



FIRST QUARTER 2010 REPORT

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EDP - Energias de Portugal

Consolidated Income Statement for the periods ended 31 March 2010 and 2009

	Notes	2010 (Thousand Euros)	2009 (Thousand Euros)
Turnover	6	3,494,252	3,233,319
Cost of consumed electricity	6	-1,688,497	-1,464,769
Cost of consumed gas	6	-221,373	-218,279
Changes in inventories and cost of raw materials and consumables used	6	-182,101	-289,433
		<u>1,402,281</u>	<u>1,260,838</u>
Other operating income / (expenses)			
Other operating income	7	54,288	54,682
Supplies and services	8	-194,203	-165,538
Personnel costs	9	-150,542	-141,306
Employee benefits	9	-32,777	-35,444
Other operating expenses	10	-139,486	-124,136
		<u>-462,720</u>	<u>-411,742</u>
		939,561	849,096
Provisions	11	-10,058	-4,669
Depreciation and amortisation expense	12	-346,990	-315,223
Compensation of amortisation and depreciation	12	6,112	2,913
		588,625	532,117
Gains / (losses) on the sale of financial assets	13	5,787	12,893
Other financial income	14	192,856	278,243
Other financial expenses	14	-310,981	-443,787
Share of profit in associates		<u>6,949</u>	<u>4,640</u>
Profit before income tax		483,236	384,106
Income tax expense	15	<u>-129,022</u>	<u>-88,036</u>
Net profit for the period		<u><u>354,214</u></u>	<u><u>296,070</u></u>
Attributable to:			
Equity holders of EDP		309,179	265,312
Minority interests	32	<u>45,035</u>	<u>30,758</u>
Net profit for the period		<u><u>354,214</u></u>	<u><u>296,070</u></u>
Earnings per share (Basic and Diluted) - Euros	29	<u><u>0.09</u></u>	<u><u>0.07</u></u>

LISBON, 6 MAY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Balance Sheet as at 31 March 2010 and 31 December 2009

	Notes	2010 (Thousand Euros)	2009 (Thousand Euros)
Assets			
Property, plant and equipment	16	19,101,926	18,409,548
Intangible assets	17	6,658,407	6,467,507
Goodwill	18	3,253,217	3,159,832
Investments in associates	20	189,906	175,272
Available for sale investments	21	509,634	443,117
Deferred tax assets	22	649,407	661,335
Trade receivables	24	116,264	114,821
Debtors and other assets	25	<u>2,615,258</u>	<u>2,313,227</u>
Total Non-Current Assets		<u>33,094,019</u>	<u>31,744,659</u>
Inventories	23	264,824	273,376
Trade receivables	24	2,092,902	1,893,313
Debtors and other assets	25	1,489,388	1,865,016
Tax receivable	26	533,454	557,641
Financial assets at fair value through profit or loss	27	83,319	84,852
Cash and cash equivalents	28	<u>2,523,068</u>	<u>2,189,560</u>
Total Current Assets		<u>6,986,955</u>	<u>6,863,758</u>
Total Assets		<u>40,080,974</u>	<u>38,608,417</u>
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-117,393	-119,784
Share premium	29	501,992	501,992
Reserves and retained earnings	31	3,350,451	2,228,560
Consolidated net profit attributable to equity holders of EDP		<u>309,179</u>	<u>1,023,845</u>
Total Equity attributable to equity holders of EDP		7,700,767	7,291,151
Minority interests	32	<u>2,802,727</u>	<u>2,687,537</u>
Total Equity		<u>10,503,494</u>	<u>9,978,688</u>
Liabilities			
Financial debt	34	14,062,894	13,486,499
Employee benefits	35	1,862,429	1,879,704
Provisions	36	351,790	342,755
Hydrological correction account	33	103,447	112,631
Deferred tax liabilities	22	805,477	758,893
Trade and other payables	37	<u>3,303,020</u>	<u>3,155,253</u>
Total Non-Current Liabilities		<u>20,489,057</u>	<u>19,735,735</u>
Financial debt	34	3,174,437	2,794,481
Trade and other payables	37	4,951,635	5,171,507
Tax payable	38	<u>962,351</u>	<u>928,006</u>
Total Current Liabilities		<u>9,088,423</u>	<u>8,893,994</u>
Total Liabilities		<u>29,577,480</u>	<u>28,629,729</u>
Total Equity and Liabilities		<u>40,080,974</u>	<u>38,608,417</u>

LISBON, 6 MAY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income for the years ended 31 March 2010 and 2009

(Thousand Euros)

	2010		2009	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Net profit for the period	<u>309,179</u>	<u>45,035</u>	<u>265,312</u>	<u>30,758</u>
Exchange differences arising on consolidation	65,076	57,573	48,466	42,188
Fair value reserve (cash flow hedge)	-30,324	-1,564	49,092	-2,081
Tax effect from the fair value reserve (cash flow hedge)	7,257	592	-12,837	758
Fair value reserve (available for sale investments)	64,771	2,101	29,590	-
Tax effect from the fair value reserve (available for sale investments)	<u>-8,113</u>	<u>-</u>	<u>-1,997</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>98,667</u>	<u>58,702</u>	<u>112,314</u>	<u>40,865</u>
Total comprehensive income for the period	<u><u>407,846</u></u>	<u><u>103,737</u></u>	<u><u>377,626</u></u>	<u><u>71,623</u></u>

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity for the periods ended 31 March 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	296,070	-	-	-	265,312	-	-	-	-	265,312	30,758
Changes in the fair value reserve (cash flow hedge) net of taxes	34,932	-	-	-	-	36,255	-	-	-	36,255	-1,323
Changes in the fair value reserve (available for sale investments) net of taxes	27,593	-	-	-	-	-	27,593	-	-	27,593	-
Exchange differences arising on consolidation	90,654	-	-	-	-	-	-	48,466	-	48,466	42,188
Total comprehensive income for the period	449,249	-	-	-	265,312	36,255	27,593	48,466	-	377,626	71,623
Dividends attributable to minority interests	-585	-	-	-	-	-	-	-	-	-	-585
Purchase and sale of treasury stock	289	-	-	-	-1	-	-	-	290	289	-
Changes in minority interests resulting from acquisitions / sales and equity increases	-3,725	-	-	-	-	-	-	-	-	-	-3,725
Other reserves arising on consolidation	-34	-	-	-	-34	-	-	-	-	-34	-
Balance as at 31 March 2009	9,012,619	3,656,538	501,992	443,838	2,240,764	1,732	71,631	-45,552	-126,242	6,744,701	2,267,918
Comprehensive income:											
Net profit for the period	871,878	-	-	-	758,533	-	-	-	-	758,533	113,345
Changes in the fair value reserve (cash flow hedge) net of taxes	56,911	-	-	-	-	60,062	-	-	-	60,062	-3,151
Changes in the fair value reserve (available for sale investments) net of taxes	102,877	-	-	-	-	-	102,472	-	-	102,472	405
Actuarial gains / (losses) net of taxes	-84,740	-	-	-	-83,898	-	-	-	-	-83,898	-842
Exchange differences arising on consolidation	411,368	-	-	-	-	-	-	211,411	-	211,411	199,957
Total comprehensive income for the period	1,358,294	-	-	-	674,635	60,062	102,472	211,411	-	1,048,580	309,714
Legal Reserve increase	-	-	-	27,549	-27,549	-	-	-	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-	-	-507,153	-
Dividends attributable to minority interests	-74,106	-	-	-	-	-	-	-	-	-	-74,106
Purchase and sale of treasury stock	2,556	-	-	-	-1,940	-	-	-	4,496	2,556	-
Share-based payments	2,062	-	-	-	100	-	-	-	1,962	2,062	-
Sale of treasury stock - Energias do Brasil	166,621	-	-	-	-	-	-	-	-	-	166,621
Changes in minority interests resulting from acquisitions / sales and equity increases	19,063	-	-	-	-	-	-	-	-	-	19,063
Other reserves arising on consolidation	-1,268	-	-	-	405	-	-	-	-	405	-1,673
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	354,214	-	-	-	309,179	-	-	-	-	309,179	45,035
Changes in the fair value reserve (cash flow hedge) net of taxes	-24,039	-	-	-	-	-23,067	-	-	-	-23,067	-972
Changes in the fair value reserve (available for sale investments) net of taxes	58,759	-	-	-	-	-	56,658	-	-	56,658	2,101
Exchange differences arising on consolidation	122,649	-	-	-	-	-	-	65,076	-	65,076	57,573
Total comprehensive income for the period	511,583	-	-	-	309,179	-23,067	56,658	65,076	-	407,846	103,737
Dividends attributable to minority interests	-722	-	-	-	-	-	-	-	-	-	-722
Purchase and sale of treasury stock	-317	-	-	-	-800	-	-	-	483	-317	-
Share-based payments	2,102	-	-	-	194	-	-	-	1,908	2,102	-
Changes in minority interests resulting from acquisitions / sales and equity increases	12,171	-	-	-	-	-	-	-	-	-	12,171
Other reserves arising on consolidation	-11	-	-	-	-15	-	-	-	-	-15	4
Saldos em 31 de Março de 2010	10,503,494	3,656,538	501,992	471,387	2,687,820	38,727	230,761	230,935	-117,393	7,700,767	2,802,727

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements for the periods ended 31 March 2010 and 2009

(Thousand Euros)

	Group		Company	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
Operating activities				
Cash receipts from customers	3,125,777	3,140,606	485,298	511,297
Proceeds from tariff adjustments securitization	-	1,204,422	-	-
Cash paid to suppliers	-2,348,463	-2,489,106	-408,310	-561,970
Cash paid to personnel	-172,698	-186,474	-11,265	-9,827
Concession rents paid	-60,790	-65,356	-	-
Other receipts / (payments) relating to operating activities	-58,882	-50,533	-11,588	73,084
Net cash from operations	484,944	1,553,559	54,135	12,584
Income tax received / (paid)	-25,061	-39,242	-1,984	-469
Net cash from operating activities	459,883	1,514,317	52,151	12,115
Investing activities				
Cash receipts relating to:				
Financial assets	52,110	16,981	6,942	152
Property, plant and equipment and intangible assets	1,098	-	280	8
Investment grants	22,463	17,903	-	-
Interest and similar income	129,444	26,232	16,920	38,902
Dividends	-	14	-	48,200
	205,115	61,130	24,142	87,262
Cash payments relating to:				
Financial assets	-44,447	-15,003	-526	-71,528
Changes in cash resulting from perimeter variations	3,784	3,503	-	-
Property, plant and equipment and intangible assets	-929,027	-1,082,792	-8,964	-1,540
	-969,690	-1,094,292	-9,490	-73,068
Net cash from investing activities	-764,575	-1,033,162	14,652	14,194
Financing activities				
Receipts / (payments) relating to loans	828,722	367,078	216,738	833,350
Interest and similar costs	-185,248	-155,252	-81,551	-114,567
Share capital and share premium increases	-	739	-	-
Receipts / (payments) relating to derivative financial instruments	-20,023	19,892	43,747	40,872
Treasury stock sold / (purchased)	-474	290	1,628	290
Receipts / (payments) from wind activity institutional partnerships - USA	-2,589	39,289	-	-
Net cash from financing activities	620,388	272,036	180,562	759,945
Changes in cash and cash equivalents	315,696	753,191	247,365	786,254
Effect of exchange rate fluctuations on cash held	17,812	6,435	-2,444	149
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 (*)	2,523,068	1,473,213	1,136,277	969,283

(*) 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 periods ended 31 March 2010 and 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Turnover	6	470,629	457,287
Cost of consumed electricity	6	-330,948	-363,402
Changes in inventories and cost of raw materials and consumables used	6	-64,089	-55,703
		<u>75,592</u>	<u>38,182</u>
Other operating income / (expenses)			
Other operating income	7	2,669	1,707
Supplies and services	8	-38,344	-18,638
Personnel costs	9	-4,196	-3,242
Employee benefits	9	-63	-42
Other operating expenses	10	-8,114	-1,571
		<u>-48,048</u>	<u>-21,786</u>
		27,544	16,396
Provisions	11	-8,075	250
Depreciation and amortisation expense	12	-2,295	-1,635
		<u>17,174</u>	<u>15,011</u>
Gains / (losses) on the sale of financial assets	13	6,942	-
Other financial income	14	363,873	587,565
Other financial expenses	14	-370,898	-599,477
Profit before income tax		17,091	3,099
Income tax expense	15	8,089	10,170
Net profit for the year		<u>25,180</u>	<u>13,269</u>

LISBON, 6 MAY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Balance Sheet as at 31 March 2010 and 31 December 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	126,424	123,562
Intangible assets	17	31	33
Investments in subsidiaries	19	9,536,107	9,535,843
Investments in associates	20	45,398	45,398
Available for sale investments	21	301,955	238,401
Debtors and other assets	25	4,248,451	4,537,916
Total Non-Current Assets		14,258,366	14,481,153
Inventories	23	12,713	11,351
Trade receivables	24	82,696	97,432
Debtors and other assets	25	2,867,304	1,727,737
Tax receivable	26	55,194	44,545
Cash and cash equivalents	28	1,136,275	891,356
Total Current Assets		4,154,182	2,772,421
Total Assets		18,412,548	17,253,574
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-111,298	-113,689
Share premium	29	501,992	501,992
Reserves and retained earnings	31	2,545,720	1,868,007
Net profit for the year		25,180	630,021
Total Equity		6,618,132	6,542,869
Liabilities			
Financial debt	34	1,191,218	1,962,393
Provisions	36	26,085	18,637
Hydrological correction account	33	103,447	112,631
Deferred tax liabilities		79,698	80,489
Trade and other payables	37	3,207,928	2,824,741
Total Non-Current Liabilities		4,608,376	4,998,891
Financial debt	34	5,284,892	4,194,840
Trade and other payables	37	1,389,249	1,032,380
Tax payable	38	511,899	484,594
Total Current Liabilities		7,186,040	5,711,814
Total Liabilities		11,794,416	10,710,705
Total Equity and Liabilities		18,412,548	17,253,574

LISBON, 6 MAY 2010

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity for the years ended 31 March 2010 and 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 year	13,269	-	-	-	13,269	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	17,284	-	-	-	-	17,284	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	13,033	-	-	-	-	-	13,033	-
Total comprehensive income for the year	43,586	-	-	-	13,269	17,284	13,033	-
Purchase and sale of treasury stock	289	-	-	-	-1	-	-	290
Balance as at 31 March 2009	6,314,553	3,656,538	501,992	443,838	1,787,595	8,514	36,223	-120,147
Comprehensive income:								
Net profit for the year	616,752	-	-	-	616,752	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	32,590	-	-	-	-	32,590	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	81,509	-	-	-	-	-	81,509	-
Total comprehensive income for the year	730,851	-	-	-	616,752	32,590	81,509	-
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-
Purchase and sale of treasury stock	2,556	-	-	-	-1,940	-	-	4,496
Share-based payments	2,062	-	-	-	100	-	-	1,962
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	25,180	-	-	-	25,180	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-6,607	-	-	-	-	-6,607	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	54,905	-	-	-	-	-	54,905	-
Total comprehensive income for the year	73,478	-	-	-	25,180	-6,607	54,905	-
Purchase and sale of treasury stock	-317	-	-	-	-800	-	-	483
Share-based payments	2,102	-	-	-	194	-	-	1,908
Balance as at 31 March 2010	6,618,132	3,656,538	501,992	471,387	1,892,379	34,497	172,637	-111,298

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the three months period ended 31 March 2010

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 three months period ended 31 March 2010 no significant changes occurred in the economic activity of EDP Group.

