



FIRST QUARTER 2011 REPORT

Condensed Financial Statements

31 March 2011

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EDP - Energias de Portugal

Consolidated Income Statement for the three months period ended 31 March 2011 and 2010

	Notes	2011 (Thousands of Euros)	2010 (Thousands of Euros)
Turnover	6	4,014,972	3,494,252
Cost of electricity	6	-2,031,991	-1,688,497
Cost of gas	6	-334,917	-221,373
Changes in inventories and cost of raw materials and consumables used	6	<u>-216,691</u>	<u>-182,101</u>
		<u>1,431,373</u>	<u>1,402,281</u>
Revenue from assets assigned to concessions	7	86,263	84,388
Expenditure with assets assigned to concessions	7	<u>-86,263</u>	<u>-84,388</u>
		<u>-</u>	<u>-</u>
Other operating income / (expenses)			
Other operating income	8	106,795	54,288
Supplies and services	9	-208,265	-194,203
Personnel costs	10	-147,229	-150,542
Employee benefits	10	-31,719	-32,777
Other operating expenses	11	<u>-142,789</u>	<u>-139,486</u>
		<u>-423,207</u>	<u>-462,720</u>
		1,008,166	939,561
Provisions	12	-2,387	-10,058
Depreciation and amortisation expense	13	-365,301	-346,990
Compensation of amortisation and depreciation	13	<u>7,259</u>	<u>6,112</u>
		647,737	588,625
Gains / (losses) on the sale of financial assets	14	233	5,787
Other financial income	15	206,943	192,856
Other financial expenses	15	-340,431	-310,981
Share of profit in associates		<u>5,834</u>	<u>6,949</u>
Profit before income tax		520,316	483,236
Income tax expense	16	<u>-123,385</u>	<u>-129,022</u>
Net profit for the period		<u>396,931</u>	<u>354,214</u>
Attributable to:			
Equity holders of EDP		342,389	309,179
Non-controlling Interest	33	<u>54,542</u>	<u>45,035</u>
Net profit for the period		<u>396,931</u>	<u>354,214</u>
Earnings per share (Basic and Diluted) - Euros	30	<u>0.09</u>	<u>0.09</u>

LISBON, 5 MAY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

	Notes	2011 (Thousands of Euros)	2010 (Thousands of Euros)
Assets			
Property, plant and equipment	17	19,996,483	20,323,583
Intangible assets	18	6,740,091	6,614,139
Goodwill	19	3,321,249	3,349,179
Investments in associates	21	149,246	146,871
Available for sale investments	22	409,730	443,965
Deferred tax assets	23	485,356	515,332
Trade receivables	25	104,382	117,442
Debtors and other assets	26	1,977,120	1,696,717
Total Non-Current Assets		33,183,657	33,207,228
Inventories	24	377,257	356,978
Trade receivables	25	2,159,702	2,069,676
Debtors and other assets	26	2,019,687	2,636,565
Tax receivable	27	535,636	640,485
Financial assets at fair value through profit or loss	28	35,501	35,745
Cash and cash equivalents	29	1,851,281	1,511,224
Assets classified as held for sale	40	-	30,952
Total Current Assets		6,979,064	7,281,625
Total Assets		40,162,721	40,488,853
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-110,059	-115,731
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,735,326	2,730,903
Consolidated net profit attributable to equity holders of EDP		342,389	1,078,925
Total Equity attributable to equity holders of EDP		8,128,117	7,854,558
Non-Controlling Interest	33	2,929,866	2,930,401
Total Equity		11,057,983	10,784,959
Liabilities			
Financial debt	35	15,736,928	14,887,195
Employee benefits	36	1,880,208	1,904,879
Provisions	37	413,316	431,194
Hydrological correction account	34	75,892	75,098
Deferred tax liabilities	23	839,975	856,072
Trade and other payables	38	3,716,869	3,819,817
Total Non-Current Liabilities		22,663,188	21,974,255
Financial debt	35	2,136,134	3,004,451
Trade and other payables	38	3,754,554	4,172,832
Tax payable	39	550,862	552,356
Total Current Liabilities		6,441,550	7,729,639
Total Liabilities		29,104,738	29,703,894
Total Equity and Liabilities		40,162,721	40,488,853

LISBON, 5 MAY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 March 2011 and 2010

(Thousands of Euros)

	2011		2010	
	Equity holders of EDP	Non-controlling Interest	Equity holders of EDP	Non-controlling Interest
Net profit for the period	<u>342,389</u>	<u>54,542</u>	<u>309,179</u>	<u>45,035</u>
Exchange differences arising on consolidation	-55,411	-55,936	65,076	57,573
Fair value reserve (cash flow hedge)	17,518	1,689	-30,324	-1,564
Tax effect from the fair value reserve (cash flow hedge)	-5,785	-590	7,257	592
Fair value reserve (available for sale investments)	-30,771	-1,646	64,771	2,101
Tax effect from the fair value reserve (available for sale investments)	<u>5,056</u>	<u>560</u>	<u>-8,113</u>	<u>-</u>
Other comprehensive income for the period, net of income tax	<u>-69,393</u>	<u>-55,923</u>	<u>98,667</u>	<u>58,702</u>
Total comprehensive income for the period	<u><u>272,996</u></u>	<u><u>-1,381</u></u>	<u><u>407,846</u></u>	<u><u>103,737</u></u>

EDP - Energias de Portugal

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

(Thousands of Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS Investments)	Exchange Differences	Treasury Stock	Equity attributable to equity holders of EDP	Non-controlling Interest
Balance as at 31 December 2009	9,978,013	3,656,538	501,992	471,387	2,381,683	61,794	174,103	165,859	-119,784	7,293,572	2,684,441
Comprehensive income:											
Net profit for the period	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
Exchanges 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 non-controlling interest	-722	-	-	-	-	-	-	-	-	-	-722
Purchase and sale of treasury stock	-317	-	-	-	-800	-	-	-	483	-317	-
Share-based payments	2,102	-	-	-	194	-	-	-	1,908	2,102	-
Changes in non-controlling interest resulting from acquisitions / sales and equity increases	12,171	-	-	-	-	-	-	-	-	-	12,171
Other reserves arising on consolidation	-11	-	-	-	-15	-	-	-	-	-15	4
Balance as at 31 March 2010	10,502,819	3,656,538	501,992	471,387	2,690,241	38,727	230,761	230,935	-117,393	7,703,188	2,799,631
Comprehensive income:											
Net profit for the period	880,387	-	-	-	769,746	-	-	-	-	769,746	110,641
Changes in the fair value reserve (cash flow hedge) net of taxes	-4,228	-	-	-	-	-3,616	-	-	-	-3,616	-612
Changes in the fair value reserve (available for sale investments) net of taxes	-65,486	-	-	-	-	-	-66,077	-	-	-66,077	591
Actuarial gains/(losses) net of taxes	-80,677	-	-	-	-71,345	-	-	-	-	-71,345	-9,332
Exchanges differences arising on consolidation	176,474	-	-	-	-	-	-	81,888	-	81,888	94,586
Total comprehensive income for the period	906,470	-	-	-	698,401	-3,616	-66,077	81,888	-	710,596	195,874
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends Paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to non-controlling interest	-61,296	-	-	-	-	-	-	-	-	-	-61,296
Purchase and sale of treasury stock	608	-	-	-	-1,232	-	-	-	1,840	608	-
Share-based payments	16	-	-	-	194	-	-	-	-178	16	-
Tax reimbursement of 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in non-controlling interest resulting from acquisitions / sales and equity increases	-3,633	-	-	-	-	-	-	-	-	-	-3,633
Other reserves arising on consolidation	-137	-	-	-	38	-	-	-	-	38	-175
Balance as at 31 December 2010	10,784,959	3,656,538	503,923	502,888	2,794,322	35,111	164,684	312,823	-115,731	7,854,558	2,930,401
Comprehensive income:											
Net profit for the period	396,931	-	-	-	342,389	-	-	-	-	342,389	54,542
Changes in the fair value reserve (cash flow hedge) net of taxes	12,832	-	-	-	-	11,733	-	-	-	11,733	1,099
Changes in the fair value reserve (available for sale investments) net of taxes	-26,801	-	-	-	-	-	-25,715	-	-	-25,715	-1,086
Exchanges differences arising on consolidation	-111,347	-	-	-	-	-	-	-55,411	-	-55,411	-55,936
Total comprehensive income for the period	271,615	-	-	-	342,389	11,733	-25,715	-55,411	-	272,996	-1,381
Dividends attributable to non-controlling interest	95	-	-	-	-	-	-	-	-	-	95
Purchase and sale of treasury stock	3,565	-	-	-	-2,107	-	-	-	5,672	3,565	-
Changes resulting from acquisitions / sales and equity increases	-20	-	-	-	-771	-	-	-	-	-771	751
Other reserves arising on consolidation	-2,231	-	-	-	-2,231	-	-	-	-	-2,231	-
Balance as at 31 March 2011	11,057,983	3,656,538	503,923	502,888	3,131,602	46,844	138,969	257,412	-110,059	8,128,117	2,929,866

