Following EVE's decision to exercise the above mentioned put option, an agreement was signed on 28 July 2010 between EVE and HC that sets up the terms below:
• Purchase by HC from EVE of 29.43% of the share capital of Naturgas for €617 million, with this acquisition and respective payment being phased in three tranches: a 1st tranche of 9.43% to be paid by the time of completion of the required approvals for the execution of the transaction, and two tranches of 10% each plus interest, to be paid until the end of the first half of 2012 and the first half of 2013, respectively.
• 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.
• Change of the HC/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position.

EDP sells electricity transmission assets in Spain to Red Eléctrica de España

On 29 July 2010, in accordance with Law 17/2007 of July 4th, which modifies law 54/97 of the Spanish Electricity Sector and obliges distribution companies to sell their transmission assets to Red Eléctrica de España, S.A.U. ("REE"), Hidrocantábrico Distribución Eléctrica, S.A.U., EDP Group's subsidiary for the electricity distribution business in Spain, signed an agreement for the sale of its transmission assets to REE for 58 million Euros. The completion of this operation will allow EDP to book a capital gain of approximately 28 million Euros (before taxes).

This operation is subject to approval by the competent authorities and complies with the European Directive for the electricity market, which defines the existence of a single transmission network manager for each country.

47. Recent accounting standards and interpretations issued

In May 2009, 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 2010, as follows:

• Changes to IFRS 2 - Share based payment - effective from 1 January 2010
• Changes to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations - effective from 1 January 2010
• Changes to IFRS 8 - Operating segments - effective from 1 January 2010
• Changes to IAS 1 - Presentation of Financial Statements - effective from 1 January 2010
• Changes to IAS 7 - Statement of Cash Flows - effective from 1 January 2010
• Changes to IAS 17 - Leases - effective from 1 January 2010
• Changes to IAS 36 - Impairment of Assets - effective from 1 January 2010
• Changes to IAS 38 - Intangible Assets - effective from 1 January 2010
• Changes to IAS 39 - Financial Instruments: Recognition and Measurement - effective from 1 January 2010
• Changes to IFRIC 9 - Reassessment of Embedded Derivatives - effective from 1 January 2010
• Changes to IFRIC 16 - Hedges of a Net Investment in a Foreign Operation - effective from 1 January 2010

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

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 2010:

• IFRS 9 - Financial Instruments;
• IFRIC 14 (Amended) - Prepayments of a Minimun Funding Requirement;
• IFRIC 19 (Amended) - Extinguishing Financial Liabilities With Equity Instruments;
• IAS 24 (Revised) - Related Party Disclosures;
• IFRS 1 (Amended) - Additional Exemptions for First-time Adopters;
• Annual Improvement Project (issued in May 2010).

48. EDP Branch in Spain

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

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

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

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

The balance sheet of the Branch as at 30 June 2010 and 31 December 2009 is analysed as follows:

	EDP Branch	
	Jun 2010 Euro'000	Dec 2009 Euro'000
Assets		
Property, plant and equipment	61	-
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
Other	60	60
Other debtors	319,643	1,478
Total Non-Current Assets	5,241,451	4,923,225
Trade receivables	34,408	16,157
Debtors and other assets	293,930	376,013
Tax receivable	10,089	10,442
Cash and cash equivalents	203,845	10,885
Total Current Assets	542,272	413,497
Total Assets	5,783,723	5,336,722

	Jun 2010 Euro'000	Dec 2009 Euro'000
Equity	1,761,281	1,852,407
Financial debt	3,423,013	2,809,277
Total Non-Current Liabilities	3,423,013	2,809,277
Financial debt	50,802	22,771
Trade and other payables	548,546	651,760
Tax payable	81	507
Total Current Liabilities	599,429	675,038
Total Liabilities	4,022,442	3,484,315
Total Equity and Liabilities	5,783,723	5,336,722

49. Segmental reporting

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

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

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

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

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

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

The segments defined by the Group are the following:

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

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

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

- EDP - Gestão da Produção de Energia, S.A.
- Pebble Hydro subgroup
- Electrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Group 4
- 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.
- EDP Soluções Comerciais, 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.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDP Renewables Europe and Horizon Wind Energy 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.
- Gas de Euskadi Transporte de Gas, S.A.U.
- Naturgás Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Group, S.A.
- Septentrional de Gas, S.A.