2. Accounting policies

a) Basis of presentation

The accompanying condensed consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the period of three months ended 31 March, 2010 and the financial position as at 31 March, 2010.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 6 May 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 three months period ended 31 March 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.

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 (2008) for the accounting of business combination. The changes in the accounting policies resulting from the application of IFRS 3 (2008) 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. After 1 January, 2010, the due proportion of accumulated losses are attributed to minority interests, implying that the Group can recognise negative minority interests.

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

Associates

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

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

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

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

Jointly controlled entities

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

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

Investments in subsidiaries and associates not classified as held for sale or 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 the goodwill can be fully booked in the financial statements, including the portion attributable to the minority interests, against minority interests, in the case that 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 corresponding share of the fair value of the net assets acquired.

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

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).

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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 maintains 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.

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 year and the amount translated at the official exchange rates at the end of the year, 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 nature of the risk being hedged and of 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 equity 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 equity remain recognised in equity until the future hedged transaction also affects the income statement. When the transaction is no longer expected to occur, the cumulative gains or losses recognised in equity 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 obtained to acquire those subsidiaries. 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 the effectiveness at each balance sheet date, 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 the 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 cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some, but not substantially all 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, 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 to 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 equity, 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 rate 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 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 occurring in the depreciation charge of the year are accounted for prospectively.

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of 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 it 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.

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 is 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 related to the investments in Bandeirante and Escelsa and the concession rights related to the distribution of gas, namely from Portgás and Setgás, are recorded as intangible assets and depreciated on a straight-line basis over the concession 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 this compensations are paid by 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, at the net amount invested in the lease.

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

CO2 licenses held by the Group for trade purposes are booked 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 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, NEO 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 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.

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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, paragraph 74, 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 tariff adjustments assets or liabilities 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 Committee (IFRIC) issued on 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.

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 paid by the grantor to the operator 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 independently 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 within the concession (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 at 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 to the intangible assets or to the financial assets depending on the model applicable to each concession.

The changes resulting from the application of IFRIC 12 are presented in note 44 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 valuation models that require assumptions or judgement 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 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 prospective change in the depreciation charge of the period. The useful lives of the hydroelectric power plants were redefined based on an assessment performed by an external entity of the corresponding equipment, considering its current conservation state and the planning maintenance plan. Based on this information, new useful lives were identified for each asset, being the maximum term established at the corresponding final date of the public hydric domain associated to each hydroelectric power plant. This analysis considered the use of estimates and judgement in order to determine the useful lives of those 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 in 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 booked in 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.

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

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

Impairment of long term assets and Goodwill

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

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

4. Financial-risk management policies

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

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

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

Interest rate risk management

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

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

Counterparty credit risk management

The EDP Group's policy in terms of counterparty risk on financial transactions is managed through an analysis of the technical capacity, competitiveness, credit rating and exposure to each counterparty, avoiding significant concentrations of credit risk. Counterparties in derivative financial instruments to high credit rating notation credit institutions 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 arise essentially from the legal obligation of providing continuous low-tension electricity supplies even when there are payment delays. This risk is considered to be mitigated by the large number of customers and by their diversity in terms of sectors of activity, as well as by the large volume of residential customers.

Liquidity risk management

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

Energy market risk management

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

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

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

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

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

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

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

Brazil — Interest rate and exchange rate risk management

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

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

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

5. Consolidation perimeter

During the three months period ended 31 March 2010, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- Nuevas Energías de Occidente, S.L. acquired 65% of the share capital of Repano Wind S.r.l. and EDP Renewables Italia, S.r.l. (formerly known as Italian wind S.r.l.);

Companies liquidated:

- Freeport Windpower I, LP;

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.

* EDP Group holds, through EDP Renováveis and its subsidiary Horizon, a set of subsidiaries in the United States of America legally incorporated without share capital and that as at 31 March 2010 do not have any assets, liabilities, or any operating activity.

Other changes:

- The Group EDP increased its indirect holding from 15% to 28% in the share capital of ENEOP - Eólicas de Portugal, S.A. thru the subsidiary Nuevas Energías de Occidente, S.L.;
- The Group EDP increased its indirect holding from 30% to 38% in the share capital of Parque Eólico Altos del Voltoya, S.A. thru the subsidiary Sinae, S.L.

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6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Revenue by business sector:				
Electricity	3,093,053	2,866,597	412,045	437,204
Gas	323,950	316,259	6,850	-
Steam and ashes	1,084	2,935	-	-
Other	21,038	9,635	12,910	-
	<u>3,439,125</u>	<u>3,195,426</u>	<u>431,805</u>	<u>437,204</u>
Services rendered by business sector:				
Associated with electricity sales	25,649	10,704	2,289	8,671
Gas	12,824	9,942	-	-
Power availability agreement	869	580	-	-
Advisory and management services	1,411	970	13,545	11,412
Information Systems and technologies	26	-	22,951	-
Other	14,348	15,697	39	-
	<u>55,127</u>	<u>37,893</u>	<u>38,824</u>	<u>20,083</u>
	<u>3,494,252</u>	<u>3,233,319</u>	<u>470,629</u>	<u>457,287</u>
	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Total turnover:				
Electricity	3,118,702	2,877,301	414,334	445,875
Gas	336,774	326,201	6,850	-
Steam and ashes	1,084	2,935	-	-
Power availability agreement	869	580	-	-
Advisory and management services	1,411	970	13,545	11,412
Information Systems and technologies	26	-	22,951	-
Other	35,386	25,332	12,949	-
	<u>3,494,252</u>	<u>3,233,319</u>	<u>470,629</u>	<u>457,287</u>

In 2010, on a consolidated basis, the caption Electricity in Portugal includes a net income of 80,094 thousand Euros (cost in March 2009: 41,867 thousand Euros) regarding the tariff adjustments of the year, as described under accounting policies - note 2.x).

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

	Mar 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	1,854,891	728,535	475,779	59,497	3,118,702
Gas	58,455	278,319	-	-	336,774
Steam and ashes	1,084	-	-	-	1,084
Power availability agreement	869	-	-	-	869
Advisory and management services	1,290	121	-	-	1,411
Information Systems and technologies	26	-	-	-	26
Other	18,845	6,515	6,350	3,676	35,386
	<u>1,935,460</u>	<u>1,013,490</u>	<u>482,129</u>	<u>63,173</u>	<u>3,494,252</u>
	Mar 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	1,985,391	466,412	365,167	60,331	2,877,301
Gas	32,412	293,789	-	-	326,201
Steam and ashes	2,935	-	-	-	2,935
Power availability agreement	580	-	-	-	580
Advisory and management services	970	-	-	-	970
Other	10,695	5,891	7,131	1,615	25,332
	<u>2,032,983</u>	<u>766,092</u>	<u>372,298</u>	<u>61,946</u>	<u>3,233,319</u>

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The breakdown of Revenue by segment is presented in the Segmental reporting (see note 48).

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

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Cost of consumed electricity	1,688,497	1,464,769	330,948	363,402
Cost of consumed gas	221,373	218,279	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	29,191	152,684	-8,526	-
Gas	143,333	105,369	60,319	48,499
Cost of consumables used	1,056	210	-	-
CO2 licenses				
Consumptions	34,259	76,635	12,296	7,204
Government grants	-34,431	-62,390	-	-
Other	21,580	37,595	-	-
Own work capitalised	-12,887	-20,670	-	-
	<u>182,101</u>	<u>289,433</u>	<u>64,089</u>	<u>55,703</u>
	<u>2,091,971</u>	<u>1,972,481</u>	<u>395,037</u>	<u>419,105</u>

On a company basis Cost of consumed electricity, includes costs of 172,974 thousand Euros (31 March 2009: 244,899 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 are analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Supplementary income	5,452	7,614	20	9
Operating Government grants	347	374	-	-
Gains on fixed assets	231	524	277	8
Reversal of impairment losses:				
- Doubtful debtors	4,593	4,008	-	-
- Debtors and other assets	2,558	621	-	-
Own work capitalised	756	564	-	-
Excess amount over customers contributions	1,444	506	-	-
Insurance premiums - Energia RE	57	1,882	-	-
Income arising from institutional partnerships - Horizon	23,275	26,242	-	-
Amortisation of the power purchase agreements fair value - Horizon	2,974	4,776	-	-
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya	3,170	-	-	-
Other operating income	<u>9,431</u>	<u>7,571</u>	<u>2,372</u>	<u>1,690</u>
	<u>54,288</u>	<u>54,682</u>	<u>2,669</u>	<u>1,707</u>

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 31 March 2010, the amortisation for the period amounts to 2,974 thousand Euros (31 March 2009: 4,776 thousand Euros) and the variation in the period derives essentially from the exchange rate increase of the euro against the American Dollar.

During the first quarter 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	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Subcontracts	912	19	-	-
Supplies and services:				
Water, electricity and fuel	2,820	2,803	196	444
Tools and office material	1,639	2,046	194	88
Rents and leases	23,981	22,997	10,512	2,553
Communication	11,138	9,460	2,357	560
Insurance	9,509	7,878	103	123
Transportation, travelling and representation	5,862	5,407	517	293
Commission and fees	814	857	9	32
Maintenance and repairs	63,569	53,470	3,779	431
Advertising	4,053	4,638	1,216	1,080
Surveillance and security	2,421	2,178	115	116
Specialised works:				
- Commercial activity	30,573	20,537	476	-
- IT services	11,212	7,976	4,637	226
- Legal fees	3,866	3,506	837	402
- Advisory fees	4,009	5,675	1,236	663
- Other services	10,411	9,950	2,772	3,366
Provided personal	-	-	9,045	-
Other supplies and services	7,414	6,141	343	8,261
	<u>194,203</u>	<u>165,538</u>	<u>38,344</u>	<u>18,638</u>

9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Board of Directors remuneration	3,273	3,698	1,338	1,451
Employee's remuneration	120,460	114,010	399	97
Social charges on remuneration	31,572	27,007	82	67
Indemnities	1,216	925	-	-
Performance, assiduity and seniority bonus	20,222	18,308	1,808	880
Other costs	5,801	6,268	569	747
Own work capitalised	-32,002	-28,910	-	-
	<u>150,542</u>	<u>141,306</u>	<u>4,196</u>	<u>3,242</u>

Employee benefits are analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Pension plans costs	18,772	17,314	30	18
Medical plans costs and other benefits	13,642	13,268	30	24
Cost of rationalising human resources	-	4,399	-	-
Other	363	463	3	-
	<u>32,777</u>	<u>35,444</u>	<u>63</u>	<u>42</u>

Pension plans costs include 14,947 thousand Euros related to defined benefit plans (see note 35) and 3,825 thousand Euros related to defined contribution plans. Medical plans costs and other employee benefits include 11,961 thousand Euros related to the charge of the year net of the corresponding charge-off.

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10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Concession rents paid to local authorities	59,784	59,884	-	-
Rents from power generation units	2,888	1,960	-	-
Direct taxes	3,830	3,479	-	1
Indirect taxes	21,035	14,716	156	109
Impairment losses on doubtful debts	26,078	10,379	-	11
Impairment losses on debtors and other assets	1,318	2,170	3	378
Uncollectible debts	1,265	2,518	-	-
Losses on fixed assets	546	206	-2	32
Regulation costs	1,476	951	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	-	6,945	-	-
Operating indemnities	1,455	110	-	-
Donations	8,603	301	6,308	-
Other operating costs	11,208	20,517	1,649	1,040
	139,486	124,136	8,114	1,571

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.