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements as at 31 March 2011 and 2010

(Thousands of Euros)

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
Operating activities				
Cash receipts from customers	3,984,421	3,125,777	555,266	485,298
Cash paid to suppliers	-2,958,183	-2,348,463	-525,685	-408,310
Cash paid to personnel	-197,512	-172,698	-9,084	-11,265
Concession rents paid	-66,529	-60,790	-	-
Other receipts / (payments) relating to operating activities	165,651	-58,882	-6,288	-11,588
Net cash from operations	927,848	484,944	14,209	54,135
Income tax received / (paid)	-67,941	-25,061	-2,931	-1,984
Net cash from operating activities	859,907	459,883	11,278	52,151
Investing activities				
Cash receipts relating to:				
Financial assets	70,335	52,110	-	6,942
Property, plant and equipment and intangible assets	39,122	1,098	-	280
Investment grants	805	22,463	-	-
Interest and similar income	42,135	129,444	70,797	16,920
	152,397	205,115	70,797	24,142
Cash payments relating to:				
Financial assets	-3,992	-44,447	-768	-526
Changes in cash resulting from perimeter variations	42	3,784	-	-
Property, plant and equipment and intangible assets	-819,814	-929,027	-3,731	-8,964
	-823,764	-969,690	-4,499	-9,490
Net cash from investing activities	-671,367	-764,575	66,298	14,652
Financing activities				
Receipts / (payments) relating to loans	344,798	828,722	578,907	216,738
Interest and similar costs including hedge derivatives	-148,616	-185,248	-111,025	-81,551
Receipts / (payments) relating to derivative financial instruments	-16,303	-20,023	-16,604	43,747
Dividends paid to non controlling interests	-3,946	-	-	-
Treasury stock sold / (purchased)	3,503	-474	3,503	1,628
Receipts / (payments) from wind activity institutional partnerships - USA	-3,860	-2,589	-	-
Net cash from financing activities	175,576	620,388	454,781	180,562
Changes in cash and cash equivalents	364,116	315,696	532,357	247,365
Effect of exchange rate fluctuations on cash held	-24,059	17,812	51	-2,446
Cash and cash equivalents at the beginning of the period	1,511,224	2,189,560	142,675	891,356
Cash and cash equivalents at the end of the period (*)	1,851,281	2,523,068	675,083	1,136,275

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

EDP - Energias de Portugal, S.A.

Company Income Statement for the three months period ended 31 March 2011 and 2010

	Notes	2011	2010
		(Thousands of Euros)	(Thousands of Euros)
Turnover	6	627,784	470,629
Cost of electricity	6	-484,679	-330,948
Changes in inventories and cost of raw materials and consumables used	6	-99,634	-64,089
		<u>43,471</u>	<u>75,592</u>
Other operating income / (expenses)			
Other operating income	8	1,703	2,669
Supplies and services	9	-40,689	-38,344
Personnel costs	10	-3,710	-4,196
Employee benefits	10	-64	-63
Other operating expenses	11	-8,278	-8,114
		<u>-51,038</u>	<u>-48,048</u>
		-7,567	27,544
Provisions	12	3,681	-8,075
Depreciation and amortisation expense	13	-2,144	-2,295
		<u>-6,030</u>	<u>17,174</u>
Gains / (losses) on the sale of financial assets	14	-	6,942
Other financial income	15	227,477	363,873
Other financial expenses	15	-222,100	-370,898
Profit before income tax		-653	17,091
Income tax expense	16	<u>28,440</u>	<u>8,089</u>
Net profit for the period		<u>27,787</u>	<u>25,180</u>

LISBON, 5 MAY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

	Notes	2011 (Thousands of Euros)	2010 (Thousands of Euros)
Assets			
Property, plant and equipment	17	165,742	165,105
Intangible assets	18	22	24
Investments in subsidiaries	20	9,507,426	9,507,310
Available for sale investments	22	229,999	257,072
Debtors and other assets	26	5,127,741	5,393,428
Total Non-Current Assets		15,030,930	15,322,939
Inventories	24	66,559	51,745
Trade receivables	25	82,368	46,357
Debtors and other assets	26	2,430,607	2,511,562
Tax receivable	27	89,643	92,330
Cash and cash equivalents	29	675,083	142,675
Total Current Assets		3,344,260	2,844,669
Total Assets		18,375,190	18,167,608
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-103,964	-109,636
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,630,605	1,926,188
Net profit for the period		27,787	725,136
Total Equity		6,714,889	6,702,149
Liabilities			
Financial debt	35	1,588,881	1,311,375
Provisions	37	18,186	21,867
Hydrological correction account	34	75,892	75,098
Deferred tax liabilities	23	45,293	67,926
Trade and other payables	38	3,101,415	3,222,714
Total Non-Current Liabilities		4,829,667	4,698,980
Financial debt	35	5,838,203	5,779,736
Trade and other payables	38	975,363	985,555
Tax payable	39	17,068	1,188
Total Current Liabilities		6,830,634	6,766,479
Total Liabilities		11,660,301	11,465,459
Total Equity and Liabilities		18,375,190	18,167,608

LISBON, 5 MAY 2011

THE OFFICIAL ACCOUNTANT
N.º 17,713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Company Statement of Comprehensive Income as at
31 March 2011 and 2010

(Thousands of Euros)

	2011	2010
Net profit for the period	<u>27,787</u>	<u>25,180</u>
Fair value reserve (cash flow hedge)	7,150	-7,673
Tax effect from the fair value reserve (cash flow hedge)	-2,056	1,066
Fair value reserve (available for sale investments)	-27,726	63,291
Tax effect from the fair value reserve (available for sale investments)	<u>4,020</u>	<u>-8,386</u>
Other comprehensive income for the period, net of income tax	<u>-18,612</u>	<u>48,298</u>
Total comprehensive income for the period	<u><u>9,175</u></u>	<u><u>73,478</u></u>

EDP - Energias de Portugal, S.A.