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

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments

related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

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

The balance sheet 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 translation of 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 - IFRS

Information by Business Segment — six months period ended 30 June 2010

(Amounts in thousands of Euros)

	Electricity																					Gas						
	Iberian Generation				Iberian Distribution *			Iberian Supply			EDP Renováveis					EDP Energias do Brasil						Iberian Activity						
	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	EDP Group
Turnover	1,055,350	868,915	-3,333	1,920,932	2,513,583	82,521	2,596,104	343,718	953,575	1,297,293	275,651	135,805	1,873	-422	412,907	191,749	778,502	129,722	1,279	-85,373	1,015,879	233,786	648,802	-90,246	792,342	116,160	-1,388,998	6,762,619
Revenues form external customers	754,953	781,585	2,148	1,538,686	2,372,322	-9,069	2,363,253	341,321	1,025,499	1,366,820	263,553	135,805	1,451	-	400,809	114,401	776,754	124,058	666	-	1,015,879	105,322	602,988	-	708,310	-516,065	23,789	6,901,481
Revenues from transactions with other operating segments	300,397	87,330	-5,481	382,246	141,261	91,590	232,851	2,397	-71,924	-69,527	12,098	-	422	-422	12,098	77,348	1,748	5,664	613	-85,373	-	128,464	45,814	-90,246	84,032	632,225	-1,412,787	-138,862
Cost of consumed electricity	-225,218	-490,568	-	-715,786	-1,825,848	204	-1,825,644	-328,918	-909,157	-1,238,075	-96	-448	-62	-	-606	-33,140	-453,329	-120,996	-	85,373	-522,092	-	-89,930	-	-89,930	-	1,145,424	-3,246,709
Cost of consumed gas	-	-255	-	-255	-	-	-	-18	-3,827	-3,845	-	-	-	-	-	-	-	-	-	-	-	-188,155	-399,364	88,084	-499,435	-	88,220	-415,315
Change in inventories and cost of raw materials and consumables used	-207,670	-177,065	6,203	-378,532	-4,248	-301	-4,549	-2,390	-11,894	-14,284	-1,531	-	-	211	-1,320	-20	-474	-	-	-	-494	-	-1,595	-	-1,595	-54	29,191	-371,637
	622,462	201,027	2,870	826,359	683,487	82,424	765,911	12,392	28,697	41,089	274,024	135,357	1,811	-211	410,981	158,589	324,699	8,726	1,279	-	493,293	45,631	157,913	-2,162	201,382	116,106	-126,163	2,728,958
Other operating income / (expenses)																												
Other operating income	3,966	2,056	-	6,022	23,376	14,351	37,727	3,471	14,416	17,887	4,981	58,929	1,112	315	65,337	51	5,419	3,388	2,310	-59	11,109	706	2,090	-13	2,783	31,820	-46,958	125,727
Supplies and services	-47,693	-28,669	951	-75,411	-142,572	-25,217	-167,789	-7,856	-22,473	-30,329	-40,708	-42,986	-8,070	626	-91,138	-11,320	-58,393	-936	-6,303	-	-76,952	-5,457	-28,306	482	-33,281	-86,405	156,738	-404,567
Personnel costs	-40,041	-15,884	925	-55,000	-88,397	-9,777	-98,174	-2,664	-4,391	-7,055	-8,697	-9,722	-4,178	-	-22,597	-7,410	-32,505	-1,173	-4,194	-	-45,282	-3,019	-13,493	-	-16,512	-52,216	397	-296,439
Employee benefits	-10,474	-777	-	-11,251	-38,886	-1,422	-40,308	-94	-111	-205	-146	-997	-54	-	-1,197	-595	-7,644	-57	-331	-	-8,627	-117	-272	-	-389	-4,552	5,683	-60,846
Other operating expenses	-9,742	-11,525	110	-21,157	-141,921	-2,267	-144,188	-7,857	-12,062	-19,919	-8,424	-9,266	-85	-681	-18,456	-2,782	-24,742	-335	-4,515	-	-32,374	-1,785	-10,062	152	-11,695	-17,334	3,089	-262,034
	-103,984	-54,799	1,986	-156,797	-388,400	-24,332	-412,732	-15,000	-24,621	-39,621	-52,994	-4,042	-11,275	260	-68,051	-22,056	-117,865	887	-13,033	-59	-152,126	-9,672	-50,043	621	-59,094	-128,687	118,949	-898,159
	518,478	146,228	4,856	669,562	295,087	58,092	353,179	-2,608	4,076	1,468	221,030	131,315	-9,464	49	342,930	136,533	206,834	9,613	-11,754	-59	341,167	35,959	107,870	-1,541	142,288	-12,581	-7,214	1,830,799
Provisions	-5,255	-4,507	-	-9,762	-1,664	-	-1,664	-12,513	-3,905	-16,418	46	-	-	-	46	218	-1,590	-	-435	-	-1,807	-5	114	-	109	-18,282	8,500	-39,278
Depreciation and amortisation expense	-155,027	-60,509	-	-215,536	-126,991	-24,773	-151,764	-710	-1,424	-2,134	-96,370	-103,798	-890	-470	-201,528	-30,863	-37,956	-34	-4,087	1,079	-71,861	-5,689	-31,811	-	-37,500	-6,887	-30,566	-717,776
Tangible and intangible assets impairment	-	29	-	29	-	-	-	-	-	-	-	-117	-	-	-117	-	-	-	-	-	-	-	-	-	-	-	-	-88
Compensation of amortisation and depreciation	3,953	230	-	4,183	-	2,164	2,164	10	-	10	535	4,226	-	-1	4,760	-	-	-	-	-	-	-	1,524	-	1,524	20	-	12,661
	362,149	81,471	4,856	448,476	166,432	35,483	201,915	-15,821	-1,253	-17,074	125,241	31,626	-10,354	-422	146,091	105,888	167,288	9,579	-16,276	1,020	267,499	30,265	77,697	-1,541	106,421	-37,730	-29,280	1,086,318