11. Provisions

Provisions are analysed as follows:

	Group		Company	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Charge for the year	13,934	10,182	8,075	125
Write-back for the year	-3,876	-5,513	-	-375
	10,058	4,669	8,075	-250

12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Property, plant and equipment:				
Property, plant and equipment under concession DL 344-B/82	-	-	-	-
Buildings and other constructions	2,907	3,702	116	117
Plant and machinery:				
Hydroelectricity generation	28,844	34,154	2	2
Thermoelectric generation	70,427	72,034	-	-
Renewable generation	93,711	68,505	-	-
Electricity distribution	15,755	17,539	-	-
Gas distribution	13,455	7,761	-	-
Other plant and machinery	295	270	4	4
Transport equipment	2,739	2,257	186	163
Office equipment and tools	14,663	12,694	1,632	993
Other	745	601	353	354
Impairment reversal loss	-29	-	-	-
	243,512	219,517	2,293	1,633
Intangible assets:				
Industrial property and other rights	5,956	3,387	2	2
Concession rights and impairment	21,165	23,097	-	-
Intangible assets related to concessions	76,357	69,222	-	-
	103,478	95,706	2	2
	346,990	315,223	2,295	1,635
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-6,112	-2,913	-	-
	340,878	312,310	2,295	1,635

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

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

	Mar 2010		Mar 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Investments in subsidiaries and associates:				
Ambitec Laboratorio Medioambiental, S.A.	-	-	100.0%	-150
Central Térmica Ciclo Combinado Soto 4	-	-	25.0%	12,899
Ibersol E. Solar Ibérica, S.A.	-	-	50.0%	268
Oni, S.G.P.S., S.A.	-	6,942	-	-
Other	-	-1,155	-	-124
		<u>5,787</u>		<u>12,893</u>

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

	Mar 2010		Mar 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Investments in subsidiaries and associates:				
Oni, S.G.P.S., S.A.	-	6,942	-	-
		<u>6,942</u>		<u>-</u>

During the first quarter of 2010, resulting from settlement of a case which was pending, the sale price of the investment held by EDP, S.A. in the subsidiary ONI SGPA, 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.

14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Other financial income				
Interest income from investments	29,671	9,116	71,590	91,884
Derivative financial instruments:				
Interest	21,304	39,080	15,379	44,974
Fair value	81,060	153,283	274,979	344,863
Other interest income	11,833	10,222	-	-
Income from equity investments	24	14	-	4,200
Foreign exchange gains	19,656	17,589	1,923	101,642
CMEC	20,095	20,605	-	-
Interest Income - Tariff adjustment and tariff deficit	3,283	13,464	-	-
Other financial income	<u>5,930</u>	<u>14,870</u>	<u>2</u>	<u>2</u>
	<u>192,856</u>	<u>278,243</u>	<u>363,873</u>	<u>587,565</u>
Other financial expenses				
Interest expense from financial debt	152,850	172,586	72,767	109,405
Capitalised interest expense from financial debt	-41,345	-24,097	-	-
Derivative financial instruments:				
Interest	6,888	37,256	7,622	47,045
Fair value	105,013	148,354	154,416	267,931
Other interest expense	1,522	2,741	1,314	4,415
Impairment of available for sale financial assets	-	29,274	-	-
Banking services	4,270	4,919	2,074	1,537
Foreign exchange losses	30,931	12,790	131,730	168,173
CMEC	5,069	6,424	-	-
Impairment of financial investments and equity investments	-	358	-	-
Unwinding	26,870	29,804	-	-
Interest Expenses - Tariff adjustment	6,355	4,307	-	-
Other financial expenses	<u>12,558</u>	<u>19,071</u>	<u>975</u>	<u>971</u>
	<u>310,981</u>	<u>443,787</u>	<u>370,898</u>	<u>599,477</u>
Financial income / (expenses)	<u>-118,125</u>	<u>-165,544</u>	<u>-7,025</u>	<u>-11,912</u>

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The caption Other financial Income - CMEC totalling 20,095 thousand Euros includes 5,275 thousand Euros related to interest of the initial CMEC included in the annuity for 2010 and 14,820 thousand Euros related to the financial effect considered in the calculation of the initial CMEC. Other financial expenses - CMEC includes 5,069 thousand Euros related to the cost on the updating of the initial CMEC, booked against Deferred Income.

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 and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe and (iv) the financial actualization related to the put option 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	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Current tax	-70,176	-97,997	6,205	142,755
Deferred tax	-58,846	9,961	1,884	-132,585
	-129,022	-88,036	8,089	10,170

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

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	Euro'000	Euro'000	Euro'000	Euro'000
Profit before tax	483,236	384,106	17,091	3,099
Income tax	-129,022	-88,036	8,089	10,170
Effective tax rate	26.7%	22.92%	-47.3%	-328.17%

16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Cost:				
Land and natural resources	155,973	150,048	46,499	46,502
Buildings and other constructions	485,356	473,608	25,252	25,252
Plant and machinery:				
Hydroelectric generation	7,766,245	7,720,225	254	254
Thermoelectric generation	7,178,512	7,161,919	-	-
Renewable generation	7,737,922	7,346,192	-	-
Electricity distribution	1,963,301	1,921,172	-	-
Gas distribution	1,198,206	1,186,579	-	-
Other plant and machinery	30,253	30,139	148	148
Transport equipment	90,077	88,356	3,987	3,788
Office equipment and tools	609,059	600,807	101,160	98,114
Other	123,369	120,080	14,246	14,246
Assets under construction	3,734,149	3,278,133	37,969	36,056
	31,072,422	30,077,258	229,515	224,360
Accumulated depreciation and impairment losses:				
Depreciation charge for the period	-243,541	-918,479	-2,293	-6,927
Accumulated depreciation in previous years	-11,712,306	-10,734,351	-100,798	-93,871
Impairment reversal losses for the period	29	-416	-	-
Impairment losses in previous years	-14,678	-14,464	-	-
	-11,970,496	-11,667,710	-103,091	-100,798
Carrying amount	19,101,926	18,409,548	126,424	123,562

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The movements in **Property, plant and equipment, for the Group**, for the three months period ended 31 March 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 31 March Euro'000
Cost:							
Land and natural resources	150,048	2,476	-45	14	2,330	1,150	155,973
Buildings and other constructions	473,608	62	-3,619	342	11,861	3,102	485,356
Plant and machinery	25,366,226	6,613	-6,832	90,355	223,790	194,287	25,874,439
Transport equipment	88,356	811	-2,114	1,713	1,300	11	90,077
Office equipment and tools	600,807	5,071	-27	854	1,729	625	609,059
Other	120,080	3,036	-	15	236	2	123,369
Assets under construction	3,278,133	507,941	-20,185	-93,363	78,803	-17,180	3,734,149
	<u>30,077,258</u>	<u>526,010</u>	<u>-32,822</u>	<u>-70</u>	<u>320,049</u>	<u>181,997</u>	<u>31,072,422</u>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment reversal losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 March Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	2,907	-	-2,929	645	2,099	138,426
Plant and machinery	10,962,463	222,487	-29	-3,859	-26,665	89,737	11,244,134
Transport equipment	59,074	2,739	-	-1,978	1,046	7	60,888
Office equipment and tools	441,004	14,663	-	-19	1,220	-1,047	455,821
Other	69,465	745	-	-323	59	1,281	71,227
	<u>11,667,710</u>	<u>243,541</u>	<u>-29</u>	<u>-9,108</u>	<u>-23,695</u>	<u>92,077</u>	<u>11,970,496</u>

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, with a net amount of -5,684,190 thousand Euros (see note 44).

The caption Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Europe, S.A., during the three months period ended at 31 March 2010, namely EDP Renováveis 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 derives essentially from the revaluation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the three months period ended 31 March 2010.

The movements in **Property, plant and equipment, for the Company**, for the three months period ended 31 March 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 31 March Euro'000
Cost:						
Land and natural resources	46,502	-	-3	-	-	46,499
Buildings and other constructions	25,252	-	-	-	-	25,252
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,788	199	-	-	-	3,987
Office equipment and tools	98,114	3,046	-	-	-	101,160
Other	14,246	-	-	-	-	14,246
Assets under construction	36,056	1,913	-	-	-	37,969
	<u>224,360</u>	<u>5,158</u>	<u>-3</u>	<u>-</u>	<u>-</u>	<u>229,515</u>
	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 31 March Euro'000
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	116	-	-	-	17,851
Plant and machinery	122	6	-	-	-	128
Transport equipment	1,483	186	-	-	-	1,669
Office equipment and tools	72,757	1,632	-	-	-	74,389
Other	8,701	353	-	-	-	9,054
	<u>100,798</u>	<u>2,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,091</u>

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17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Industrial property, other rights and other intangibles	186,962	189,570	100	100
Concession rights	15,320,288	15,146,026	-	-
CO2 licenses	474,772	287,989	-	-
Intangible assets in progress	590,114	566,909	-	-
	<u>16,572,136</u>	<u>16,190,494</u>	<u>100</u>	<u>100</u>
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the year	-97,522	-495,063	-	-
Amortisation of industrial property and other intangibles during the year	-5,956	-15,752	-2	-8
Accumulated amortisation in previous years	-9,810,251	-9,212,172	-67	-59
	<u>-9,913,729</u>	<u>-9,722,987</u>	<u>-69</u>	<u>-67</u>
Carrying amount	<u>6,658,407</u>	<u>6,467,507</u>	<u>31</u>	<u>33</u>

The movements in **Intangible assets** during the three months period ended 31 March 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 31 March Euro'000
Cost:							
Industrial property, other rights and other intangibles	189,570	13	-5	-	6,926	-9,542	186,962
Concession rights							
Concession rights - Brazil	1,190,694	-	-	-	21,533	-1,283	1,210,944
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
Concession rights - IFRIC 12	12,798,834	84,388	-	-	78,558	9,729	12,971,509
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	207,943	-21,160	-	-	-	474,772
Intangible assets in progress	312,671	10,433	-	-	1	-5,892	317,213
	<u>16,190,494</u>	<u>302,777</u>	<u>-21,165</u>	<u>-</u>	<u>107,018</u>	<u>-6,988</u>	<u>16,572,136</u>
Accumulated amortisation and impairment losses:							
Industrial property and other rights	88,728	5,956	-	-	3,469	-386	97,767
Concession rights	496,218	21,165	-	-	2,706	-639	519,450
Concession rights - IFRIC	9 138 041	76,357	-	-	47,710	34,404	9,296,512
	<u>9,722,987</u>	<u>103,478</u>	<u>-</u>	<u>-</u>	<u>53,885</u>	<u>33,379</u>	<u>9,913,729</u>

The movements in **Intangible assets** during the three months period ended 31 March 2010, **for the Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>

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	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:						
Industrial property and other rights	67	2	-	-	-	69
	<u>67</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>

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	
	Mar 2010 Euro'000	Dec 2009 Euro'000
Electric business:		
Hidroantábrico Group	964,036	969,050
Neo Energia Group	825,848	765,275
Horizon Group	587,879	550,868
Brazil Group	57,511	56,762
EDP Renováveis Brazil Group	1,567	1,501
Other (Portugal Group)	35,312	35,312
	<u>2,472,153</u>	<u>2,378,768</u>
Gas Distribution business:		
Naturgás Group	781,064	781,064
	<u>3,253,217</u>	<u>3,159,832</u>

The movements in **Goodwill** during the three months period ended 31 March 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 31 March Euro'000
Electric business:							
Hidroantábrico Group	969,050	-	-5,014	-	-	-	964,036
Neo Energia Group	765,275	60,512	-	-	61	-	825,848
Horizon Group	550,868	-	-	-	37,011	-	587,879
Brazil Group	56,762	-	-	-	749	-	57,511
EDP Renováveis Brazil Group	1,501	-	-	-	66	-	1,567
Other (Portugal Group)	35,312	-	-	-	-	-	35,312
	<u>2,378,768</u>	<u>60,512</u>	<u>-5,014</u>	<u>-</u>	<u>37,887</u>	<u>-</u>	<u>2,472,153</u>
Gas Distribution business							
Naturgás Group	781,064	-	-	-	-	-	781,064
	<u>3,159,832</u>	<u>60,512</u>	<u>-5,014</u>	<u>-</u>	<u>37,887</u>	<u>-</u>	<u>3,253,217</u>

HC Energia Group

During the three months period ended 31 March 2010, the goodwill from Hidroantábrico Group decreased by 5,014 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% of the share capital of HC Energia, as described under accounting policies - note 2b).

Neo Energia Group

The goodwill held in Neo Energia Group, with reference to 31 March 2010 and 31 December 2009, is presented as follows:

	Neo Energia Group	
	Mar 2010 Euro'000	Dec 2009 Euro'000
Genesa subgroup	477,522	477,522
Ceasa subgroup	117,513	117,513
Neo Polska subgroup	26,471	26,410
Neo Galia subgroup	83,160	83,160
Romania subgroup	10,931	10,931
Neo Catalunya subgroup	4,689	4,689
Enernova subgroup	41,876	41,876
Italia subgroup	60,512	-
Other	3,174	3,174
	<u>825,848</u>	<u>765,275</u>

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Italia subgroup

On 27 January 2010, EDP Group through its subsidiary EDP Renováveis Europe acquired 85% of the share capital of Italian Wind, S.r.l.. Additionally, EDP Renováveis Europe has a call option and Energia in Natura, S.r.l. has a put option over the remain 15% of the company's share capital (see note 40); as a consequence, as at 31 March 2010, the EDP Group has consolidated 100% of Italian Wind S.r.l., taking considering the put option as an anticipated acquisition of non controlling interests.

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

The variation in the Italia subgroup goodwill during the first quarter of 2010 results from the acquisition of Italian Wind, 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 Italian Wind, S.r.l. (15,149 thousand Euros) and also results from the goodwill generated in the acquisition of Repano, S.r.l. (46 thousand Euros).