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

(Thousands of Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury Stock
Balance as at 31 December 2009	6,542,869	3,656,538	501,992	471,387	1,867,805	41,104	117,732	-113,689
Comprehensive income:								
Net profit for the period	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 period	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
Comprehensive income:								
Net profit for the period	699,956	-	-	-	699,956	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-16,684	-	-	-	-	-16,684	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-39,991	-	-	-	-	-	-39,991	-
Total comprehensive income for the period	643,281	-	-	-	699,956	-16,684	-39,991	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends Paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	608	-	-	-	-1,232	-	-	1,840
Tax reimbursement of 2004	1,931	-	1,931	-	-	-	-	-
Share-based payments	16	-	-	-	194	-	-	-178
Balance as at 31 December 2010	6,702,149	3,656,538	503,923	502,888	1,997,977	17,813	132,646	-109,636
Comprehensive income:								
Net profit for the period	27,787	-	-	-	27,787	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	5,094	-	-	-	-	5,094	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-23,706	-	-	-	-	-	-23,706	-
Total comprehensive income for the period	9,175	-	-	-	27,787	5,094	-23,706	-
Purchase and sale of treasury stock	3,565	-	-	-	-2,107	-	-	5,672
Balance as at 31 March 2011	6,714,889	3,656,538	503,923	502,888	2,023,657	22,907	108,940	-103,964

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the three months period ended 31 March 2011

1. Economic activity of EDP Group

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

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

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

During the three months period ended 31 March 2011 no significant changes occurred in the economic activity of EDP Group.

2. Accounting policies

a) Basis of presentation

The accompanying condensed consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the period of three months ended 31 March 2011 and the financial position as at 31 March 2011.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 5 May 2011. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

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

These consolidated interim financial statements 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 2011 do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2010.

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

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

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

Subsidiaries

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

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

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

Associates

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

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

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

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interest and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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 the grant will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for incurred expenses are booked in income statement on a systematic basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in income statement over the related assets useful life.

Transfers of assets from customers

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

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

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

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

ii) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

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

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

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

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

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

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Segment reporting

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

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

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

x) Tariff adjustments

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

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators 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 in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

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

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

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

Financial Asset Model

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

Intangible Asset Model

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

Mixed Model

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

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

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

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

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

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

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

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation (CMEC)

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

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

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

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

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

Contractual Stability Compensation — Revisable mechanism

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

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

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

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

Tariff adjustments

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

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

Tariff deficit

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

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

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

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

Impairment of long term assets and Goodwill

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

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

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

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

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

4. Financial-risk management policies

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

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

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

Interest rate risk management

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

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

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

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

Counterparty credit risk management

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

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

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

Liquidity risk management

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

Energy market risk management

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

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

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

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

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

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

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 2011, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Asia - Investimento e Consultoria, Lda. and EDP Internacional, S.A., acquired 40% of the share capital of EDP - Ásia Soluções Energéticas, Lda;
- EDP Serviços - Sistemas para a Qualidade e a Eficiência Energética, S.A acquired 100% of the share capital of Home Energy II, S.A.

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Companies incorporated:

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

Companies incorporated:

- EDP Renováveis Cantábria, S.L.;
- Paulding Wind Farm IV L.L.C.*

* EDP Group holds, through EDP Renováveis and its subsidiary Horizon, a set of subsidiaries in the United States and United Kingdom legally incorporated without share capital and that as at 31 March 2011 do not have any assets, liabilities, or any operating activity.

Other changes:

- Reduction of the interests in SGORME - SGO Rede Mobilidade Eléctrica, S.A. from 100% to 91% through dilution, following a share capital increase not fully subscribed by EDP Distribuição - Energia, S.A.

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Turnover:				
Electricity and network accesses	3,558,371	3,118,702	542,618	414,334
Gas and network accesses	418,934	336,774	36,676	6,850
Advisory and management services	1,521	1,411	33,290	36,496
CO2 licenses	8,472	9,996	14,750	12,910
Other	27,674	27,369	450	39
	4,014,972	3,494,252	627,784	470,629

During the first quarter of 2011, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 325,302 thousands of Euros (income in March 2010: 80,094 thousands of Euros) regarding the tariff adjustments of the period, as described under accounting policies - note 2 x).

The caption "Advisory, management and IT services" includes, on a company basis, an amount of 22,543 thousands of Euros related with services charged to EDP, S.A subsidiaries for management and IT services. The amounts charged are in accordance with the contractual terms which are established on an arms length basis.

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

	Mar 2011				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	2,040,334	833,198	603,294	81,545	3,558,371
Gas and network accesses	110,013	308,921	-	-	418,934
Advisory and management services	1,375	146	-	-	1,521
CO2 licenses	8,472	-	-	-	8,472
Other	20,521	7,153	-	-	27,674
	2,180,715	1,149,418	603,294	81,545	4,014,972

	Mar 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	1,854,891	728,535	475,779	59,497	3,118,702
Gas and network accesses	58,455	278,319	-	-	336,774
Advisory and management services	1,290	121	-	-	1,411
CO2 licenses	9,996	-	-	-	9,996
Other	10,828	6,515	6,350	3,676	27,369
	1,935,460	1,013,490	482,129	63,173	3,494,252

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

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

	Group		Company	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Cost of electricity	2,031,991	1,688,497	484,679	330,948
Cost of gas	334,917	221,373	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	60,954	37,717	-	-
Gas	140,875	134,807	95,411	51,793
Cost of consumables used	69,415	1,056	-	-
CO2 licenses	-10,560	-172	4,223	12,296
Other	-21,586	21,580	-	-
Own work capitalised	-22,407	-12,887	-	-
	216,691	182,101	99,634	64,089
	2,583,599	2,091,971	584,313	395,037

On a company basis, Cost of electricity includes costs of 282,805 thousands of Euros (31 March 2010: 172,974 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

7. Revenue from assets assigned to concessions

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

	Group	
	Mar 2011 Euro'000	Mar 2010 Euro'000
Revenue from assets assigned to concessions	86,263	84,388
Expenditure with assets assigned to concessions		
Subcontracts and materials and consumables	-59,823	-63,655
Personnel costs capitalized (see note 10)	-22,439	-17,972
Capitalised interest expense from financial debt (see note 15)	-4,001	-2,761
	-86,263	-84,388
	-	-

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

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

	Mar 2011			Mar 2010		
	Portugal	Brasil	Total	Portugal	Brasil	Total
Revenue from assets assigned to concessions	54,492	31,771	86,263	62,153	22,235	84,388
Expenditure with assets assigned to concessions	-54,492	-31,771	-86,263	-62,153	-22,235	-84,388
	-	-	-	-	-	-

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8. Other operating income

Other operating income is analysed as follows:

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Supplementary income	5,799	5,452	1	20
Operating Government grants	187	347	-	-
Gains on fixed assets	29,183	231	158	277
Reversal of impairment losses:				
- Doubtful debtors	8,627	4,593	-	-
- Debtors and other assets	31	2,558	-	-
Own work capitalised	-	756	-	-
Customers contributions	9,664	1,444	-	-
Insurance premiums - Energia RE	1,132	57	-	-
Income arising from institutional partnerships - EDPR NA	30,165	23,275	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	2,629	2,974	-	-
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya	-	3,170	-	-
Other operating income	19,378	9,431	1,544	2,372
	106,795	54,288	1,703	2,669

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

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousand USD and recorded as a non-current liability (note 38). This liability is depreciated over the period of the agreements against other operating income. As at 31 March 2011, the amortisation for the period amounts to 2,629 thousands of Euros (31 March 2010: 2,974 thousands of Euros).