Gain/(losses) from the sale of financial assets	-	4	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-846	-	-846	6,761	-1,110	4,809
Other financial income	303,298	26,713	-26,608	303,403	244	-	244	5	203	208	14,763	3,559	223,633	-223,186	18,769	12,713	6,279	2	139,754	-137,035	21,713	974	374	-	1,348	742,059	-779,464	308,280
Interest revenue	268	3,931	-	4,199	12,990	170	13,160	16	112	128	4,152	235	117,707	-116,705	5,389	3,261	32,560	243	4,937	-1,540	39,461	433	380	-	813	290,267	-220,247	133,170
Other financial expenses	-285,473	-30,505	61,675	-254,303	-236	-19	-255	-7	-214	-221	-25,749	-36,556	-235,098	231,433	-65,970	-32,292	-14,427	-433	-1,237	-1,932	-50,321	-1,123	-932	-	-2,055	-409,457	386,595	-395,987
Interest expense	-86,873	-14,941	-	-101,814	-28,100	-494	-28,594	-934	-2,265	-3,199	-101,880	1,604	-68,121	121,457	-46,940	-21,828	-15,479	-11	-311	32	-37,597	-2,801	-178	-	-2,979	-268,783	211,508	-278,398
Share of profit of associates	143	117	-	260	-	-	-	-	-	-	3,287	-	-	-	3,287	-	-	-	-	-387	-387	1,300	135	-	1,435	8,157	387	13,139
Profit / (loss) before tax	293,512	66,790	39,923	400,225	151,330	35,140	186,470	-16,741	-3,417	-20,158	19,814	468	27,767	12,577	60,626	67,742	176,221	9,380	126,867	-139,842	240,368	29,048	76,630	-1,541	104,137	331,274	-431,611	871,331
Income tax expense	-77,084	-26,194	-6,666	-109,944	-10,203	-11,540	-21,743	3,943	588	4,531	-5,284	-	-8,602	-2,528	-16,414	-17,653	-61,102	-3,207	3,949	76	-77,937	-8,287	-21,944	447	-29,784	5,853	13,524	-231,914
Net profit / (loss) for the period	**216,428**	**40,596**	**33,257**	**290,281**	**141,127**	**23,600**	**164,727**	**-12,798**	**-2,829**	**-15,627**	**14,530**	**468**	**19,165**	**10,049**	**44,212**	**50,089**	**115,119**	**6,173**	**130,816**	**-139,766**	**162,431**	**20,761**	**54,686**	**-1,094**	**74,353**	**337,127**	**-418,087**	**639,417**
Attributable to:																												
Equity holders of EDP	215,978	41,544	33,257	290,779	141,127	22,854	163,981	-12,311	-2,742	-15,053	12,825	468	19,549	10,055	42,897	26,838	115,119	6,173	130,816	-139,766	139,180	17,451	51,422	-1,094	67,779	340,196	-464,968	564,791
Minority interest	450	-948	-	-498	-	746	746	-487	-87	-574	1,705	-	-384	-6	1,315	23,251	-	-	-	-	23,251	3,310	3,264	-	6,574	-3,069	46,881	74,626
Net profit / (loss) for the period	**216,428**	**40,596**	**33,257**	**290,281**	**141,127**	**23,600**	**164,727**	**-12,798**	**-2,829**	**-15,627**	**14,530**	**468**	**19,165**	**10,049**	**44,212**	**50,089**	**115,119**	**6,173**	**130,816**	**-139,766**	**162,431**	**20,761**	**54,686**	**-1,094**	**74,353**	**337,127**	**-418,087**	**639,417**
Assets																												
Property, plant and equipment	3,964,031	1,978,065	-	5,942,096	151,275	683,775	835,050	3,746	11,211	14,957	4,823,509	5,114,550	67,370	45,275	10,050,704	2,215,018	40,116	314	978	(60)	2,256,366	2,310	798,223	-	800,533	172,976	-12,671	20,060,011
Intangible assets + Goodwill	1,721,928	571,830	-	2,293,758	2,377,955	235,876	2,613,831	524	5	529	847,026	644,080	1,714	12,723	1,505,543	370,089	880,829	447	112,546	10,130	1,374,041	349,600	1,039,624	-	1,389,224	240,436	591,700	10,009,062
Investments in associates	1,483	1,455	-	2,938	17	-	17	-	-	-	40,760	1,979	-	-	42,739	9,516	-	-	-	-	9,516	25,210	1,453	-	26,663	761,550	-664,176	179,247
Current assets	678,940	472,029	(488)	1,150,481	1,368,193	144,542	1,512,735	231,149	535,672	766,821	694,274	277,710	613,231	(460,189)	1,125,026	212,431	621,131	52,627	219,410	(193,537)	912,062	188,917	435,028	(18,177)	605,768	8,139,097	-8,184,562	6,027,428
Equity and Liabilities																												
Equity and minority interest	2,039,175	2,130,096	(156,903)	4,012,368	504,787	461,320	966,107	6,818	(153,316)	(146,498)	439,401	3,506,250	5,113,143	(3,699,571)	5,359,223	1,672,732	760,792	21,119	1,688,710	(1,236,628)	2,906,725	247,050	1,490,235	-	1,737,285	5,282,054	-9,726,941	10,390,323
Current liabilities	881,319	1,336,917	(488)	2,217,748	2,026,988	370,843	2,397,831	169,918	475,091	645,009	1,096,872	567,659	166,270	(466,726)	1,364,075	293,645	796,534	37,836	28,876	(196,732)	960,159	210,763	934,597	(18,177)	1,127,183	9,361,617	-9,990,465	8,083,157
Other information:																												
Increase of the period																												
Property, plant and equipment	119,945	26,298	-	146,243	18,679	27,297	45,976	374	1,353	1,727	290,706	527,736	22,284	-	840,726	62,497	774	-	(81)	-	63,190	865	26,005	-	26,870	35,668	-	1,160,400
Intangible assets + Goodwill	152,566	15,175	-	167,741	97,200	18	97,218	-	-	-	76,705	-	-	1	76,706	1,189	57,397	-	-	-	58,586	14,942	8,960	-	23,902	281,700	-	705,853
Material non-cash items:																												
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