19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	<u>Company</u>	
	<u>Mar 2010</u>	<u>Dec 2009</u>
	<u>Euro'000</u>	<u>Euro'000</u>
Historical acquisition cost	10,812,627	10,812,363
Effect of equity method (transition to IFRS)	<u>-1,165,796</u>	<u>-1,165,796</u>
Equity investments in subsidiaries	9,646,831	9,646,567
Impairment losses on equity investments in subsidiaries	<u>-110,724</u>	<u>-110,724</u>
	<u>9,536,107</u>	<u>9,535,843</u>

Investments in subsidiaries are analysed as follows:

	<u>Company</u>	
	<u>Mar 2010</u>	<u>Dec 2009</u>
	<u>Net amount</u>	<u>Net amount</u>
	<u>Euro'000</u>	<u>Euro'000</u>
Investments in subsidiaries:		
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Comercial, S.A.	188,463	188,463
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47,796	47,796
Energia RE	2,005	2,005
EDP Produção Bioelétrica, S.A.	6,595	6,595
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	4,550
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brasil, S.A.	432,238	432,238
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance B.V.	2,001	2,001
Sávida, S.A.	4,452	4,452
EDP Investimentos, S.G.P.S., S.A.	46,592	46,592
EDP Imobiliária e Participações, S.A.	28,109	28,109
Balwerk, S.A.	1,686	1,686
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Inovação, S.A.	2,313	2,098
Other	<u>1,956</u>	<u>1,907</u>
	<u>9,536,107</u>	<u>9,535,843</u>

20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Associated companies:				
Investments in associates	189,999	175,409	45,535	45,535
Adjustments in investments in associates	-93	-137	-137	-137
Net book value	189,906	175,272	45,398	45,398

21. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	224,970	163,644	224,970	163,644
Ampla Investimentos e Serviços, S.A.	15,708	15,038	15,708	15,038
Banco Comercial Português, S.A.	101,525	104,118	-	-
Denerge	22,462	15,563	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Rede Eléctrica Nacional, S.A.	57,191	55,883	57,191	55,883
Sociedade Eólica de Andalucía, S.A.	11,766	11,766	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,636	25,636	-	-
Other	40,101	41,194	4,086	3,836
	509,634	443,117	301,955	238,401

As at 31 March 2010, the investments held in REN - Rede Eléctrica Nacional, S.A., Ampla Energia e Serviços, S.A. and Denerge, increased by 1,308 thousand Euros, 61,326 thousand Euros and 6,899 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 three months period ending 31 March 2010, the financial investment held in Banco Comercial Português, S.A. decreased by 2,593 thousand Euros being this reduction 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 attributable to the Group (see note 31). The fair value reserves as at 31 March 2010 and 31 December 2009 is analysed as follows:

	Mar 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	156,031	94,705
Ampla Investimentos e Serviços, S.A.	10,133	9,463
Banco Comercial Português, S.A.	25,443	28,036
Denerge	4,257	370
EDA - Electricidade dos Açores, S.A.	1,322	1,322
REN - Rede Eléctrica Nacional, S.A.	31,371	30,063
Sociedade Eólica de Andalucía, S.A.	6,671	6,671
Tagusparque	965	965
Tejo Energia, S.A.	19,281	19,281
Other	1,190	1,017
	256,664	191,893

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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 Euro'000	Deferred tax liabilities Euro'000
Balance as at 1 January 2010	661,335	-758,893
Tariff adjustment for the period	-49,925	-4,216
Provisions	2,694	-7,351
Deferred tax over CMEC's in the period	-	-9,542
Use of tax credits	-6,435	-
Fair value of derivative financial instruments and available for sale investments	28,448	-22,335
Allocation of fair value adjustments to assets and liabilities acquired	2,969	-2,288
Exchange differences and other	-3,937	13,406
Netting of deferred tax assets and liabilities	14,258	-14,258
Balance as at 31 March 2010	<u>649,407</u>	<u>-805,477</u>

23. Inventories

This caption is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Merchandise	8,537	24,937	-	-
Advances on account of purchases	7,466	4,650	-	-
Finished and intermediate products	11,193	10,384	-	-
Sub-products, waste, residues and scrap	14,743	13,159	-	-
Raw and subsidiary materials and consumables:				
Coal	108,207	94,780	-	-
Fuel	38,950	41,041	-	-
Nuclear fuel	12,580	13,594	-	-
Other consumables				
CO2 licenses	3,117	11,351	12,713	11,351
Other	60,031	59,480	-	-
	<u>264,824</u>	<u>273,376</u>	<u>12,713</u>	<u>11,351</u>

CO2 licenses correspond to the amount of available for sale licenses as at 31 March 2010, valued at market price on the same date against the income statement.

24. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	827,091	772,701	82,696	97,432
Spain	800,351	669,427	-	-
Brazil	333,027	332,441	-	-
U.S.A.	29,368	27,434	-	-
Other	11,044	12,429	-	-
Public Sector:				
Portugal				
State and official entities	18,991	16,674	-	-
Local government	41,462	33,769	-	-
Brazil				
State and official entities	9,122	8,306	-	-
Local government	22,446	20,132	-	-
	<u>2,092,902</u>	<u>1,893,313</u>	<u>82,696</u>	<u>97,432</u>
Doubtful debts	250,024	230,851	9,941	9,941
Impairment losses	-250,024	-230,851	-9,941	-9,941
	<u>2,092,902</u>	<u>1,893,313</u>	<u>82,696</u>	<u>97,432</u>

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	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	39,859	38,386	-	-
Public Sector:				
Portugal - Local government	141,250	142,521	-	-
	181,109	180,907	-	-
Impairment losses	-64,845	-66,086	-	-
	116,264	114,821	-	-
	<u>2,209,166</u>	<u>2,008,134</u>	<u>82,696</u>	<u>97,432</u>

25. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	1,250,643	811,279
Loans to related companies	88,638	142,976	8,680	7,492
Other debtors:				
- Advances to pensioners on account of the Social Security	2,000	13,717	-	-
- Amounts owed to staff	3,370	3,520	7	-
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	89,306	117,915	-	-
- Amounts receivable from Portuguese tariff adjustments	477,690	559,724	-	-
- Receivables from the State and concessors	11,724	13,040	-	-
- Amounts with RTP - broadcasting charge	32,125	32,125	-	-
- Receivables relating to other goods and services	61,452	66,831	720	84,651
- Derivative financial instruments	115,975	230,195	150,259	216,534
- Subsidiaries companies	-	-	1,289,490	524,888
- Amounts receivable relating to gas sales operations	6,663	1,402	-	-
- Amounts receivable relating to insurance and reinsurance operations	2,715	5,067	-	-
- Amounts receivable relating to the renewable operations	11,102	11,272	-	-
- Expenditure on concessions	13,996	14,284	-	-
- Insurance	5,164	10,130	2,146	6,269
- Other deferred costs	40,138	6,879	-	-
- Rents receivable of Energin lease	24,360	24,976	-	-
- Amounts receivable relating to CMEC	214,284	363,350	-	-
- Tied deposits (Horizon)	51,961	90,505	-	-
Accrued income relating to energy sales and purchase activity in the market	84,403	27,425	121,139	38,191
Sundry debtors and other operations	169,647	148,234	45,131	39,341
	<u>1,562,353</u>	<u>1,939,207</u>	<u>2,868,215</u>	<u>1,728,645</u>
Impairment losses on short-term debtors - Current	-72,965	-74,191	-911	-908
	<u>1,489,388</u>	<u>1,865,016</u>	<u>2,867,304</u>	<u>1,727,737</u>

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	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Medium and long term debtors - Non Current:				
Loans to subsidiaries	-	-	4,070,601	4,480,386
Loans to related companies	24,192	25,672	17,724	18,874
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	174,070	76,127	-	-
- Amounts receivable from Spanish tariff expenses	587,917	536,205	-	-
- Expenditure on concessionors	15,605	16,199	-	-
- Guarantees and linked deposits	146,831	126,601	1,461	1,385
- Amounts receivable relating to CMEC	1,122,448	1,026,181	-	-
- Derivative financial instruments	52,471	46,116	158,523	37,271
- O&M contract valuation - Mapple Ridge I (Horizon)	7,501	7,405	-	-
- Amounts receivable from concessionors - IFRIC 12 (see note 44)	395,296	370,257	-	-
Sundry debtors and other operations	91,771	85,303	142	-
	<u>2,618,102</u>	<u>2,316,066</u>	<u>4,248,451</u>	<u>4,537,916</u>
Impairment losses on medium and long term debtors - Non current	-2,844	-2,839	-	-
	<u>2,615,258</u>	<u>2,313,227</u>	<u>4,248,451</u>	<u>4,537,916</u>
	<u>4,104,646</u>	<u>4,178,243</u>	<u>7,115,755</u>	<u>6,265,653</u>

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 31 March 2010, according to the applicable legal framework (see note 3).

The amounts receivable relating to CMEC totalize 1,336,732 thousand Euros, which include 1,122,448 thousand Euros as medium and long term debts and 214,284 thousand Euros as short term debts. The amount receivable relating to the initial CMEC of 757,413 thousand Euros as medium and long term debts and 34,605 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 365,035 thousand Euros in the medium and long term and 179,679 thousand Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2008 to 2010.

The caption Amounts receivable from concessionors - IFRIC 12 in the amount of 395.296 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 a) and note 44).

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

	Current	Non Current
	Euro'000	Euro'000
Balance as at 1 January 2009	10,444	1,435,033
Receipts through the electric energy tariff	-2,754	-
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	-	211,926
Interest expense	142	13,322
Transfer from Non-Current to Current (Jan-Mar 2010)	64,283	-64,283
Balance as at 31 March 2009	<u>72,115</u>	<u>404,772</u>
Balance as at 1 January 2010	559,724	76,127
Receipts through the electric energy tariff	-142,834	-
Tariff adjustment of 2009	-	21,396
Tariff adjustment for the period	33,486	100,459
Interest expense	2,903	499
Transfer from non current to current	24,411	-24,411
Balance as at 31 March 2010	<u>477,690</u>	<u>174,070</u>

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26. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	117,955	144,016	15,142	14,077
- Value added tax (VAT)	337,386	334,110	40,052	30,468
- Turnover tax (Brazil)	72,815	72,786	-	-
- Social tax (Brazil)	320	288	-	-
- Other taxes	4,978	6,441	-	-
	<u>533,454</u>	<u>557,641</u>	<u>55,194</u>	<u>44,545</u>

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	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Fixed income securities:				
Listed funds	34,977	33,012	-	-
Bonds and other listed fixed income securities	47,854	47,749	-	-
	<u>82,831</u>	<u>80,761</u>	<u>-</u>	<u>-</u>
Variable income securities:				
Listed funds	488	4,091	-	-
	<u>488</u>	<u>4,091</u>	<u>-</u>	<u>-</u>
	<u>83,319</u>	<u>84,852</u>	<u>-</u>	<u>-</u>

28. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Cash:				
- Cash in hand	285	124	6	-
Bank deposits:				
- Current deposits	424,905	333,102	44,869	13,856
- Term deposits	610,330	613,506	-	-
- Other deposits	858	505	-	-
	<u>1,036,093</u>	<u>947,113</u>	<u>44,869</u>	<u>13,856</u>
Other short term investments:				
- Banks - Euros	1,147,156	915,156	1,091,400	877,500
- Banks - Other currencies	339,534	327,167	-	-
	<u>1,486,690</u>	<u>1,242,323</u>	<u>1,091,400</u>	<u>877,500</u>
Cash and cash equivalents	<u>2,523,068</u>	<u>2,189,560</u>	<u>1,136,275</u>	<u>891,356</u>

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 25.71% of the share capital of EDP, S.A.

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

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Share capital and Share premium are analysed as follows:

	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 year	-	-
Balance as at 31 March 2010	<u>3,656,538</u>	<u>501,992</u>

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

	Group		Company	
	Mar 2010	Mar 2009	Mar 2010	Mar 2009
Net profit attributable to the equity holders of EDP (in Euros)	309,178,814	265,311,524	25,180,271	13,268,906
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	<u>309,178,814</u>	<u>265,311,524</u>		
Weighted average number of ordinary shares outstanding	<u>3,622,428,993</u>	<u>3,620,951,562</u>	<u>3,623,941,993</u>	<u>3,622,464,562</u>
Weighted average number of diluted ordinary shares outstanding	<u>3,623,373,570</u>	<u>3,622,069,047</u>	<u>3,624,886,570</u>	<u>3,623,582,047</u>
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.09	0.07		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	<u>0.09</u>	<u>0.07</u>		
Basic earnings per share from continuing operations (in Euros)	0.09	0.07		
Diluted earnings per share from continuing operations (in Euros)	<u>0.09</u>	<u>0.07</u>		

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 year.

The average number of shares was determined as follows:

	Group		Company	
	Mar 2010	Mar 2009	Mar 2010	Mar 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	<u>3,656,537,715</u>	<u>3,656,537,715</u>	<u>3,656,537,715</u>	<u>3,656,537,715</u>
Effect of treasury stock	<u>-34,108,722</u>	<u>-35,586,153</u>	<u>-32,595,722</u>	<u>-34,073,153</u>
Average number of shares during the period	<u>3,622,428,993</u>	<u>3,620,951,562</u>	<u>3,623,941,993</u>	<u>3,622,464,562</u>
Effect of stock options	944,577	1,117,485	944,577	1,117,485
Diluted average number of shares during the period	<u>3,623,373,570</u>	<u>3,622,069,047</u>	<u>3,624,886,570</u>	<u>3,623,582,047</u>

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30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
Book value of EDP, S.A. treasury stock (thousand Euros)	117,393	119,784	111,298	113,689
Number of shares	33,606,293	34,212,975	32,093,293	32,699,975
Market value per share (in Euros)	2.943	3.108	2.943	3.108
Market value of EDP, S.A.'s treasury stock (thousand Euros)	98,903	106,334	94,451	101,632
Operations performed from 1 January 2009 to 31 December 2009:	EDP, S.A.	Energia RE		
Volume acquired (number of shares)	411,219	-		
Volume sold (number of shares)	1,017,901	-		
Final position (number of shares)	32,093,293	1,513,000		
Highest market price (in Euros)	3.18	-		
Lowest market price (in Euros)	2.21	-		
Average market price (in Euros)	2.73	-		

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	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Legal reserve	471,387	471,387	471,387	471,387
Fair value reserve (cash flow hedge)	50,120	80,444	48,888	56,561
Tax effect of fair value reserve (cash flow hedge)	-11,393	-18,650	-14,391	-15,457
Fair value reserve (available-for-sale investments)	256,664	191,893	193,100	129,809
Tax effect of fair value reserve (available-for-sale investments)	-25,903	-17,790	-20,463	-12,077
Exchange differences arising on consolidation	230,935	165,859	-	-
Treasury stock reserve (EDP, S.A.)	111,298	113,689	111,298	113,689
Other reserves and retained earnings	2,267,343	1,241,728	1,755,901	1,124,095
	3,350,451	2,228,560	2,545,720	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.