Customers contributions of 9,664 thousands of Euros related with the application of IFRIC 18 in the electricity and gas distribution of activities in Spain, as referred in the accounting policy 2h).

Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity lines and substations belonging to Hidrocantabrico to Rede Eléctrica de España ("REE").

9. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Subcontracts	967	912	-	-
Supplies and services:				
Water, electricity and fuel	3,398	2,820	245	196
Tools and office material	1,716	1,639	227	194
Rents and leases	27,306	23,981	11,570	10,512
Communication	9,550	11,138	2,553	2,357
Insurance	10,356	9,509	100	103
Transportation, travelling and representation	6,527	5,862	409	517
Commission and fees	991	814	1	9
Maintenance and repairs	70,159	63,569	3,477	3,779
Advertising	4,008	4,053	1,013	1,216
Surveillance and security	2,744	2,421	132	115
Specialised works:				
- Commercial activity	34,947	30,573	1,497	476
- IT services	9,695	11,212	3,965	4,637
- Legal fees	3,828	3,866	263	837
- Advisory fees	5,102	4,009	832	1,236
- Other services	8,713	10,411	3,664	2,772
Provided personal	-	-	9,602	9,045
Other supplies and services	8,258	7,414	1,139	343
	208,265	194,203	40,689	38,344

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10. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Board of Directors remuneration	3,562	3,273	1,313	1,338
Employee's remuneration	124,023	120,460	392	399
Social charges on remuneration	32,996	31,572	97	82
Indemnities	1,475	1,216	-	-
Performance, assiduity and seniority bonus	18,994	20,222	1,650	1,808
Other costs	6,347	5,801	258	569
Own work capitalised:				
- Assigned to concessions (see note 7)	-22,439	-17,972	-	-
- Other	-17,729	-14,030	-	-
	<u>147,229</u>	<u>150,542</u>	<u>3,710</u>	<u>4,196</u>

Employee benefits are analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Pension plans costs	18,403	18,772	31	30
Medical plans costs and other benefits	12,913	13,642	31	30
Other	403	363	2	3
	<u>31,719</u>	<u>32,777</u>	<u>64</u>	<u>63</u>

Pension plans costs include 14,850 thousands of Euros (31 March 2010: 14,947 thousands of Euros) related to defined benefit plans (see note 36) and 3,553 thousands of Euros (31 March 2010: 3,825 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 12,935 thousands of Euros (31 March 2010: 11,961 thousands of Euros) related to the charge of the period, net of the reductions of the period.

11. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Concession rents paid to local authorities	60,630	59,784	-	-
Rents from power generation units	3,095	2,888	-	-
Direct taxes	5,165	3,830	11	-
Indirect taxes	27,108	21,035	90	156
Impairment losses on doubtful debts	15,417	26,078	-	-
Impairment losses on debtors and other assets	207	1,318	7	3
Losses on fixed assets	7,297	546	43	-2
Regulation costs	381	1,476	-	-
Operating compensations	371	1,455	-	-
Donations	9,177	8,603	7,288	6,308
Other operating costs	13,941	12,473	839	1,649
	<u>142,789</u>	<u>139,486</u>	<u>8,278</u>	<u>8,114</u>

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

12. Provisions

Provisions are analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Charge for the year	10,246	13,934	-	8,075
Write-back for the year	-7,859	-3,876	-3,681	-
	<u>2,387</u>	<u>10,058</u>	<u>-3,681</u>	<u>8,075</u>

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13. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Property, plant and equipment:				
Buildings and other constructions	3,151	2,907	106	116
Plant and machinery:				
Hydroelectricity generation	34,004	28,844	2	2
Thermoelectric generation	61,516	70,427	-	-
Renewable generation	120,839	93,711	-	-
Electricity distribution	8,201	15,755	-	-
Gas distribution	12,789	13,455	-	-
Other plant and machinery	575	295	4	4
Transport equipment	2,341	2,739	179	186
Office equipment and tools	13,803	14,663	1,496	1,632
Other	605	745	355	353
Impairment reversal loss	-	-29	-	-
	<u>257,824</u>	<u>243,512</u>	<u>2,142</u>	<u>2,293</u>
Intangible assets:				
Industrial property and other rights	1,228	5,956	2	2
Concession rights and impairment	21,436	21,165	-	-
Intangible assets related to concessions	84,813	76,357	-	-
	<u>107,477</u>	<u>103,478</u>	<u>2</u>	<u>2</u>
	<u>365,301</u>	<u>346,990</u>	<u>2,144</u>	<u>2,295</u>
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-7,259	-6,112	-	-
	<u>358,042</u>	<u>340,878</u>	<u>2,144</u>	<u>2,295</u>

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

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

	Mar 2011		Mar 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Banco Comercial Português, S.A.	-	11	-	-
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	-	-	6,942
Other	-	222	-	-1,155
		<u>233</u>		<u>5,787</u>

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

	Mar 2011		Mar 2010	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	-	-	6,942
		<u>-</u>		<u>6,942</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 thousands of Euros initially established to 103,850 thousands of Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousands of Euros.

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15. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Other financial income				
Interest income from investments	21,625	29,671	86,376	71,590
Interest from derivative financial instruments	38,590	21,304	14,577	15,379
Derivative financial instruments	62,466	81,060	2,313	274,979
Other interest income	16,604	11,833	282	-
Income from equity investments	5	24	-	-
Foreign exchange gains	30,526	19,656	123,929	1,923
CMEC	19,177	20,095	-	-
Interest Income - Tariff adjustment and tariff deficit	2,570	3,283	-	-
Other financial income	15,380	5,930	-	2
	206,943	192,856	227,477	363,873
Other financial expenses				
Interest expense from financial debt	185,841	152,850	77,168	72,767
Capitalised interest expense from financial debt:				
- Assigned to concessions (see note 7)	-4,001	-2,761	-	-
- Other	-34,645	-38,584	-	-
Interest from derivative financial instruments	26,510	6,888	8,843	7,622
Derivative financial instruments	95,206	105,013	127,530	154,416
Other interest expense	12,148	1,522	2,482	1,314
Impairment of available for sale financial assets	735	-	-	-
Banking services	3,574	4,270	1,090	2,074
Foreign exchange losses	12,726	30,931	3,965	131,730
CMEC	4,493	5,069	-	-
Unwinding	29,729	26,870	-	-
Interest Expenses - Tariff adjustment	950	6,355	-	-
Other financial expenses	7,165	12,558	1,022	975
	340,431	310,981	222,100	370,898
Financial income / (expenses)	-133,488	-118,125	5,377	-7,025

The caption Other financial Income - CMEC totalling 19,177 thousands of Euros includes 4,770 thousands of Euros related to interest of the initial CMEC included in the annuity for 2011 and 14,407 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC. Other financial expenses - CMEC, in the amount of 4,493 thousands of Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 38).