EDP Group Activity by Business Segment - IFRS

Information by Business Segment — six months period ended 30 June 2009

(Amounts in thousands of Euros)

Electricity

	Iberian Generation				Iberian Distribution *			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Adjustments	Total
Turnover	1,040,366	543,368	-4,961	1,578,773	2,433,825	84,606	-	2,518,431
Revenues form external customers	948,862	488,237	-	1,437,099	2,386,258	70,708		2,456,966
Revenues from transactions with other operating segments	91,504	55,131	-4,961	141,674	47,567	13,898		61,465
Cost of consumed electricity	-140,991	-61,165	-1,532	-203,688	-1,749,797	-267	-	-1,750,064
Cost of consumed gas	-	-	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-303,805	-259,256	1,436	-561,625	-6,941	531	-	-6,410
	595,570	222,947	-5,057	813,460	677,087	84,870	-	761,957
Other operating income / (expenses)								
Other operating income	10,626	1,604	-3,148	9,082	20,101	6,643	-	26,744
Supplies and services	-43,831	-29,754	951	-72,634	-143,826	-31,006	-	-174,832
Personnel costs	-39,097	-17,467	-	-56,564	-87,287	-9,780	-	-97,067
Employee benefits	-10,609	-778	-	-11,387	-43,150	-1,443	-	-44,593
Other operating expenses	-7,187	-24,773	-1,418	-33,378	-137,280	-4,568	-	-141,848
	-90,098	-71,168	-3,615	-164,881	-391,442	-40,154	-	-431,596
	505,472	151,779	-8,672	648,579	285,645	44,716	-	330,361
Provisions	-429	-6,932	-	-7,361	2,028	-13	-	2,015
Depreciation and amortisation expense	-150,822	-68,426	-	-219,248	-128,530	-15,325	-	-143,855
Compensation of amortisation and depreciation	1,789	223	-	2,012	-	1,968	-	1,968
	356,010	76,644	-8,672	423,982	159,143	31,346	-	190,489
Gain/(losses) from the sale of financial assets	-	12,721	-	12,721	-	-	-	-
Other financial income	262,436	11,834	-28,857	245,413	259	-	-	259
Interest revenue	147	9,688	-	9,835	24,536	47		24,583
Other financial expenses	-240,315	-25,270	17,787	-247,798	-27,946	-451	-	-28,397
Interest expense	-78,848	-14,146	-	-92,994	-45,611	-4,179		-49,790
Share of profit of associates	367	319	-	686	-	-	-	-
Profit / (loss) before tax	299,797	71,790	-19,742	351,845	110,381	26,763	-	137,144
Income tax expense	-62,656	-16,849	-6,716	-86,221	-9,224	-7,680	-	-16,904
Net profit / (loss) for the period	**237,141**	**54,941**	**-26,458**	**265,624**	**101,157**	**19,083**	**-**	**120,240**
Attributable to:								
Equity holders of EDP	237,078	54,210	-26,458	264,830	101,157	18,535	-	119,692
Minority interest	63	731	-	794	-	548	-	548
Net profit / (loss) for the period	**237,141**	**54,941**	**-26,458**	**265,624**	**101,157**	**19,083**	**-**	**120,240**