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Fair value reserve (available-for-sale investments)

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

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2008	322,565	-275,601
Changes in fair value	29,590	-29,274
Transfer of impairment to profit or loss	-	29,274
Balance as at 31 March 2009	352,155	-275,601
Changes in fair value	150,166	-567
Transfer of impairment to profit or loss	-	15
Transfer to the income statement relating to assets sold	-34,275	-
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	67,593	-2,822
Balance as at 31 March 2010	535,639	-278,975

Decreases in fair value changes during the year ended 31 March 2010 include 2,593 thousand Euros related to impairment losses recognised regarding the investment in BCP.

Increases in fair value reserve attributable to the EDP Group during the three month period ended 31 March 2010 are analysed as follows:

	Mar 2010 Euro'000
Ampla Energia e Serviços, S.A.	61,326
Denerge	3,887
REN - Rede Eléctrica Nacional, S.A.	1,308
Ampla Investimentos e Serviços, S.A.	670
Other	402
	67,593

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:

Currency		Exchange rates at Mar 2010		Exchange rates at Dec 2009	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.348	1.383	1.441	1.390
Brazilian Real	BRL	2.404	2.492	2.511	2.783
Macao Pataca	MOP	10.779	11.061	11.506	11.088
Quetzal	GTQ	10.764	11.356	12.003	11.332
Zloty	PLN	3.867	3.987	4.105	4.362
Lei	RON	4.097	4.113	4.236	4.245
Pound Sterling	GBP	0.890	0.888	-	-

Dividends

On 16 April 2010, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders 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). Considering the resolution date, the correspondent accounting of this decision was made during the second quarter of 2010.

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32. Minority interests

This caption is analysed as follows:

	Group	
	Mar 2010	Dec 2009
	Euro'000	Euro'000
Minority interests in income statement	45,035	144,102
Minority interests in reserves	2,757,692	2,543,435
	<u>2,802,727</u>	<u>2,687,537</u>

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

	Group	
	Mar 2010	Dec 2009
	Euro'000	Euro'000
EDP Renováveis Group	1,306,347	1,281,672
Energias do Brasil Group	1,435,070	1,346,792
Hidrocentrábrico Group	35,418	35,534
Other	25,892	23,539
	<u>2,802,727</u>	<u>2,687,537</u>

During the first quarter of 2010, EDP Group generated profit of 45,035 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 12,307 thousand Euros, to variations resulting from share capital increases attributable to minority interests totalling 12,171 thousand Euros.

The movement booked in minority interests of Energias do Brasil Group includes 30,353 thousand Euros of profits attributable to minority interests and 56,514 thousand Euros from the positive exchange difference.

The caption Other minority interests includes 24,876 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	
	Mar 2010	Mar 2009
	Euro'000	Euro'000
Balance at the beginning of the year	112,631	237,822
Amounts received / (paid) during the year	-10,318	-
Financial charges	1,134	2,647
Balance at the end of the year	<u>103,447</u>	<u>240,469</u>

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34. Financial debt

This caption is analysed as follows:

Short term debt and borrowings - Current

Bank loans:

- EDP, S.A.
- EDP Energias do Brasil Group
- HC Energia Group
- Renewables Group
- Generation - Portugal
- Portgás

Non convertible bond loans:

- EDP, S.A.
- EDP Finance B.V.
- EDP Energias do Brasil Group

Commercial paper:

- EDP, S.A.
- EDP Energias do Brasil Group
- HC Energia Group

Other loans:

- EDP Energias do Brasil Group
- Renewables Group
- Generation - Portugal

Accrued interest

Group		Company	
Mar 2010	Dec 2009	Mar 2010	Dec 2009
Euro'000	Euro'000	Euro'000	Euro'000
44,637	51,277	44,637	51,277
110,100	119,661	-	-
1,569	1,488	-	-
116,760	103,039	-	-
9,062	8,991	-	-
34,565	33,999	-	-
316,693	318,455	44,637	51,277
747,352	-	747,352	-
499,993	499,861	-	-
84,700	81,077	-	-
1,332,045	580,938	747,352	-
990,500	1,218,500	4,486,000	4,107,500
95,662	91,586	-	-
240,545	329,322	-	-
1,326,707	1,639,408	4,486,000	4,107,500
6,393	5,402	-	-
3,919	4,096	-	-
912	701	-	-
11,224	10,199	-	-
187,768	245,481	6,903	36,063
3,174,437	2,794,481	5,284,892	4,194,840

Medium and long term debts and borrowings - Non current

Bank loans:

- EDP, S.A.
- EDP Finance B.V.
- EDP Energias do Brasil Group
- HC Energia Group
- Renewable Group
- Generation - Portugal
- Portgás

Non convertible bond loans:

- EDP, S.A.
- EDP Finance B.V.
- EDP Energias do Brasil Group

Other loans:

- Preference shares of Investco
- EDP Energias do Brasil Group
- Renewable Group
- Generation - Portugal

Other liabilities:

- Fair value of the issued debt hedged risk

Group		Company	
Mar 2010	Dec 2009	Mar 2010	Dec 2009
Euro'000	Euro'000	Euro'000	Euro'000
735,947	759,024	735,947	759,024
3,278,882	3,206,321	-	-
718,209	707,426	-	-
4,531	4,991	-	-
433,925	402,599	-	-
184,709	185,046	-	-
64,085	66,862	-	-
5,420,288	5,332,269	735,947	759,024
427,455	1,174,742	427,455	1,174,742
8,035,459	6,795,215	-	-
154,033	180,639	-	-
8,616,947	8,150,596	427,455	1,174,742
23,431	22,494	-	-
38,022	37,349	-	-
29,678	29,530	-	-
5,717	6,151	-	-
96,848	95,524	-	-
14,134,083	13,578,389	1,163,402	1,933,766
-71,189	-91,890	27,816	28,627
14,062,894	13,486,499	1,191,218	1,962,393
17,237,331	16,280,980	6,476,110	6,157,233

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EDP Group, at EDP, S.A. level, has short-term credit facilities of 390,410 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 375,410 thousand Euros have a firm underwriting commitment, being available 357,837 thousand Euros; as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, being 578,000 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 31 March 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 31 March 2010 and 31 December 2009 these loans amounted to 713,998 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 31 March 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
					<u>450,000</u>	<u>450,000</u>
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	Euribor 3 months + 0.15%	n.a.	Jun-10	500,000	-
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	741,895	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00 %	Net Investment	Feb-18	741,895	-
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 (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	79,409	-
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	741,895	-
EDP Finance B.V.	Fev-10	Variable Rate (iv)	Net Investment	Fev-15	74,189	-
EDP Finance B.V.	Mar-10	Fixed Rate EUR 3,25%	Fair Value	Mar-15	1,000,000	-
					<u>9,410,306</u>	<u>747,352</u>
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov-01	IGPM + 10.5%	n.a.	Nov-11	26,890	-
Bandeirante	Apr-06	104.4% of CDI	n.a.	Mar-11	34,660	-
Escelsa	Jun-06	104.4% of CDI	n.a.	Jun-11	73,202	-
Escelsa	Jul-07	105.0% of CDI	n.a.	Jul-14	103,980	-
					<u>238,732</u>	<u>-</u>
					<u>10,099,038</u>	<u>1,197,352</u>

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

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

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

(iv) These issues correspond to private placements.

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Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Bank loans and overdrafts:				
Up to 1 year	339,014	324,586	45,269	52,513
From 1 to 5 years	4,142,768	4,012,942	137,197	131,155
More than 5 years	1,277,520	1,319,327	598,750	627,869
	<u>5,759,302</u>	<u>5,656,855</u>	<u>781,216</u>	<u>811,537</u>
Bond loans:				
Up to 1 year	1,496,065	820,699	753,273	34,726
From 1 to 5 years	3,602,906	3,232,718	141,742	891,685
More than 5 years	4,942,852	4,825,988	313,529	311,684
	<u>10,041,823</u>	<u>8,879,405</u>	<u>1,208,544</u>	<u>1,238,095</u>
Commercial paper:				
Up to 1 year	1,327,058	1,638,513	4,486,350	4,107,601
Other loans:				
Up to 1 year	12,300	10,683	-	-
From 1 to 5 years	44,190	42,921	-	-
More than 5 years	52,658	52,603	-	-
	<u>109,148</u>	<u>106,207</u>	<u>-</u>	<u>-</u>
	<u>17,237,331</u>	<u>16,280,980</u>	<u>6,476,110</u>	<u>6,157,233</u>

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

	Mar 2010		Dec 2009	
	Carrying amount	Market value	Carrying amount	Market value
	Euro'000	Euro'000	Euro'000	Euro'000
Short term debt and borrowings - Current	3,174,437	3,015,463	2,794,481	2,547,504
Medium/Long term debt and borrowings - Non current	14,062,894	14,691,198	13,486,499	14,110,568
	<u>17,237,331</u>	<u>17,706,661</u>	<u>16,280,980</u>	<u>16,658,072</u>

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 31 December 2009, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2010	2011	2012	2013	2014	Following years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Medium/long term debt and borrowings	-	381,716	1,487,773	2,410,587	2,372,128	7,410,690	14,062,894
Short term debt and borrowings	<u>2,297,889</u>	<u>876,548</u>	-	-	-	-	<u>3,174,437</u>
	<u>2,297,889</u>	<u>1,258,264</u>	<u>1,487,773</u>	<u>2,410,587</u>	<u>2,372,128</u>	<u>7,410,690</u>	<u>17,237,331</u>

Future payments of capital in debt and interests and guarantees are detailed in note 40.

35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Provisions for social liabilities and benefits	1,085,389	1,109,347	-	-
Provisions for medical liabilities and other benefits	<u>777,040</u>	<u>770,357</u>	<u>-</u>	<u>-</u>
	<u>1,862,429</u>	<u>1,879,704</u>	<u>-</u>	<u>-</u>

Provisions for social liabilities and benefits as at 31 March 2010 include 1,072,532 thousand Euros relating to retirement pension defined benefit plans (31 December 2009: 1,095,981 thousand Euros) and 12,857 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.

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

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Balance at the beginning of the period	1,109,347	1,082,905	-	-
Charge for the year	14,947	16,407	-	-
Charge-off	-40,250	-38,864	-	-
Transfers, reclassifications and exchange differences	1,345	1,913	-	-
Balance at the end of the period	1,085,389	1,062,361	-	-

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

	Mar 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period				
Current service cost	3,339	123	116	3,578
Interest cost	24,561	1,156	4,766	30,483
Expected return on plan assets	-14,763	-	-4,077	-18,840
Plan participants contributions	-	-	-274	-274
Net cost for the period	13,137	1,279	531	14,947

	Mar 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the period				
Current service cost	2,929	148	117	3,194
Interest cost	26,275	1,466	5,127	32,868
Expected return on plan assets	-15,271	-	-4,742	-20,013
Plan participants contributions	-	-	-222	-222
Other	-	-	580	580
Net cost for the period	13,933	1,614	860	16,407

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

	Group		Company	
	Mar 2010 Euro'000	Mar 2009 Euro'000	Mar 2010 Euro'000	Mar 2009 Euro'000
Balance at the beginning of the period	770,357	750,982	-	-
Charge for the period	11,961	11,855	-	-
Charge-off	-6,563	-5,396	-	-
Transfers, reclassifications and exchange differences	1,285	871	-	-
Balance at the end of the period	777,040	758,312	-	-

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

	Mar 2010			Mar 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year						
Current service cost	1,741	34	1,775	1,609	39	1,648
Interest cost	9,409	777	10,186	9,728	479	10,207
Net cost for the year	11,150	811	11,961	11,337	518	11,855

As at 31 March 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.