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 unwinding of the dismantling provision for wind farms, (ii) the unwinding related to the put option of EDP Renewables Itália, (iii) the implied financial return in institutional partnership in US wind farms and (iv) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe.

16. Income tax

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

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

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

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

As a consequence, the municipal surcharge calculation of the tax group dominated by EDP, S.A. for the three months period ended 31 March 2011 and for the year ended 31 December 2010 was already calculated based on the taxable profit of the group.

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

Income tax expense is analysed as follows:

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Current tax	-110,351	-70,176	11,012	6,205
Deferred tax	-13,034	-58,846	17,428	1,884
	-123,385	-129,022	28,440	8,089

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

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Profit before tax	520,316	483,236	-653	17,091
Income tax	-123,385	-129,022	28,440	8,089
Effective tax rate	23.71%	26.70%	-	-47.33%

17. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Cost:				
Land and natural resources	162,155	163,184	46,498	46,498
Buildings and other constructions	488,715	502,184	24,897	24,569
Plant and machinery:				
Hydroelectric generation	7,779,462	7,805,470	254	254
Thermoelectric generation	7,580,761	7,571,906	-	-
Renewable generation	9,552,958	9,531,048	-	-
Electricity distribution	1,967,337	1,985,616	-	-
Gas distribution	1,273,081	1,268,116	-	-
Other plant and machinery	39,216	39,065	148	148
Transport equipment	71,764	73,793	3,896	4,051
Office equipment and tools	620,678	610,443	104,605	103,915
Other	118,667	121,428	14,318	14,312
Assets under construction	3,108,253	3,210,711	84,705	82,951
	32,763,047	32,882,964	279,321	276,698
Accumulated depreciation and impairment losses:				
Depreciation charge for the period	-257,824	-1,017,446	-2,142	-12,046
Accumulated depreciation in previous years	-12,502,757	-11,535,836	-111,437	-99,547
Impairment losses in previous years	-5,983	-6,099	-	-
	-12,766,564	-12,559,381	-113,579	-111,593
Carrying amount	19,996,483	20,323,583	165,742	165,105

The movements in **Property, plant and equipment, for the Group**, for the three months period ended 31 March 2011 are analysed as follows:

	Balance at	Acquisitions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at
	1 January	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	31 March
	Euro'000						Euro'000
Cost:							
Land and natural resources	163,184	1,711	-	-	-2,795	55	162,155
Buildings and other constructions	502,184	20	-182	355	-13,790	128	488,715
Plant and machinery	28,201,221	969	-1,980	355,691	-364,400	1,314	28,192,815
Transport equipment	73,793	1,245	-2,800	2	-495	19	71,764
Office equipment and tools	610,443	2,055	-32	9,891	-1,772	93	620,678
Other	121,428	2,246	-3,269	81	-366	-1,453	118,667
Assets under construction	3,210,711	303,798	-1,551	-366,020	-39,368	683	3,108,253
	32,882,964	312,044	-9,814	-	-422,986	839	32,763,047

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	Balance at 1 January Euro'000	Charge and Impairment for the year Euro'000	Impairment for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 March Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	3,151	-	-180	-2,620	85	144,702
Plant and machinery	11,818,193	237,924	-	-1,212	-42,089	543	12,013,359
Transport equipment	49,424	2,341	-	-2,502	-519	2	48,746
Office equipment and tools	470,517	13,803	-	-30	-1,192	-958	482,140
Other	76,981	605	-	-2	-119	152	77,617
	<u>12,559,381</u>	<u>257,824</u>	<u>-</u>	<u>-3,926</u>	<u>-46,539</u>	<u>-176</u>	<u>12,766,564</u>

Perimeter Variations / Regularisation includes the effect of the acquisition made by EDP Group in the first quarter of 2011, namely Home Energy S.A., which has been consolidated under the full consolidation method.

The movement in Exchange differences in the period results mainly from the depreciation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the period of three months ended 31 March 2011.

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	149,633	2,476	-45	14	2,330	1,150	155,558
Buildings and other constructions	473,599	62	-3,619	342	11,861	3,102	485,347
Plant and machinery	25,396,468	6,613	-6,832	90,355	223,790	194,287	25,904,681
Transport equipment	88,356	811	-2,114	1,713	1,300	11	90,077
Office equipment and tools	600,790	5,071	-27	854	1,729	625	609,042
Other	115,131	3,036	-	15	236	2	118,420
Assets under construction	3,278,539	507,941	-20,185	-93,363	78,803	-17,180	3,734,555
	<u>30,102,516</u>	<u>526,010</u>	<u>-32,822</u>	<u>-70</u>	<u>320,049</u>	<u>181,997</u>	<u>31,097,680</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	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	10,962,464	222,487	-29	-3,859	-26,665	89,736	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	69,464	745	-	-323	59	1,282	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 movement in Exchange differences in the period relates mainly to the appreciation of the Brazilian Real (BRL) and depreciation of American Dollar (USD) against the Euro, during the three months period ended at 31 March 2010.

The movements in **Property, plant and equipment, for the Company**, for the three months period ended 31 March 2011 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 March Euro'000
Cost:						
Land and natural resources	46,498	-	-	-	-	46,498
Buildings and other constructions	24,569	-	-180	276	232	24,897
Plant and machinery	402	-	-	-	-	402
Transport equipment	4,051	182	-356	-	19	3,896
Office equipment and tools	103,915	645	-	45	-	104,605
Other	14,312	6	-	-	-	14,318
Assets under construction	82,951	2,075	-	-321	-	84,705
	<u>276,698</u>	<u>2,908</u>	<u>-536</u>	<u>-</u>	<u>251</u>	<u>279,321</u>

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	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	17,394	106	-	-179	232	17,553
Plant and machinery	145	6	-	-	-	151
Transport equipment	1,844	179	-	-212	3	1,814
Office equipment and tools	82,088	1,496	-	-	-	83,584
Other	10,122	355	-	-	-	10,477
	<u>111,593</u>	<u>2,142</u>	<u>-</u>	<u>-391</u>	<u>235</u>	<u>113,579</u>

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	Disposals/ Write-offs Euro'000	Transfers 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>

18. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Cost:				
Industrial property, other rights and other intangibles	91,923	93,411	100	100
Concession rights	14,957,107	15,032,831	-	-
CO2 licenses	421,975	212,230	-	-
Intangible assets in progress	631,748	597,396	-	-
	<u>16,102,753</u>	<u>15,935,868</u>	<u>100</u>	<u>100</u>
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-106,249	-445,768	-	-
Amortisation of industrial property and other intangibles during the period	-1,228	-5,788	-2	-8
Accumulated amortisation in previous years	-9,255,185	-8,870,173	-76	-68
	<u>-9,362,662</u>	<u>-9,321,729</u>	<u>-78</u>	<u>-76</u>
Carrying amount	<u>6,740,091</u>	<u>6,614,139</u>	<u>22</u>	<u>24</u>