	Iberian Supply			EDP Renováveis				
	Portugal	Spain	Total	Europe	U.S.A.	Other operations	Adjustments	Total
Turnover	149,984	583,595	733,579	202,685	110,062	404	765	313,916
Revenues form external customers	149,957	635,556	785,513	58,447	110,062	1,300	-	169,809
Revenues from transactions with other operating segments	27	-51,961	-51,934	144,238	-	-896	765	144,107
Cost of consumed electricity	-129,638	-546,189	-675,827	-105	-527	-26	-	-658
Cost of consumed gas	-	-4,218	-4,218	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-2,440	-6,185	-8,625	-4,001	-	-	-	-4,001
	17,906	27,003	44,909	198,579	109,535	378	765	309,257
Other operating income / (expenses)								
Other operating income	672	17,780	18,452	4,220	63,380	245	-148	67,697
Supplies and services	-7,682	-17,390	-25,072	-27,859	-32,683	-6,211	-888	-67,641
Personnel costs	-2,361	-3,185	-5,546	-7,709	-10,158	-2,464	-	-20,331
Employee benefits	-76	-82	-158	899	-891	-8	-	-
Other operating expenses	-1,694	-7,384	-9,078	-6,895	-11,049	-482	270	-18,156
	-11,141	-10,261	-21,402	-37,344	8,599	-8,920	-766	-38,431
	6,765	16,742	23,507	161,235	118,134	-8,542	-1	270,826
Provisions	4,551	-2,619	1,932	208	-	-	-	208
Depreciation and amortisation expense	-539	-1,014	-1,553	-69,789	-72,845	-376	-	-143,010
Compensation of amortisation and depreciation	-	-	-	407	-	-	-	407
	10,777	13,109	23,886	92,061	45,289	-8,918	-1	128,431
Gain/(losses) from the sale of financial assets	-	-	-	268	-	-	-	268
Other financial income	10	147	157	4,614	4,161	66,505	-66,030	9,250
Interest revenue	55	169	224	3,122	419	87,200	-81,030	9,711
Other financial expenses	-1,735	-244	-1,979	-9,763	-31,545	-66,773	66,129	-41,952
Interest expense	-253	-3,982	-4,235	-77,573	1,751	-29,570	84,230	-21,162
Share of profit of associates	-	-	-	1,901	-150	-	-	1,751
Profit / (loss) before tax	8,854	9,199	18,053	14,630	19,925	48,444	3,298	86,297
Income tax expense	-2,373	-2,749	-5,122	-6,025	-	-14,533	-2	-20,560
Net profit / (loss) for the period	**6,481**	**6,450**	**12,931**	**8,605**	**19,925**	**33,911**	**3,296**	**65,737**
Attributable to:								
Equity holders of EDP	6,504	6,247	12,751	8,415	19,925	33,942	3,296	65,578
Minority interest	-23	203	180	190	-	-31	-	159
Net profit / (loss) for the period	**6,481**	**6,450**	**12,931**	**8,605**	**19,925**	**33,911**	**3,296**	**65,737**

	EDP Energias do Brasil					
	Generation	Distribution	Supply	Other operations	Adjustments	Total
Turnover	156,063	569,369	127,745	258	-91,433	762,002
Revenues form external customers	85,247	568,722	107,946	87	-	762,002
Revenues from transactions with other operating segments	70,816	647	19,799	171	-91,433	-
Cost of consumed electricity	-24,410	-348,871	-120,395	-	91,433	-402,243
Cost of consumed gas	-	-	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-242	-3,871	-	-11	-	-4,124
	131,411	216,627	7,350	247	-	355,635
Other operating income / (expenses)						
Other operating income	629	5,417	-	633	-	6,679
Supplies and services	-7,250	-40,489	-650	-5,050	-	-53,439
Personnel costs	-6,209	-26,722	-997	-2,605	-	-36,533
Employee benefits	-846	-8,604	-105	-1,744	-	-11,299
Other operating expenses	-2,940	-19,359	-1,214	-1,608	-	-25,121
	-16,616	-89,757	-2,966	-10,374	-	-119,713
	114,795	126,870	4,384	-10,127	-	235,922
Provisions	104	-1,455	-	-69	-	-1,420
Depreciation and amortisation expense	-24,643	-29,782	1,171	-2,304	-	-55,558
Compensation of amortisation and depreciation	-	1,234	-1,208	-	-	26
	90,256	96,867	4,347	-12,500	-	178,970
Gain/(losses) from the sale of financial assets	-	-	-	41,194	-	41,194
Other financial income	3,895	4,541	206	130,037	-128,452	10,227
Interest revenue	2,866	18,634	554	3,226	-1,070	24,210
Other financial expenses	-14,552	-7,433	-272	-5,969	1,070	-27,156
Interest expense	-20,718	-20,446	-	-6,171	-	-47,335
Share of profit of associates	-	-	-	-	-31	-31
Profit / (loss) before tax	61,747	92,163	4,835	149,817	-128,483	180,079
Income tax expense	-17,275	-31,899	-1,669	-350	-	-51,193
Net profit / (loss) for the period	**44,472**	**60,264**	**3,166**	**149,467**	**-128,483**	**128,886**
Attributable to:						
Equity holders of EDP	26,976	60,264	3,166	149,467	-128,483	111,390
Minority interest	17,496	-	-	-	-	17,496
Net profit / (loss) for the period	**44,472**	**60,264**	**3,166**	**149,467**	**-128,483**	**128,886**