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36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Provision for legal and labour matters and other contingencies	99,885	94,520	-	-
Provision for customer guarantees under current operations	25,753	28,561	-	-
Provision for other liabilities and charges	226,152	219,674	26,085	18,637
	351,790	342,755	26,085	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 31 December 2009, the amount of this Tax contingency totals 177,6 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	
	Mar 2010	Dec 2009	Mar 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Trade and other payables - Current:				
Suppliers	693,480	803,457	76,318	110,501
Property, plant and equipment suppliers	590,429	901,417	3,413	7,217
Advances from customers	29,295	29,500	43	43
Other payables:			-	-
- Employees	27,369	56,949	8,706	6,901
- Supply of other goods and services	154,805	193,914	18,371	9,777
- Concession rents	14,263	15,822	-	-
- Amount payable to the regulatory entity in Brazil	18,356	11,988	-	-
- Amount to be invested in research and development - Brazil	16,984	16,449	-	-
- Amounts payable for electricity transactions in MIBEL	34,166	-	34,166	-
Payables - related companies	22,992	30,481	-	-
Payables from the Regulated Activity	40,323	40,159	-	-
Energetic efficiency program - Brazil	24,090	21,056	-	-
Holiday pay, bonus and other charges	112,390	96,606	740	587
Derivative financial instruments	59,601	88,745	113,807	132,349
Government grants and co-participation in investment in fixed assets	1,322	1,322	-	-
Accrued costs - Energy management business	45,685	17,132	108,792	102,176
Accrued costs - Energy purchase (PRE)	129,880	143,280	-	-
Accrued income - supply energy	21,637	20,395	-	-
Accrued costs relating to the fix network utilization tariff	38,825	72,140	-	-
CO2 emission licenses	519,094	341,446	-	-
Accrued costs - Subcontracts (Horizon)	44,735	22,841	-	-
Deferred income - CMEC	193,702	92,446	-	-
OMIP futures (own use)	13,486	9,620	13,486	9,620
Amounts payable for tariff adjustments - Portugal	829,392	1,056,236	-	-
Amounts payable for tariff adjustments - Spain	36,623	65,231	-	-
Tariff adjustment payable	14,317	14,317	-	-
Creditors - Group companies	-	-	972,908	621,941
Put options over minority interests liabilities	713,974	710,113	-	-
Other creditors and sundry operations	510,420	298,445	38,499	31,268
	4,951,635	5,171,507	1,389,249	1,032,380

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	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 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	36,436	37,670	3	3
Payables to associates	128,457	121,006	-	-
Suppliers of property, plant and equipment	6,707	6,789	1,883	1,888
Government grants for investment in fixed assets	432,909	413,897	-	-
Put options over minority interests liabilities	131,678	101,622	-	-
Amounts payable for tariff adjustments - Portugal	126,925	88,479	-	-
Deferred income	4,645	750	-	-
Energy sales contracts - Horizon	92,914	97,951	-	-
Deferred income - CMEC	338,370	381,278	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,436,284	1,353,612	-	-
Amounts payable for concessions	241,764	235,903	-	-
Derivative financial instruments	188,982	178,628	1,404	773
Payables - Group companies (EDP Finance BV)	-	-	3,190,324	2,809,277
Amounts payable for the acquisition of companies	5,872	21,230	-	-
Success fees payable related to companies acquisitions	72,018	53,034	-	-
Other creditors and sundry operations	47,153	52,511	2,408	1,907
	<u>3,303,020</u>	<u>3,155,253</u>	<u>3,207,928</u>	<u>2,824,741</u>

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 (31 March 2010: 469,592 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	-78,999	-
Tariff adjustment of 2008	-	34,150
Tariff adjustment of the period	-	253,793
Interest expense	4,307	-
Transfer from Non-Current to Current (Jan-Mar 2010)	8,292	-8,292
Balance as at 1 January 2010	<u>233,673</u>	<u>279,651</u>
Balance as at 1 January 2010	1,056,236	88,479
Payment through the electricity tariff	-270,119	-
Tariff adjustment of 2008	-	21,396
Tariff adjustment of the period	9,691	44,160
Interest expense	6,060	414
Transfer from Non-Current to Current	27,524	-27,524
Balance as at 31 March 2010	<u>829,392</u>	<u>126,925</u>

38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	622,219	599,032	510,833	483,912
- Withholding tax	28,864	40,186	339	277
- Social Security contributions	10,147	9,982	19	20
- Value added tax (VAT)	55,008	42,344	696	385
- Turnover tax (Brazil)	71,656	57,179	-	-
- Social tax (Brazil)	34,619	41,402	-	-
- Other taxes	139,838	137,881	12	-
	<u>962,351</u>	<u>928,006</u>	<u>511,899</u>	<u>484,594</u>

As at 31 March 2010, Other taxes include foreign taxes regarding HC Energia Group of 49,199 thousand Euros, Naturgás Group of 32,802 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 50,782 thousand Euros (31 December 2009: 55,347 thousand Euros).

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39. 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 31 March 2010 and 31 December 2009 is analysed as follows:

	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Derivatives held for trading	-4,570	-4,285	2,141	-9,767
Fair value hedge	-72,861	-27,086	157,513	67,993
Cash-flow hedge	-1,903	39,740	33,917	62,457
Net Investment hedge	-803	569	-	-
	-80,137	8,938	193,571	120,683

40. Commitments

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

Type	Group		Company	
	Mar 2010 Euro'000	Dec 2009 Euro'000	Mar 2010 Euro'000	Dec 2009 Euro'000
Guarantees of a financial nature				
EDP, S.A.	438,952	396,175	438,952	396,175
Hidroantábrico Group	34,652	36,858	-	-
Brazil Group	15,863	46,587	-	-
EDP Renováveis Group	9,680	9,465	-	-
Other	3,721	3,720	-	-
	502,868	492,805	438,952	396,175
Guarantees of an operating nature				
EDP, S.A.	977,790	829,891	977,790	829,891
Hidroantábrico Group	326,420	324,839	-	-
Brazil Group	102,320	102,732	-	-
EDP Renováveis Group	1,716,998	1,613,885	-	-
Other (Portugal)	25,176	25,191	-	-
	3,148,704	2,896,538	977,790	829,891
Total	3,651,572	3,389,343	1,416,742	1,226,066
Real guarantees	8,177	12,504	-	-

The financial guarantees contracted include, at 31 March 2010 and 31 December 2009, 436,438 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 358,710 thousand Euros at 31 March 2010 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 132,762 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 31 March 2010 and 31 December 2009, 451,183 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 31 March 2010 and 31 December 2009 these loans amounted to 713,988 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 31 March 2010 and 31 December 2009, by maturity, as follows:

	Mar 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)	20,907,864	3,622,224	3,171,824	6,513,685	7,600,131
Finance lease commitments	6,982	2,221	4,218	543	-
Operating lease commitments	482,892	32,260	62,222	59,351	329,059
Purchase obligations	35,654,417	3,348,999	5,266,441	3,951,981	23,086,996
Other long term commitments	2,978,357	336,803	594,459	574,864	1,472,231
	60,030,512	7,342,507	9,099,164	11,100,424	32,488,417

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	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
	<u>63,364,193</u>	<u>8,189,965</u>	<u>11,822,475</u>	<u>12,009,136</u>	<u>31,342,617</u>

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 year-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 31 March 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, exercised until 30 July 2010, 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 Renováveis 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 Renováveis 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 Renováveis 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 Renováveis 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 Limpas, 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 Renováveis Europe, a call option of remaining 15% of the share capital of EDP Renováveis Itália, 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 Renováveis Itália, whose exercise price over 85% of market value of participation. The exercise period of the options is 2 years after occurrence of one of the following events:
 - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
 - When EDP Renováveis Italy able to build, develop and operate 350 MW in Italy.

41. 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.

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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 (Euro)
Balance as at 31 December 2008	1,117,485	2.21
Options exercised		
Options granted	-	
Balance as at 31 March 2009	<u>1,117,485</u>	2.21
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	203,460	
Options granted	-	
Balance as at 31 March 2010	<u>808,937</u>	2.21

Information regarding 2010 stock options is:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options (Euro'000)
808,937	2.21	3.74	808,937	605,216

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

During the three months period ended at 31 March 2010, EDP Group distributed a number of shares to staff (734,646 shares acquired at an average price of 2.86 Euros), with a total amount of 2,102 thousand Euros.

42. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 March 2010 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	733,150,712	20.05%	20.24%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	5.00%
Caixa Geral de Depósitos Group	207,093,071	5.66%	5.45%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,300,969	4.82%	4.87%
Senfora, SARL	148,431,999	4.06%	4.10%
BlackRock Group	139,884,362	3.83%	3.86%
Millennium BCP Group and Pension Fund	123,052,525	3.36%	3.40%
Banco Espírito Santo Group	111,013,214	3.04%	3.06%
Sonatrach	81,713,076	2.23%	2.26%
EDP Group (Treasury stock)	33,606,293	0.92%	
Remaining shareholders	<u>1,470,596,465</u>	<u>40.23%</u>	
	<u>3,656,537,715</u>	<u>100.0%</u>	

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Balances and transactions with subsidiaries and associates

As at 31 March 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	17 917	265 000	2 880	285,797
EDP Produção Bioelétrica	-	13 045	113	13,158
EDP Produção	7 577	3 494 462	281 242	3,783,281
EDP Brasil	-	-	14 947	14,947
EDP Distribuição	251 641	628 125	157 148	1,036,914
EDP Comercial	96 839	-	34 467	131,306
EDP Finance	-	-	483 092	483,092
EDP Gas Com	-	-	10 097	10,097
EDP Imobiliária e Participações	530	211 122	1 739	213,391
EDP Inovação	506	3 681	424	4,611
EDP Soluções Comerciais	16 192	-	20 656	36,848
EDP Renováveis	-	-	141 777	141,777
EDP Serviço Universal	-	-	188 808	188,808
EDP Gás	22 377	62 400	1 440	86,217
EDP Valor	-	-	14 190	14,190
Electrica Ribera del Ebro	-	-	2 077	2,077
Enernova	7	-	1 112	1,119
Hidrocontábrico Distribuição Elétrica S.A.U.	-	-	790	790
Hidrocontábrico Energia	-	-	883	883
HDC Gestão de Energia	-	518 304	102	518,406
Hidroelétrica del Cantábrico	-	11 982	33 094	45,076
EDP Internacional	709	1 119	286	2,114
Labelec	-	-	1 967	1,967
Naturgas Energía Servicios	-	-	1 258	1,258
EDP Investimentos	894	15 000	250	16,144
Pebble Hydro	-	-	1 418	1,418
Sávida	-	-	1 002	1,002
Outras	-	-	6 326	6,326
	415,189	5,224,240	1,403,585	7,043,014

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 Bioelétrica	-	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
Energim	-	-	1,135	1,135
Enernova	-	-	1,177	1,177
HDC Gestão de Energia	-	303,139	-	303,139
Hidroelétrica 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

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As at 31 March 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	-	-	90 978	90,978
EDP Distribuição	-	-	16 396	16,396
EDP Comercial	-	-	4 265	4,265
EDP Estudos e Consultoria	55	-	7 120	7,175
EDP Finance	-	3 986 967	61 888	4,048,855
EDP Gas Com	-	-	1 093	1,093
EDP Imobiliária e Participações	-	-	6 947	6,947
EDP Inovação	-	-	812	812
EDP Renováveis	-	32 358	692	33,050
EDP Serviner	1 155	-	23	1,178
EDP Valor	23 779	-	2 039	25,818
Electrica Ribera del Ebro	-	-	29 084	29,084
ENERGIN	-	-	773	773
Hidroeléctrica do Guadiana (Alqueva)	-	-	3 533	3,533
Hidroeléctrica del Cantábrico	2	-	6 191	6,193
Labelec	5 998	-	-	5,998
Naturgás	-	66 015	-	66,015
NEO	-	24 554	12 065	36,619
NQF Gás III SGPS	62 135	-	442	62,577
Sávida	12 400	-	3	12,403
Soporgen	-	-	795	795
Outras	-	-	1 241	1,241
	<u>105,524</u>	<u>4,109,894</u>	<u>246,380</u>	<u>4,461,798</u>

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
Energim	-	-	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
NEO	-	21 554	11 377	32,931
NQF Gás III SGPS	62 147	-	381	62,528
EDP Investimentos	1 919	-	-	1,919
Sávida	12 163	-	2	12,165
Soporgen	-	-	1 507	1,507
Other	-	-	704	704
	<u>158,559</u>	<u>3,401,239</u>	<u>244,775</u>	<u>3,804,573</u>

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Expenses related to intra-Group transactions as at 31 March 2010, at **Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Produção	43	-	240,212	240,255
EDP Distribuição	-	-	2,352	2,352
EDP Estudos e Consultoria	3	-	4,761	4,764
EDP Finance	-	46,261	2,264	48,525
EDP Gas Com	-	-	1,093	1,093
EDP Inovação	-	-	800	800
EDP Renováveis	-	52	1,690	1,742
EDP Valor	24	-	1,465	1,489
Electrica Ribera del Ebro	-	-	13,299	13,299
Hidrocontábrico Energia	-	-	1,844	1,844
Hidroeléctrica do Guadiana (Alqueva)	-	-	10,673	10,673
Hidroeléctrica del Cantábrico	-	-	16,550	16,550
NEO	-	-	8,691	8,691
Outras	24	45	1,134	1,203
	<u>94</u>	<u>46,358</u>	<u>306,828</u>	<u>353,280</u>

Expenses related to intra-Group transactions as at 31 March 2009, at **Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Produção	7	-	346,841	346,848
EDP Distribuição	972	-	2,000	2,972
EDP Estudos e Consultoria	9	-	3,761	3,770
EDP Finance	-	41,689	6,514	48,203
EDP Soluções Comerciais	620	-	201	821
EDP Renováveis	-	46	15,604	15,650
EDP Valor	99	-	1,401	1,500
Electrica Ribera del Ebro	-	-	10,866	10,866
Hidrocontábrico Energia	-	-	3,589	3,589
Hidroeléctrica del Cantábrico	-	-	10,174	10,174
NEO	-	-	11,687	11,687
Outras	63	2	1,007	1,072
	<u>1,770</u>	<u>41,737</u>	<u>413,645</u>	<u>457,152</u>

Income related to intra-Group transactions as at 31 March 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	60	1,819	31	1,910
EDP Produção	33	52,179	18,519	70,731
EDP Distribuição	438	8,542	10,098	19,078
EDP Comercial	269	-	94,978	95,247
EDP Gas Com	-	-	6,855	6,855
EDP Imobiliária e Participações	10	1,289	96	1,395
EDP Soluções Comerciais	10	-	7,025	7,035
EDP Renováveis	-	-	132,064	132,064
EDP Serviço Universal	-	-	3,043	3,043
EDP Gás	73	672	385	1,130
EDP Valor	-	-	2,015	2,015
Electrica Ribera del Ebro	-	-	3,479	3,479
Hidrocontábrico Energia	-	-	764	764
HDC Gestão de Energia	-	933	88	1,021
Hidroeléctrica del Cantábrico	-	-	38,627	38,627
Naturgas Energia Servicios	-	-	1,085	1,085
NEO	-	-	1,071	1,071
Outras	10	267	3,783	4,060
	<u>903</u>	<u>65,701</u>	<u>324,006</u>	<u>390,610</u>