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

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

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The movements in **Intangible assets** during the three months period ended 31 March 2011, **for the Group**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 March Euro'000
Cost:							
Industrial property, other rights and other intangibles	93,411	175	-2	-	-1,709	48	91,923
Concession rights							
Concession rights - Brazil	1,254,421	-	-	-	-20,825	-	1,233,596
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	470,228	4,653	-	-	-	-	474,881
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	221,059	-11,314	-	-	-	421,975
Intangible assets assigned to concessions	12,308,883	2,450	-6,878	42,931	-98,055	-	12,249,331
Intangible assets assigned to concessions - in progress	257,298	83,813	-319	-48,187	-5,833	-	286,772
Intangible assets not assigned to concessions - in progress	340,098	4,956	-1	-	-77	-	344,976
	<u>15,935,868</u>	<u>317,106</u>	<u>-18,514</u>	<u>-5,256</u>	<u>-126,499</u>	<u>48</u>	<u>16,102,753</u>
	Balance at 1 January Euro'000	Charge for the Year Euro'000	Accelerated depreciation/ Impairment Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 March Euro'000
Accumulated amortisation and impairment losses:							
Industrial property and other rights	25,629	1,228	-	-2	-344	23	26,534
Concession rights	597,280	21,436	-	-	-3,711	-	615,005
Intangible assets assigned to concessions	8,698,820	84,813	-	-3,907	-58,603	-	8,721,123
	<u>9,321,729</u>	<u>107,477</u>	<u>-</u>	<u>-3,909</u>	<u>-62,658</u>	<u>23</u>	<u>9,362,662</u>

The caption "Transfers" in the amount of 5,256 thousands of Euros is related with Financial Assets associated with IFRIC12.

Acquisitions of CO2 Licences as at 31 March 2011 includes 214,782 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012.

The 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	212,112	13	-5	-	6,926	-9,542	209,504
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
domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	207,943	-21,160	-	-	-	474,772
Intangible assets assigned to concessions	11,525,486	57,524	-	-	78,558	23,326	11,684,894
Intangible assets assigned to concessions - in progress	254,238	26,864	-	-	-	-13,597	267,505
Intangible assets not assigned to concessions - in progress	312,671	10,433	-	-	1	-5,892	317,213
	<u>15,193,926</u>	<u>302,777</u>	<u>-21,165</u>	<u>-</u>	<u>107,018</u>	<u>-6,988</u>	<u>15,575,568</u>

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	Balance at 1 January Euro'000	Charge for the Year Euro'000	Accelerated depreciation/ Impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 March Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	88,729	5,956	-	-	-	3,469	-387	97,767
Concession rights	496,217	21,165	-	-	-	2,706	-638	519,450
Intangible assets assigned to concessions	8,118,931	76,357	-	-	-	47,710	34,404	8,277,402
	<u>8,703,877</u>	<u>103,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,885</u>	<u>33,379</u>	<u>8,894,619</u>

The movements in **Intangible assets** during the three months period ended 31 March 2011, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 March 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>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 March Euro'000
Accumulated amortisation:						
Industrial property and other rights	76	2	-	-	-	78
	<u>76</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>78</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 30 June 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>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 30 June Euro'000
Accumulated amortisation:						
Industrial property and other rights	67	2	-	-	-	69
	<u>67</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69</u>

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19. Goodwill

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

	Group	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
Electric business:		
Hidrocontábrico Group	959,667	952,387
EDP R-EU Group	745,039	748,680
Horizon Group	558,407	592,915
Brazil Group	58,263	58,991
EDP Renováveis Brazil Group	1,634	1,699
Other (Portugal Group)	42,150	38,418
	<u>2,365,160</u>	<u>2,393,090</u>
Gas Distribution business:		
Naturgás Group	956,089	956,089
	<u>3,321,249</u>	<u>3,349,179</u>

The movements in **Goodwill** during the three months period ended 31 March 2011, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 March Euro'000
Electric business:							
Hidrocontábrico Group	952,387	7,280	-	-	-	-	959,667
EDP R-EU Group	748,680	-	-3,754	-	113	-	745,039
Horizon Group	592,915	-	-	-	-34,508	-	558,407
Brazil Group	58,991	-	-	-	-728	-	58,263
EDP Renováveis Brazil Group	1,699	-	-	-	-65	-	1,634
Other (Portugal Group)	38,418	3,732	-	-	-	-	42,150
	<u>2,393,090</u>	<u>11,012</u>	<u>-3,754</u>	<u>-</u>	<u>-35,188</u>	<u>-</u>	<u>2,365,160</u>
Gas Distribution business							
Naturgás Group	956,089	-	-	-	-	-	956,089
	<u>3,349,179</u>	<u>11,012</u>	<u>-3,754</u>	<u>-</u>	<u>-35,188</u>	<u>-</u>	<u>3,321,249</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:							
Hidrocontábrico Group	969,050	-	-5,014	-	-	-	964,036
EDP R-EU Group	766,599	60,512	-	-	61	-	827,172
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>2,380,092</u>	<u>60,512</u>	<u>-5,014</u>	<u>-</u>	<u>37,887</u>	<u>-</u>	<u>2,473,477</u>
Gas Distribution business							
Naturgás Group	756,474	-	-	-	-	-	756,474
	<u>3,136,566</u>	<u>60,512</u>	<u>-5,014</u>	<u>-</u>	<u>37,887</u>	<u>-</u>	<u>3,229,951</u>

Hidrocontábrico Group

During the first quarter of 2011, the goodwill from Hidrocontábrico Group increased by 7,280 thousands of Euros (31 March 2010: decrease of 5,014 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

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EDP Renewables Europe Group

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

	EDP Renewables Europe Group	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
Genesa subgroup	404,800	408,554
Ceasa subgroup	117,637	117,637
Relax Wind subgroup	23,060	23,266
Neo Galia subgroup	79,958	79,958
Romania subgroup	9,740	9,421
Neo Catalunya subgroup	7,013	7,013
EDPR Portugal subgroup	41,876	41,876
Italia subgroup	57,781	57,781
Other	3,174	3,174
	745,039	748,680

Genesa subgroup

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

EDPR Poland subgroup

During 2011, the reduction of goodwill of Poland subgroup (206 thousands of Euros) results of the effect of exchange differences EUR/PLN.

Romania subgroup

In 2011, the reduction of goodwill of Romania subgroup (319 thousands of Euros) results of the effect of exchange differences EUR/LEI.

EDPR NA Group

The decrease in EDPR NA Group goodwill of 34,508 thousands of Euros results of the effect of exchange differences EUR/USD.

Brazil Group

The decrease in Brazil Group goodwill of 728 thousands of Euros results from the revaluation of the Euro against the Brazilian Real.

EDP Renováveis Brazil Group

The decrease in EDP Renováveis Brazil Group goodwill of 65 thousands of Euros results from the revaluation of the Euro against the Brazilian Real.