	Gas - Iberian Activity						
	Portugal	Spain	Adjustments	Total	Other operations	Adjustments	EDP Group
Turnover	101,816	561,466	-40,024	623,258	82,439	-722,648	5,889,750
Revenues form external customers	63,069	538,639	-	601,708	-340,099	11,876	5,884,874
Revenues from transactions with other operating segments	38,747	22,827	-40,024	21,550	422,539	-734,525	4,876
Cost of consumed electricity	-	-70,287	-	-70,287	-	589,954	-2,512,813
Cost of consumed gas	-75,863	-343,016	40,503	-378,376	-	36,278	-346,316
Change in inventories and cost of raw materials and consumables used	-	-3,267	-	-3,267	-56	11,269	-576,839
	25,953	144,896	479	171,328	82,384	-85,148	2,453,782
Other operating income / (expenses)							
Other operating income	979	2,093	-	3,072	36,638	-54,534	113,830
Supplies and services	-6,675	-22,331	700	-28,306	-65,341	133,802	-353,463
Personnel costs	-2,295	-11,248	-	-13,543	-54,255	-	-283,839
Employee benefits	-41	-253	-	-294	-4,498	6,199	-66,030
Other operating expenses	-2,067	-8,194	-143	-10,404	-26,299	10,523	-253,761
	-10,099	-39,933	557	-49,475	-113,755	95,990	-843,263
	15,854	104,963	1,036	121,853	-31,371	10,842	1,610,519
Provisions	-211	165	-	-46	-6,519	-7,560	-18,751
Depreciation and amortisation expense	-5,115	-18,385	-	-23,500	-5,170	-27,174	-619,068
Compensation of amortisation and depreciation	-94	1,429	-	1,335	58	-	5,806
	10,434	88,172	1,036	99,642	-43,002	-23,892	978,506
Gain/(losses) from the sale of financial assets	-	-	-	-	918	-27,217	27,884
Other financial income	1,103	832	-13	1,922	700,025	-636,743	330,510
Interest revenue	495	3,233	-	3,728	320,742	-234,955	158,078
Other financial expenses	-1,453	-541	-1,023	-3,017	-358,110	301,762	-406,647
Interest expense	-2,603	-166	-	-2,769	-385,681	234,800	-369,166
Share of profit of associates	1,629	134	-	1,763	9,509	31	13,709
Profit / (loss) before tax	9,605	91,664	-	101,269	244,401	-386,214	732,874
Income tax expense	-2,609	-25,515	-	-28,124	9,377	5,491	-193,256
Net profit / (loss) for the period	**6,996**	**66,149**	**-**	**73,145**	**253,778**	**-380,723**	**539,618**
Attributable to:							
Equity holders of EDP	6,020	62,280	-	68,300	258,030	-421,221	479,350
Minority interest	976	3,869	-	4,845	-4,252	40,498	60,268
Net profit / (loss) for the period	**6,996**	**66,149**	**-**	**73,145**	**253,778**	**-380,723**	**539,618**

Information by Business Segment — 31 December 2009

(Amounts in thousands of Euros)

	Iberian Generation				Iberian Distribution *			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Adjustments	Total
Assets								
Property, plant and equipment	3,969,690	1,994,279	-	5,963,969	162,244	682,603	1,981	846,828
Intangible assets + Goodwill	1,781,220	591,848	-	2,373,068	2,424,484	235,556	-	2,660,040
Investments in associates	1,340	1,053	-	2,393	-	-	-	-
Current assets	778,379	498,658	-794	1,276,243	1,339,853	136,421	-36	1,476,238
Equity and Liabilities								
Equity and minority interest	2,071,977	2,259,098	-156,903	4,174,172	475,694	450,455	6,373	932,522
Current liabilities	727,786	1,179,999	-794	1,906,991	2,110,004	415,038	-36	2,525,006
Other Information:								
Increase of the period								
Property, plant and equipment	132,405	67,181	-	199,586	14,692	28,727	-	43,419
Intangible assets + Goodwill	393,000	34,492	-	427,492	120,275	76	-	120,351
Material non-cash items:								
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-