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Income related to intra-Group transactions as at 31 March 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	33	2,380	19	2,432
EDP Produção	667	45,600	57,981	104,248
EDP Distribuição	5,892	18,378	9,457	33,727
EDP Comercial	94	-	7,232	7,326
EDP Finance	-	-	10,581	10,581
EDP Imobiliária e Participações	37	4,514	76	4,627
EDP Soluções Comerciais	847	-	7,658	8,505
EDP Renováveis	-	11,847	88,031	99,878
EDP Serviço Universal	-	-	5,619	5,619
EDP Valor	-	-	2,011	2,011
Electrica Ribera del Ebro	-	-	7,313	7,313
Hidroantábrico Distribuição Eléctrica S.A.U.	-	-	944	944
Hidroeléctrica del Cantábrico	-	-	24,084	24,084
Outras	86	574	1,822	2,482
	<u>7,656</u>	<u>83,293</u>	<u>222,828</u>	<u>313,777</u>

Assets and Liabilities with related companies at 31 March 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	71,840	1,723	70,117
Jointly controlled entities	49,512	11,034	38,478
	<u>121,352</u>	<u>12,757</u>	<u>108,595</u>

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
	<u>172,588</u>	<u>14,149</u>	<u>158,439</u>

Transactions with related companies at 31 March 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	2,184	824	-126	-2
Jointly controlled entities	15,391	1,762	-4,903	-148
	<u>17,575</u>	<u>2,586</u>	<u>-5,029</u>	<u>-150</u>

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

	Proveitos Operacionais Euro'000	Proveitos Financeiros Euro'000	Custos Operacionais Euro'000	Custos Financeiros Euro'000
Empresas Associadas	3,229	379	-405	-7
Empresas conjuntamente controladas	474	248	-2,541	-2,213
	<u>3,703</u>	<u>627</u>	<u>-2,946</u>	<u>-2,220</u>

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43. Fair value of financial assets and liabilities

	Group Mar 2010			Group Dec 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	509,634	509,634	-	443,117	443,117	-
Trade receivables	2,209,166	2,209,166	-	2,008,134	2,008,134	-
Derivative financial instruments	168,446	168,446	-	276,311	276,311	-
Financial assets at fair value through profit or loss	83,319	83,319	-	84,852	84,852	-
Cash and cash equivalents (assets)	2,523,068	2,523,068	-	2,189,560	2,189,560	-
	<u>5,493,633</u>	<u>5,493,633</u>	<u>-</u>	<u>5,001,974</u>	<u>5,001,974</u>	<u>-</u>
Financial liabilities						
Loans	17,237,331	17,706,661	469,330	16,280,980	16,658,072	377,092
Trade payables	1,283,909	1,283,909	-	1,704,874	1,704,874	-
Derivative financial instruments	248,583	248,583	-	267,373	267,373	-
	<u>18,769,823</u>	<u>19,239,153</u>	<u>469,330</u>	<u>18,253,227</u>	<u>18,630,319</u>	<u>377,092</u>

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

The market value of the medium/long term 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. Regarding short term debt, the market value does not differ substantially from the book value.

44. Adoption of IFRIC 12 - Service concession arrangements

IFRIC 12 is designated 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 March 25, 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 for the year 2009.

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

- It controls or regulates the type of services that can be provided using the underlying infrastructure;
- It 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 aal.

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 aal.

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

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

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

	Group	
	Mar 2010 Euro'000	Dec 2009 Euro'000
Intangible assets		
Concession rights		
Portugal		
Electricity		
Distribution	2,406,152	2,424,483
Generation	121,038	122,970
Gas	268,311	263,979
Brazil		
Electricity		
Distribution and transport	879,496	849,361
Tangible fixed assets	-5,719,888	-5,684,190
Receivables for Concessions - IFRIC 12 (Non current)	395,296	370,257
Total impact on assets	-1,649,595	-1,653,140
Allowances and asset investment - Non current	-1,516,471	-1,519,016
Allowances and investment assets - Current	-133,124	-134,124
Total impact on liabilities	-1,649,595	-1,653,140

	Group	
	Mar 2010 Euro'000	Mar 2009 Euro'000
Amortization of concession rights	76,357	69,222
Depreciation of tangible fixed assets	-101,084	-92,514
Compensation for depreciation	24,644	23,292
Other	83	
Total impact in income statement	-	-

45. Subsequent events

No relevant subsequent events have occurred after 31 March 2010 until the date of financial statements approval by the Board of Directors.

46. Recent accounting standards and interpretations issued

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 Minimum Funding Requirement";
- IFRIC 19 (Amended) "Extinguishing Financial Liabilities With Equity Instruments";
- IFRS 1 (Amended) "Additional Exemptions for First-time Adopters"
- IAS 24 (Revised) "Related Party Disclosures";

47. EDP Branch in Spain

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

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

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

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

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

	EDP Branch	
	Mar 2010	Dec 2009
	Euro'000	Euro'000
Assets		
Property, plant and equipment	2	-
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	127,377	1,478
Total Non-Current Assets	5,049,126	4,923,225
Current Assets		
Trade receivables	34,605	16,157
Debtors and other assets	535,577	376,013
Tax receivable	10,077	10,442
Cash and cash equivalents	406,534	10,885
Total Current Assets	986,793	413,497
Total Assets	6,035,919	5,336,722
	Mar 2010	Dec 2009
	Euro'000	Euro'000
Equity	1,816,324	1,852,407
Financial debt	3,190,323	2,809,277
Total Non-Current Liabilities	3,190,323	2,809,277
Current Liabilities		
Financial debt	17,618	22,771
Trade and other payables	1,010,768	651,760
Tax payable	886	507
Total Current Liabilities	1,029,272	675,038
Total Liabilities	4,219,595	3,484,315
Total Equity and Liabilities	6,035,919	5,336,722

48. 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.

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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 Eléctricas 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 NEO Energia 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.

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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.

Atividade Grupo EDP por Segmentos de Negócio - Contas IFRS

Information by Business Segment — three months period ended 31 March 2009

(Amounts in thousands of Euros)

	Electricidade																								Gás				Grupo EDP		
	Iberian Generation				Iberian Distribution *				Iberian Supply				EDP Renováveis				EDP Energias do Brasil						Iberian Activity				Other operations	Adjustments			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Adjustments	Total	Portugal	Spain	Adjustments	Total	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments				Total	
Turnover	520.169	430.065	-2.415	947.819	1.386.846	67.940	-	1.454.786	163.994	431.701	-	595.695	155.082	63.172	701	-101	218.854	91.075	372.592	57.168	666	-39.970	-	481.531	108.903	344.616	-43.430	410.089	57.537	3.494.252	
Revenues from external customers	371.628	386.920	-	758.548	1.319.100	33.096	-	1.352.196	164.195	469.117	-	633.312	52.405	63.172	599	-	116.176	56.574	371.759	52.824	374	-	-	481.531	58.455	324.506	-	382.961	-266.992	3.477.009	
Revenues from transactions with other operating segments	148.541	43.145	-2.415	189.271	67.746	34.844	-	102.590	-201	-37.416	-	-37.617	102.677	-	102	-101	102.678	34.501	833	4.344	292	-39.970	-	-	50.448	20.110	-43.430	27.128	324.329	-691.136	17.243
Cost of consumed electricity	-104.891	-232.062	330	-336.623	-1.036.871	-24.151	-	-1.061.022	-156.817	-415.970	-	-572.787	-37	-276	-29	-	-342	-17.791	-212.139	-52.770	-	39.970	-242.730	-	-	-48.497	-	-48.497	-	573.504	-1.688.497
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-2.450	-	-2.450	-	-	-	-	-	-	336	-	-	-	336	-82.345	-220.479	41.752	-261.072	-	-	-279.373	
Change in inventories and cost of raw materials and consumables used	-93.445	-75.594	3.919	-165.120	-2.251	-232	-	-2.483	-675	-5.178	-	-5.853	-75	-	-	746	671	-2	-	-	-	-	-2	-	-748	-	-748	-19	-8.547	-182.101	
	321.833	122.409	1.834	446.076	347.724	43.557	-	391.281	6.502	8.103	-	14.605	154.970	62.896	672	645	219.183	73.282	160.789	4.398	666	-	-	239.135	26.558	74.892	-1.678	99.772	57.318	-65.089	1.402.281
Other operating income / (expenses)																															
Other operating income	2.145	570	-	2.715	11.698	3.287	-	14.985	249	6.399	-	6.648	3.911	26.585	408	-105	30.799	24	2.622	2.643	67	-58	5.298	704	3.010	-	3.714	13.250	-23.121	54.288	
Supplies and services	-24.382	-14.686	475	-38.593	-71.627	-13.913	-	-85.540	-3.328	-9.287	-	-12.615	-19.554	-19.555	-3.681	263	-42.527	-4.966	-27.548	-398	-2.972	-	-35.884	-2.649	-12.195	220	-14.624	-42.412	77.992	-194.203	
Personnel costs	-20.865	-7.840	538	-28.167	-43.818	-5.117	-	-48.935	-1.348	-2.085	-	-3.433	-5.207	-5.493	-2.168	-	-12.868	-3.603	-15.920	-537	-1.990	-	-22.050	-1.494	-6.446	-	-7.940	-27.359	210	-150.542	
Employee benefits	-5.827	-356	-	-6.183	-21.445	-6.86	-	-22.131	-45	-44	-	-89	-62	-311	-22	-	-395	-225	-4.597	-26	-108	-	-4.956	-58	-115	-	-173	-2.316	3.466	-32.777	
Other operating expenses	-4.929	-6.191	-275	-11.395	-70.616	-1.730	-	-72.346	-1.776	-5.345	-	-7.121	-4.456	-5.217	-45	45	-9.673	-1.130	-14.148	-98	-551	-	-15.927	-830	-6.721	324	-7.227	-17.177	1.380	-139.486	
	-53.858	-28.503	738	-81.623	-195.808	-18.159	-	-213.967	-6.248	-10.362	-	-16.610	-25.368	-3.991	-5.508	203	-34.664	-9.900	-59.591	1.584	-5.554	-58	-73.519	-4.327	-22.467	544	-26.250	-76.014	59.927	-462.720	
Provisions	267.975	93.906	2.572	364.453	151.916	25.398	-	177.314	254	-2.259	-	-2.005	129.602	58.905	-4.836	848	184.519	63.382	101.198	5.982	-4.888	-58	165.616	22.231	52.425	-1.134	73.522	-18.696	-5.162	939.561	
Depreciation and amortisation expense	344	-402	-	-58	-398	-	-	-398	1	115	-	116	16	-	-	-	16	220	-1.485	-	-474	-	-1.739	-2	-	-	-2	-13.275	5.282	-10.058	
Tangible and intangible assets impairment	-77.458	-30.807	-	-108.265	-63.425	-8.005	-	-71.430	-355	-698	-	-1.053	-45.542	-50.002	-433	-225	-96.202	-14.906	-18.202	-14	-1.438	-	-34.560	-2.798	-15.521	-	-18.319	-13.810	-13.810	-347.019	
Compensation of amortisation and depreciation	1.976	121	-	2.097	-	1.069	-	1.069	5	-	-	5	218	2.025	-	-	2.243	-	-	-	-	-	-	-	-	-	-	687	11	-	29
	192.837	62.847	2.572	258.256	88.093	18.462	-	106.555	-95	-2.842	-	-2.937	84.294	10.928	-5.269	623	90.576	48.696	81.511	5.968	-6.800	-58	129.317	19.431	37.591	-1.134	55.888	-35.340	-13.690	588.625	
Gain from the sale of financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.767	
Other financial income	139.606	10.871	-22.154	128.323	125	-	-	125	-	210	-	210	10.389	1.471	93.615	-89.687	15.788	-2.851	4.589	-	11.769	-11.206	2.301	611	286	409	1.306	160.229	-181.708	126.574	
Interest revenue	65	2.599	-	2.664	6.418	162	-	6.580	8	60	-	68	2.604	114	57.163	-56.019	3.862	1.450	21.525	2.804	-688	25.222	195	132	-	327	141.231	-113.672	66.282		
Other financial expenses	-135.502	-21.434	38.211	-118.725	-120	-23	-	-143	-389	-5.803	-	-87	-18.840	-94.817	90.233	-29.227	-6.189	-8.786	-255	-	-715	688	-15.257	-402	-251	-	-653	-169.107	148.791	-184.701	
Interest expense	-44.011	-7.171	-	-51.182	-13.667	-638	-	-14.305	-279	-1.151	-	-1.430	-49.542	368	-30.318	59.147	-20.345	-10.403	-4.644	-8	-1	-	-15.056	-1.259	-94	-	-1.353	-136.338	113.738	-126.271	
Share of profit of associates	145	123	-	268	-	-	-	-	-	268	-	-	2.028	-	-	-	-31	-	-	-	-	-	-31	759	66	-	825	3.827	37	6.948	
Profit / (loss) before tax	153.140	47.835	18.629	219.604	80.849	17.963	-	98.812	-370	-4.108	-	-4.478	43.970	-5.959	20.374	4.297	62.682	30.672	94.195	5.836	7.057	-11.264	126.496	19.335	37.730	-725	56.340	-28.739	-47.481	483.236	
Income tax expense	-33.170	-16.810	1.675	-48.305	-18.226	-5.407	-	-23.633	-79	380	-	301	-9.997	-	-6.279	-1.213	-17.489	-9.542	-34.164	-1.990	3.627	-	-42.069	-5.160	-10.483	-	-15.643	8.105	9.711	-129.022	
Net profit / (loss) for the period	119.970	31.025	20.304	171.299	62.623	12.556	-	75.179	-449	-3.728	-	-4.177	33.973	-5.959	14.095	3.084	45.193	21.130	60.031	3.846	10.684	-11.264	84.427	14.175	27.247	-725	40.697	-20.634	-37.770	354.214	
Attributable to:																															
Equity holders of EDP	120.144	31.286	20.304	171.734	62.623	12.159	-	74.782	-323	-3.611	-	-3.934	31.197	-5.959	14.329	2.998	42.565	11.752	60.031	3.846	9.926	-11.264	74.291	11.564	25.740	-725	36.579	-19.888	-66.950	309.179	
Minority interest	-174	-261	-	-435	-	397	-	397	-126	-117	-	-243	2.776	-	-234	86	2.628	9.378	-	-	758	-	10.136	2.611	1.507	-	4.118	-746	29.180	45.035	
Net profit / (loss) for the period	119.970	31.025	20.304	171.299	62.623	12.556	-	75.179	-449	-3.728	-	-4.177	33.973	-5.959	14.095	3.084	45.193	21.130	60.031	3.846	10.684	-11.264	84.427	14.175	27.247	-725	40.697	-20.634	-37.770	354.214	
Assets																															
Property, plant and equipment	3.960.242	1.979.223	-	5.939.465	156.075	686.386	-	842.461	3.834	10.904	-	14.738	4.783.810	4.401.746	57.729	32.157	9.275.442	2.002.900	41.475	302	922	(57)	2.045.542	1.740	799.146	-	800.886	165.608	17.784	19.101.926	
Intangible assets + Goodwill	1.892.785	660.899	-	2.553.684	2.401.034	235.881	-	2.636.915	524	6	-	530	832.848	586.622	1.574	12.724	1.433.768	342.003	810.625	416	104.368	9.758	1.267.170	345.011	710.223	-	1.055.234	345.641	618.682	9.911.624	
Investments in associates	1.485	1.652	-	3.137	-	-	-	-	-	-	-	-	47.523	1.801	-	-	49.324	8.881	-	-	-	-	8.881	24.668	1.385	-	26.053	894.909	-792.398	189.906	
Current assets	633.172	443.608	(47.662)	1.029.118	1.316.734	133.905	-	1.450.639	226.787	491.218	-	718.005	787.925	158.484	541.721	(487.700)	1.000.430	207.633	665.704	49.501	199.309	(85.880)	1.036.267								