Other (Portugal group)

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

20. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
Historical acquisition cost	10,813,285	10,813,169
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,647,489	9,647,373
Impairment losses on equity investments in subsidiaries	-140,063	-140,063
	9,507,426	9,507,310

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21. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Associated companies:				
Investments in associates	149,383	147,008	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	149,246	146,871	-	-

22. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Ampla Energia e Serviços, S.A.	155,950	181,221	155,950	181,221
Ampla Investimentos e Serviços, S.A.	22,305	23,191	22,305	23,191
Banco Comercial Português, S.A.	71,141	72,901	-	-
Denerge - Desenvolvimento Energético, S.A.	13,056	18,398	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	46,631	48,220	46,631	48,220
Parque Eólico Montes de las Navas, S.L.	6,684	6,684	-	-
Sociedade Eólica de Andalucía, S.A.	10,832	10,832	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,253	25,253	-	-
Other	47,603	46,990	5,113	4,440
	409,730	443,965	229,999	257,072

During the three months period ending 31 March 2011, the financial investment held in Ampla Energia e Serviços, S.A. e na Denerge - Desenvolvimento Energético, S.A., decreased by 25,271 thousands of Euros and 5,342 thousands of Euros, respectively, were booked against fair value reserves (see note 32).

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

	Mar 2011	Dec 2010
	Euro'000	Euro'000
Ampla Energia e Serviços, S.A.	87,011	112,282
Ampla Investimentos e Serviços, S.A.	16,730	17,616
Denerge - Desenvolvimento Energético,	-2,197	848
EDA - Electricidade dos Açores, S.A.	1,322	1,322
Parque Eólico Montes de las Navas, S.L.	2,524	2,524
REN - Redes Energéticas Nacionais, SGPS, S.A.	20,811	22,400
Sociedade Eólica de Andalucía, S.A.	5,947	5,947
Tagusparque	965	965
Tejo Energia, S.A.	18,898	18,898
Other	-253	-273
	151,758	182,529

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23. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Balance as at 1 January	515,332	661,335	-856,072	-758,893
Tariff adjustment for the period	-32,626	-49,925	-65,285	-4,216
Provisions	-22,689	2,694	-	-7,351
Deferred tax over CMEC's in the period	-	-	80,516	-9,542
Use of tax credits	9,460	-6,435	-	-
Financial and available for sale investments	8,548	2,273	-318	-8,761
Fair value of derivative financial instruments	3,353	26,175	-339	-13,574
Allocation of fair value adjustments to assets and liabilities acquired	793	2,969	5,154	-2,288
Exchange differences and other	-10,037	-3,937	9,591	13,406
Netting of deferred tax assets and liabilities	13,222	14,258	-13,222	-14,258
Balance as at 31 March	485,356	649,407	-839,975	-805,477

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

	Deferred tax assets		Deferred tax liabilities	
	Mar 2011 Euro'000	Mar 2010 Euro'000	Mar 2011 Euro'000	Mar 2010 Euro'000
Balance as at 1 January	-	-	-67,926	-80,489
Tax credits	22,660	-	-	-
Provisions	-798	206	-	-
Financial and available for sale investments	227	2	3,793	-8,388
Fair value of derivative financial instruments	-341	-5,758	-896	12,240
Other changes	-2,018	2,483	6	6
Netting of deferred tax assets and liabilities	-19,730	3,067	19,730	-3,067
Balance as at 31 March	-	-	-45,293	-79,698

24. Inventories

This caption is analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Merchandise	39,188	49,836	-	-
Advances on account of purchases	12,920	4,849	-	-
Finished and intermediate products	23,552	21,209	-	-
Sub-products, waste, residues and scrap	20,906	20,097	-	-
Raw and subsidiary materials and consumables:				
Coal	131,622	106,327	-	-
Fuel	23,007	27,991	-	-
Nuclear fuel	13,397	14,090	-	-
Other consumables				-
CO2 licenses	66,559	51,745	66,559	51,745
Other	46,106	60,834	-	-
	377,257	356,978	66,559	51,745

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

25. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	809,102	790,442	82,368	46,357
Spain	741,940	727,241	-	-
Brazil	377,832	354,640	-	-
U.S.A.	29,515	27,945	-	-
Poland	8,161	8,967	-	-
Other	14,617	11,106	-	-
Public Sector:				
Portugal				
State and official entities	19,247	16,360	-	-
Local government	40,378	37,455	-	-
Brazil				
State and official entities	9,366	9,004	-	-
Local government	25,572	23,475	-	-
Spain				
State and official entities	16,420	12,302	-	-
Local government	67,552	50,739	-	-
	<u>2,159,702</u>	<u>2,069,676</u>	<u>82,368</u>	<u>46,357</u>
Doubtful debts	282,098	276,312	9,960	9,960
Impairment losses	-282,098	-276,312	-9,960	-9,960
	<u>2,159,702</u>	<u>2,069,676</u>	<u>82,368</u>	<u>46,357</u>
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	20,253	32,553	-	-
Public Sector:				
Portugal - Local government	136,149	137,437	-	-
Brazil - Local government	8,134	8,831	-	-
	<u>164,536</u>	<u>178,821</u>	<u>-</u>	<u>-</u>
Impairment losses	-60,154	-61,379	-	-
	<u>104,382</u>	<u>117,442</u>	<u>-</u>	<u>-</u>
	<u>2,264,084</u>	<u>2,187,118</u>	<u>82,368</u>	<u>46,357</u>

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26. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	1,443,676	1,442,620
Dividends	-	-	272,000	368,859
Loans to related companies	179,341	150,936	15,714	19,074
Other debtors:				
- Advances to pensioners on account of the Social Security	2,087	2,063	-	-
- Amounts receivable from staff	2,714	2,883	-	-
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	546,433	814,086	-	-
- Amounts receivable from Portuguese tariff adjustments	356,566	394,057	-	-
- Receivables from the State and concessors	13,830	14,652	-	-
- Amounts with RTP - broadcasting charge	12,681	23,170	-	-
- Receivables relating to other goods and services	137,256	123,032	33,634	45,019
- Derivative financial instruments	160,861	195,865	165,150	164,419
- Subsidiary companies	-	-	254,783	249,154
- Amounts receivable relating to gas sales operations	7,783	7,278	-	-
- Amounts receivable relating to insurance and reinsurance operations	1,760	3,281	-	-
- Amounts receivable relating to the renewable operations	4,231	5,408	-	-
- Expenditure on concessions	12,283	12,683	-	-
- Insurance	7,615	11,445	1,231	60
- Other deferred costs	27,165	19,957	2,606	2,180
- Amounts receivable relating to CMEC	182,059	365,070	-	-
- Tied deposits (EDPR NA)	17,539	80,121	-	-
Sundry debtors and other operations	366,169	429,850	242,735	221,091
	<u>2,094,013</u>	<u>2,711,477</u>	<u>2,431,529</u>	<u>2,512,476</u>
Impairment losses on short-term debtors - Current	<u>-74,326</u>	<u>-74,912</u>	<u>-922</u>	<u>-914</u>
	<u>2,019,687</u>	<u>2,636,565</u>	<u>2,430,607</u>	<u>2,511,562</u>
	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Medium and long term debtors - Non Current:				
Loans to subsidiaries	-	-	5,091,130	5,231,320
Loans to related companies	19,387	19,315	6,106	6,106
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	320,650	29,726	-	-
- Expenditure on concessors	14,715	14,861	-	-
- Guarantees and linked deposits	153,642	158,408	3,519	4,419
- Amounts receivable relating to CMEC	918,157	892,628	-	-
- Derivative financial instruments	7,232	27,188	26,865	151,457
- O&M contract valuation - Mapple Ridge I (Horizon)	5,585	6,317	-	-
- Amounts receivable from concessors - IFRIC 12	466,378	468,071	-	-
Sundry debtors and other operations	74,237	83,061	121	126
	<u>1,979,983</u>	<u>1,699,575</u>	<u>5,127,741</u>	<u>5,393,428</u>
Impairment losses on medium and long term debtors - Non current	<u>-2,863</u>	<u>-2,858</u>	<u>-</u>	<u>-</u>
	<u>1,977,120</u>	<u>1,696,717</u>	<u>5,127,741</u>	<u>5,393,428</u>
	<u>3,996,807</u>	<u>4,333,282</u>	<u>7,558,348</u>	<u>7,904,990</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 2011, according to the applicable legal framework (see note 3). During first quarter of 2011, the "Fundo de Amortização do Défice Elétrico Espanhol (FADE)", launched three bond issuances explicitly guaranteed by the Kingdom of Spain which allowed Hidrocontabril to receive approximately 307 millions of Euros related with tariff adjustments from previous years.