	Iberian Supply			EDP Renováveis				
	Portugal	Spain	Total	Europe	U.S.A.	Other operations	Adjustments	Total
Assets								
Property, plant and equipment	4,082	11,280	15,362	4,594,322	3,978,845	40,011	25,874	8,639,052
Intangible assets + Goodwill	524	7	531	776,664	549,122	1,507	12,723	1,340,016
Investments in associates	-	-	-	45,924	1,686	-	-1	47,609
Current assets	208,116	392,871	600,987	612,267	208,581	508,360	-223,852	1,105,356
Equity and Liabilities								
Equity and minority interest	19,617	-150,183	-130,566	445,555	2,858,681	5,084,442	-3,061,123	5,327,555
Current liabilities	174,224	332,761	506,985	1,146,265	274,160	48,657	-223,572	1,245,510
Other Information:								
Increase of the period								
Property, plant and equipment	689	3,263	3,952	489,380	424,270	2,062	-	915,712
Intangible assets + Goodwill	-	-	-	7,850	-	5,415	-	13,265
Material non-cash items:								
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-

	EDP Energias do Brasil					
	Generation	Distribution	Supply	Other operations	Adjustments	Total
Assets						
Property, plant and equipment	1,929,064	24,856	303	811	-122,824	1,832,210
Intangible assets + Goodwill	332,290	915,080	402	109,555	-891	1,356,436
Investments in associates	8,862	-	-	10,951	-11,078	8,735
Current assets	231,220	621,890	58,738	192,014	-80,926	1,022,936
Equity and Liabilities						
Equity and minority interest	1,415,212	658,973	20,188	1,404,703	-1,057,758	2,441,318
Current liabilities	288,772	674,150	37,707	98,856	-72,677	1,026,808
Other Information:						
Increase of the period						
Property, plant and equipment	23,991	25,795	11	44	-	49,841
Intangible assets + Goodwill	19,871	27,722	39	-	-	47,632
Material non-cash items:						
Impairment of available-for-sale financial assets	-	-	-	-	-	-

	Gas - Iberian Activity						
	Portugal	Spain	Adjustments	Total	Other operations	Adjustments	EDP Group
Assets							
Property, plant and equipment	1,825	805,049	-	806,874	163,485	145,809	18,413,589
Intangible assets + Goodwill	341,129	710,403	-	1,051,532	368,030	480,010	9,629,663
Investments in associates	23,909	1,319	-	25,228	997,335	-906,028	175,272
Current assets	79,642	326,707	-2,564	403,785	4,749,421	-3,771,208	6,863,758
Equity and Liabilities							
Equity and minority interest	229,182	1,451,426	-	1,680,608	5,623,848	-10,070,769	9,978,688
Current liabilities	139,277	614,092	-2,564	750,805	4,628,497	-3,696,608	8,893,994
Other Information:							
Increase of the period							
Property, plant and equipment	6,772	15,760	-	22,532	26,958	-	1,262,000
Intangible assets + Goodwill	5,983	-	-	5,983	62,736	-	677,459
Material non-cash items:							
Impairment of available-for-sale financial assets	-	-	-	-	29,274	-	29,274

* Include Last Resource Supply in Portugal

XI. LIMITED REVIEW REPORT ISSUED BY THE INDEPENDENT AUDITOR REGISTERED IN CMVM

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
Edifício Monumental
Av. Praia da Vitória, 71 - A, 11°
1069-006 Lisboa
Portugal

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Internet: www.kpmg.pt

LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

(This report is a free translation to English from the Portuguese version)

INTRODUCTION

1. In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim financial information for the six month period ended 30 June 2010, of EDP – Energias de Portugal, S.A. which includes: the Management Report, the balance sheet (with a total assets of Euros 18,662,042 thousand and total equity of Euros 6,349,111 thousand including a net profit of Euros 338,723 thousand) and the statement of income, cash flows and changes in equity for the six month period then ended and in the corresponding notes to the financial statements.

2. The amounts included in the financial statements and the additional financial information were derived from the accounting records.

RESPONSIBILITIES

3. The Executive Board of Directors is responsible for:

a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the changes in equity and the cash-flows;

b) the preparation of financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

c) the adoption of adequate accounting principles;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4. Our responsibility is to verify the financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 2.840.000 Euros - Pessoa Colectiva N° PT 502 161 078 - Inscrito na O.R.O.C. N° 189 - Inscrito na C.M.V.M. N° 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o N° PT 502 161 078

KPMG

SCOPE

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

   a) mainly, inquiries and analytical procedures performed to review:

      - the feasibility of the assertions included in the interim financial information;
      - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
      - application of the going concern principle;
      - the presentation of the interim financial information;
      - if the interim financial information is complete, true, current, clear, objective and fair; and

   b) substantive tests on material non current transactions.

6. Our work included also the verification of the consistency of the financial information contained in the Management Report with the remaining documents mentioned above.