EDP Group Activity by Business Segment

Information by Business Segment — three months period ended 31 March 2009

(Amounts in thousands of Euros)

	Iberian Generation				Iberian Distribution *				Iberian Supply			Electricity					EDP Renováveis					EDP Energias do Brasil					Gas				EDP Group
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations **	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations	Adjustments			
Turnover	559.309	252.136	-478	810.967	1.457.270	42.434	-	1.499.704	42.397	291.874	334.271	110.951	61.946	644	-131	173.410	77.794	278.709	58.433	-	-43.281	371.655	56.871	337.951	-23.197	371.625	43.145	-371.458	3.233.319		
Revenues from external customers	234.809	234.719	-478	469.050	1.437.292	35.780	-	1.473.072	41.032	313.321	354.354	794	61.946	644	-131	63.253	30.656	278.390	50.960	-	-43.281	316.726	15.094	205.103	-23.197	197.000	-179.204	-291.164	2.403.086		
Revenues from transactions with other operating segments	324.500	17.417	-	341.917	19.979	6.654	-	26.632	1.365	-21.447	-20.083	110.157	-	-	-	110.157	47.138	319	7.473	-	-	54.929	41.778	132.847	-	174.625	222.349	-80.294	830.233		
Cost of consumed electricity	-102.869	-5.029	1.011	-106.887	-1.105.374	-	-	-1.105.374	-35.599	-277.639	-313.238	-51	-353	-10	-	-414	-11.549	-175.796	-55.130	-	43.281	-199.194	-	-40.418	-	-40.418	300.756	-1.464.769	758.556		
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-2.643	-2.643	-	-	-	-	-	-	-	-	-	-	-	-41.029	-219.177	23.150	-237.056	-	21.420	-218.279		
Change in inventories and cost of raw materials and consumables used	-146.718	-131.705	-	-278.423	-4.131	574	-	-3.557	-920	-2.836	-3.756	-1.187	-	-	-	-1.187	-128	-1.420	-	-8	-	-1.556	-	-2.641	-	-2.641	-40	1.727	-289.433		
	309.722	115.402	533	425.657	347.765	43.008	-	390.773	5.878	8.756	14.634	109.713	61.593	634	-131	171.809	66.117	101.493	3.303	-8	0	170.905	15.842	75.715	-47	91.510	43.105	-47.555	1.260.838		
Other operating income / (expenses)	5.131	1.186	-	6.317	10.113	3.343	-	13.456	240	7.936	8.176	1.754	33.687	636	-539	35.538	5	2.994	-	57	-	3.056	350	731	-	1.081	18.182	-31.124	54.682		
Other operating income	-20.375	-13.798	-	-34.173	-67.967	-15.171	-	-83.138	-3.204	-7.944	-11.148	-14.732	-18.202	-2.267	408	-34.793	-2.799	-18.582	-274	-2.054	-	-23.709	-2.757	-11.023	74	-13.706	-38.804	73.933	-165.538		
Supplies and services	-20.690	-8.780	-	-29.470	-43.710	-5.208	-	-48.918	-1.236	-1.547	-2.783	-3.776	-5.188	-1.114	-	-10.078	-3.245	-13.619	-481	-1.251	-	-18.596	-1.132	-5.784	-	-6.916	-23.676	-869	-141.306		
Personnel costs	-5.643	-360	-	-6.003	-23.062	-698	-	-23.760	-39	-33	-72	948	-310	-	-	638	-325	-4.959	-82	-1.567	-	-6.933	-20	-110	-	-130	-2.644	3.460	-35.444		
Employee benefits	-3.214	-9.551	-533	-13.298	-66.983	-1.944	-	-68.927	-1.109	-3.639	-4.748	-3.477	-4.750	-771	262	-8.736	-1.091	-9.199	-1.373	-1.128	-	-12.791	-1.191	-5.177	-27	-6.395	-5.141	-4.100	-124.136		
Other operating expenses	-44.791	-31.303	-533	-76.627	-191.609	-19.678	-	-211.287	-5.348	-5.227	-10.575	-19.283	5.237	-3.516	131	-17.431	-7.455	-43.365	-2.210	-5.943	-	-58.973	-4.750	-21.363	47	-26.066	-52.083	41.300	-411.742		
	264.931	84.099	0	349.030	156.156	23.330	-	179.486	530	3.529	4.059	90.430	66.830	-2.882	0	154.378	58.662	58.128	1.093	-5.951	0	111.932	11.092	54.352	0	65.444	-8.978	6.255	849.096		
Provisions	52	-2.429	-	-2.377	-409	-51	-	-460	-	-758	-758	102	-	-	-	102	206	-701	-	-	-	-495	7	-62	-	-55	-626	-	-4.669		
Depreciation and amortisation expense	-75.255	-39.369	-	-114.624	-65.255	-7.599	-	-72.854	-255	-445	-700	-33.502	-36.418	-175	-	-70.095	-11.416	-13.753	-20	-1.141	-	-26.330	-2.753	-9.156	-	-11.909	-2.761	-15.950	-315.223		
Compensation of amortisation and depreciation	899	113	-	1.012	-	961	-	961	-	-	-	203	-	-	-	203	-	1	-	-	-	1	-	706	-	706	30	-	2.913		
	190.627	42.414	0	233.041	90.492	16.641	-	107.133	275	2.326	2.601	57.233	30.412	-3.057	0	84.588	47.452	43.675	1.073	-7.092	0	85.108	8.346	45.840	0	54.186	-12.335	-22.205	532.117		
Gain from the sale of financial assets	-	12.775	-	12.775	0	0	0	0	0	-	-	268	0	0	0	268	-	-	-	-	-	-	-	-	-	-	-212	62.00	12.893		
Other financial income	138.334	3.195	-28.306	113.224	146	0	0	146	10	147	157	1.224	3.491	2.944	0	7.659	4.595	2.307	59	7.262	-6.613	7.610	3	347	-	350	325.477	-248.261	206.360		
Interest revenue	77	3.005	-	3.083	17.925	48	0	17.973	31	77	108	1.550	216	43.864	-38.337	7.293	1.482	7.672	382	1.967	-456	10.815	257	1.967	-	2.224	232.052	-201.665	71.863		
Other financial expenses	-114.716	-17.175	25.340	-106.551	-23.063	-230	0	-23.233	-4	-192	-197	-3.188	-16.181	-14.429	10.274	-23.524	-6.326	-3.077	-149	-2.171	456	-	-11.267	-192	-127	-319	-344.668	254.257	-255.301		
Interest expense	-40.128	-6.781	-	-46.909	-26.530	-1.758	0	-28.287	-97	-1.953	-2.050	-41.096	2.728	-12.616	38.377	-12.607	-10.272	-10.866	-	-3.210	-	-24.348	-1.304	-69	-	-1.373	-283.618	210.707	-188.486		
Share of profit of associates	252	223	-	475	0	0	0	0	-	-	-	713	-78	0	0	635	-	-	-	-	-	-	950	66	-	1.016	2.514	0	4.640		
Profit / (loss) before tax	174.446	37.657	-2.966	209.137	59.030	14.702	0	73.732	215	404	619	16.704	20.588	16.706	10.314	64.312	36.932	39.711	1.365	-3.478	-6.613	67.917	8.060	48.024	0	56.084	-80.590	-7.105	384.106		
Income tax expense	-36.542	-7.274	890	-42.926	-11.987	-4.411	0	-16.398	-108.00	-124.00	-232	-6.344	-	-8.210	-	-14.554	-9.257	-13.765	-474	283	-	-23.213	-2.804	-13.397	-	-16.201	15.731	9.758	-88.036		
Profit after taxes and before gains/loss from discontinued operations	137.904	30.383	-2.076	166.211	47.043	10.291	-	57.334	107	280	387	10.360	20.588	8.496	10.314	49.758	27.675	25.946	891	-3.195	-6.613	44.704	5.256	34.627	0	39.883	-64.859	2.653	296.070		
Gains / (losses) on sale of discontinuing operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Net profit / (loss) for the period	137.904	30.383	-2.076	166.211	47.043	10.291	-	57.334	107	280	387	10.360	20.588	8.496	10.314	49.758	27.675	25.946	891	-3.195	-6.613	44.704	5.256	34.627	0	39.883	-64.859	2.653	296.070		
Attributable to:																															
Equity holders of EDP	137.570	30.181	-2.076	165.675	47.043	9.998	-	57.041	123	271	394	10.274	20.588	8.642	10.314	49.818	18.246	25.946	891	-3.195	-6.613	35.275	4.814	32.546	-	37.360	-62.841	-17.409	265.312		
Minority interest	334	202	-	536	-	293	-	-293	-16	9	-7	86	-	-146	-	-60	9.429	-	-	-	-	-	9.429	442	2.081	-	2.523	-2.018	20.062	30.758	
Net profit / (loss) for the period	137.904	30.383	-2.076	166.211	47.043	10.291	-	57.334	107	280	387	10.360	20.588	8.496	10.314	49.758	27.675	25.946	891	-3.195	-6.613	44.704	5.256	34.627	-	39.883	-64.859	2.653	296.070		

Information by Business Segment — 31 December 2009

(Amounts in thousands of Euros)

Assets																														
Property, plant and equipment	3,972,727	1,994,279	-	5,967,006	162,244	682,603	1,981	846,828	4,082	11,280	15,362	4,590,281	3,978,845	40,011	25,874	8,635,011	1,929,064	26,211	303	811	-	1,956,389	1,825	805,049	-	806,874	163,485	18,593	18,409,548	
Intangible assets + Goodwill	1,778,183	591,848	-	2,370,031	2,424,484	235,556	-	2,660,040	524	7	531	772,344	549,122	1,507	12,723	1,335,696	332,290	790,901	402	111,551	-891	1,234,253	341,129	710,403	-	1,051,532	368,030	607,226	9,627,339	
Investments in associates	1,340	1,053	-	2,393	-	-	-	-	-	-	-	45,924	1,686	-	-1	47,609	8,862	10,951	-	10,951	-11,078	8,735	23,909	1,319	-	-	25,228	997,335	-906,028	175,272
Current assets	778,379	498,658	-794	1,276,243	1,339,853	136,421	-36	1,476,238	208,116	392,871	600,987	612,267	208,581	508,360	-223,852	1,105,356	231,220	621,890	58,738	192,014	-80,926	1,022,936	79,642	326,707	-2,564	403,785	4,749,421	-3,771,208	6,863,758	
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	19,617	-150,183	-130,566	445,555	2,858,681	5,084,442	-3,061,123	5,327,555	1,415,212	658,973	20,188	1,404,703	-1,057,758	2,441,318	229,182	1,451,426	-	1,680,608	5,623,848	-10,070,769	9,978,688	
Current liabilities	727,786	1,179,999	-794	1,906,991	2,110,004	415,038	-36	2,525,006	174,224	332,761	506,985	1,146,265	274,160	48,657	-223,572	1,245,510	288,772	674,150	37,707	98,856	-72,677	1,026,808	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	397,717	182,577	-	580,294	383,690	61,414	1,812	6,416	8,228	1,024,560	828,519	6,354	-	1,859,433	155,419	111,643	167	249	-	267,478	20,834	139,171	-	160,005	61,928	-	3,382,470	56,894	-	
Intangible assets + Goodwill	454,321	43,170	-	497,491	-	96	-	96	6	37,847	-	1,251	-	39,098	481	15,595	59	106	-	16,241	12,613	57,912	-	70,525	56,894	-	680,351	-	29,274	
Material non-cash items:																														
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29,274	-	29,274	