7. We consider that our work provides a reasonable basis to issue the report on the interim financial information.

CONCLUSION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the six month period ended 30 June 2010, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 29 July 2010

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Jean-éric Gaign (ROC nr. 1013)

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LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM

(This report is a free translation to English from the Portuguese version)

INTRODUCTION

1. In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we have performed a limited review on the interim consolidated financial information for the six month period ended 30 June 2010, of EDP – Energias de Portugal, S.A. which includes: the Management Report, the consolidated balance sheet (with a total assets of Euros 40,273,297 thousand and total equity attributable to the shareholders of Euros 7,465,593 thousand including a consolidated net profit of Euros 564,791 thousand) and the consolidated statement of income, cash flows, changes in equity and comprehensive income for the six month period then ended and in the corresponding notes to the financial statements.

2. The amounts included in the consolidated financial statements and the additional financial information were derived from the accounting records.

RESPONSIBILITIES

3. The Executive Board of Directors is responsible for:

   a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated changes in equity, the consolidated comprehensive income and the consolidated cash-flows;

   b) the preparation of financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by CVM;

   c) the adoption of adequate accounting principles;

   d) the maintenance of an appropriate internal control system; and

   e) the communication of any relevant fact that may have influenced its activity, financial position or results.

4. Our responsibility is to verify the consolidated financial information contained in the above mentioned documents, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

SCOPE

5. The work that we have performed was conducted with the objective of obtaining a moderate level of assurance that the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:

   a) mainly, inquiries and analytical procedures performed to review:

      - the feasibility of the assertions included in the interim consolidated financial information;
      - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
      - application of the going concern principle;
      - the presentation of the interim consolidated financial information;
      - if the interim consolidated financial information is complete, true, current, clear, objective and fair; and

   b) substantive tests on material non current transactions.

6. Our work included also the verification of the consistency of the consolidated financial information contained in the Management Report with the remaining documents mentioned above.

7. We consider that our work provides a reasonable basis to issue the report on the interim financial information.

CONCLUSION

8. Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the six month period ended 30 June 2010, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 29 July 2010

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Jean-éric Gaign (ROC nr. 1013)

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XII. STATEMENTS OF RESPONSIBILITY FOR THE FINANCIAL INFORMATION AND MANAGEMENT INTERIM REPORT

EDP – Energias de Portugal, S.A.

Executive Board of Directors

STATEMENT

With reference to 1st semester of 2010 financial year, and according to nº 1, item c) of article 246º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.º 2 of the aforementioned article.

Lisbon, 29th of July 2010

António Luís Guerra Nunes Mexia, Chairman

Ana Maria Machado Fernandes

António Fernando Melo Martins da Costa

António Manuel Barreto Pita de Abreu

João Manuel Manso Neto

Jorge Manuel Pragana da Cruz Morais

Nuno Maria Pestana de Almeida Alves

EDP – Energias de Portugal, S.A.

Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira

Senior Accounting Officer

Corporate Centre

STATEMENT

With reference to 1st semester of 2010 financial year, and according to n° 1, item c) of article 246° of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the condensed set of financial statements, was prepared according to the applicable accounting standards, presenting a fairly position of the assets, liabilities, financial position and results of EDP – Energias de Portugal, S.A. and its subsidiaries companies included in the consolidation perimeter, and that the Interim Management Report includes a fair review of the information required pursuant to n.° 2 of the aforementioned article.

Lisbon, 29th of July 2010

edp

Conselho Geral e de Supervisão

DECLARATION

Pursuant article 246° of Securities Code (CVM), to the best knowledge of each of the signatories, the information referred in article 246°, n.° 1, paragraph a) of CVM, on 2010 first semester, has been prepared in accordance with the accounting standards applicable, gives a true and fair view of the assets and liabilities, financial position and results of **EDP - Energias de Portugal, S.A.** and subsidiaries included in the consolidation perimeter, and that the interim management report includes a fair review of the information required pursuant to article 246°, n.° 2 of CVM, including an indication of important events that have occurred during 2010 first semester, and the impact on the respective financial statements, together with a description of the principal risks and uncertainties for the remaining six months of 2010.

Lisbon, 29 July ~~2009~~ 2010

António de Almeida - *Chairman*

Alberto João Coraceiro de Castro - *Vice-Chairman*

António Sarmento Gomes Mota

Carlos Jorge Ramalho dos Santos Ferreira

Diogo Campos Barradas de Lacerda Machado

Eduardo de Almeida Catroga

Farid Boukhalfa (*as representative of Sonatrach*)

Fernando Manuel Barbosa Faria de Oliveira

José Maria Brandão de Brito (*as representative of Cajastur Inversiones, SA*)

José Maria Espírito Santo Silva Ricciardi

José Manuel dos Santos Fernandes

Manuel Fernando de Macedo Alves Monteiro

Mohamed Al Fahim (*as representative of Senfora Sarl*)

Ricardo José Minotti da Cruz Filipe

Rui Eduardo Ferreira Rodrigues Pena

Vasco Maria Guimarães José de Mello

Vítor Fernando da Conceição Gonçalves