The amounts receivable relating to CMEC totalize 1,100,216 thousands of Euros, which include 918,157 thousands of Euros as medium and long term debts and 182,059 thousands of Euros as short term debts. The amount receivable relating to the initial CMEC includes 733,412 thousands of Euros as medium and long term debts and 27,167 thousands of Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2011. The remaining 184,745 thousands of Euros in the medium and long term and 154,892 thousands of Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2008 to 2011.

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The caption Amounts receivable for concessions - IFRIC 12 in the amount of 466,378 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aa). The variation in the period, includes the effect of the depreciation of Real against Euro in the amount of 6,949 thousands of Euros.

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

	Current Euro'000	Non Current Euro'000
Balance as at 1 January 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>
Receipts through the electric energy tariff	-428,503	-
Tariff adjustment of 2009	20,147	-21,396
Tariff adjustment for the period	262,335	-70,733
Interest expense	10,672	-499
Transfer from Non-Current to Current	51,716	-51,716
Balance as at 31 December 2010	<u>394,057</u>	<u>29,726</u>
Receipts through the electric energy tariff	-100,463	-
Tariff adjustment of 2010	26,378	-
Tariff adjustment for the period	27,450	297,852
Interest expense	2,066	504
Transfer from tariff adjustments payable	-354	-
Transfer from Non-Current to Current	7,432	-7,432
Balance as at 31 March 2011	<u>356,566</u>	<u>320,650</u>

27. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
State and other public entities:				
- Income tax	258,903	253,331	28,661	34,854
- Value added tax (VAT)	238,299	280,816	57,727	54,221
- Turnover tax (Brazil)	27,492	92,556	-	-
- Social tax (Brazil)	2	406	-	-
- Other taxes	10,940	13,376	3,255	3,255
	<u>535,636</u>	<u>640,485</u>	<u>89,643</u>	<u>92,330</u>

28. Financial assets at fair value through profit or loss

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

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Fixed income securities:				
Listed funds	35,184	35,335	-	-
Bonds and other listed fixed income securities	1	1	-	-
	<u>35,185</u>	<u>35,336</u>	<u>-</u>	<u>-</u>
Variable income securities:				
Listed funds	316	409	-	-
	<u>316</u>	<u>409</u>	<u>-</u>	<u>-</u>
	<u>35,501</u>	<u>35,745</u>	<u>-</u>	<u>-</u>

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29. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Cash:				
- Cash in hand	250	72	11	-
Bank deposits:				
- Current deposits	429,206	413,831	28,172	28,475
- Term deposits	1,265,915	1,038,821	646,900	114,200
- Other deposits	133,511	19,682	-	-
	<u>1,828,632</u>	<u>1,472,334</u>	<u>675,072</u>	<u>142,675</u>
Other short term investments:				
- Banks - Euros	22,399	5,893	-	-
- Banks - Other currencies	-	32,925	-	-
	<u>22,399</u>	<u>38,818</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents	<u>1,851,281</u>	<u>1,511,224</u>	<u>675,083</u>	<u>142,675</u>

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

30. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have non-controlling interest. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.69% of the share capital of EDP, S.A.

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

Share capital and Share premium are analysed as follows:

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

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

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
Net profit attributable to the equity holders of EDP (in Euros)	342,388,791	309,178,814	27,786,932	25,180,271
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	342,388,791	309,178,814		
Weighted average number of ordinary shares outstanding	3,624,144,147	3,622,428,993	3,625,657,147	3,623,941,993
Weighted average number of diluted ordinary shares outstanding	3,624,749,624	3,623,373,570	3,626,262,624	3,624,886,570
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.09	0.09		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.09	0.09		
Basic earnings per share from continuing operations (in Euros)	0.09	0.09		
Diluted earnings per share from continuing operations (in Euros)	0.09	0.09		

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

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The average number of shares was determined as follows:

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,393, 568	-34,108, 722	-30,880, 568	-32,595, 722
Average number of shares during the period	3,624,144,147	3,622,428,993	3,625,657,147	3,623,941,993
Effect of stock options	605,477	944,577	605,477	944,577
Diluted average number of shares during the period	3,624,749,624	3,623,373,570	3,626,262,624	3,624,886,570

31. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
Book value of EDP, S.A. treasury stock (thousands of Euros)	110,059	115,731	103,964	109,636
Number of shares	32,040,235	33,324,941	30,527,235	31,811,941
Market value per share (in Euros)	2.748	2.491	2.748	2.491
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	88,047	83,012	83,889	79,244
Operations performed from 1 January 2011 to 31 March 2011:	EDP, S.A.	Energia RE		
Volume acquired (number of shares)	275,000	-		
Purchase price average	2.716	-		
Purchase total value (thousand Euros)	747	-		
Volume sold (number of shares)	-1,559,706	-		
Selling price average	2.767	-		
Sold total value (thousand Euros)	4,315	-		
Final position (number of shares)	30,527,235	1,513,000		
Highest market price (in Euros)	2.910	-		
Lowest market price (in Euros)	2.475	-		
Average market price (in Euros)	2.769	-		

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

32. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Legal reserve	502,888	502,888	502,888	502,888
Fair value reserve (cash flow hedge)	62,698	45,180	32,872	25,722
Tax effect of fair value reserve (cash flow hedge)	-15,854	-10,069	-9,965	-7,909
Fair value reserve (available-for-sale investments)	151,758	182,529	120,117	147,843
Tax effect of fair value reserve (available-for-sale investments)	-12,789	-17,845	-11,177	-15,197
Exchange differences arising on consolidation	257,412	312,823	-	-
Treasury stock reserve (EDP, S.A.)	103,964	109,636	103,964	109,636
Other reserves and retained earnings	2,685,249	1,605,761	1,891,906	1,163,205
	3,735,326	2,730,903	2,630,605	1,926,188

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Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2009	<u>468,046</u>	<u>-276,153</u>
Changes in fair value	67,593	-2,822
Balance as at 31 March 2010	<u>535,639</u>	<u>-278,975</u>
Changes in fair value	-38,694	-38,575
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-1,073	-
Balance as at 31 December 2010	<u>495,872</u>	<u>-313,343</u>
Changes in fair value	20	-30,791
Balance as at 31 March 2011	<u>495,892</u>	<u>-344,134</u>

Changes in fair value reserve attributable to the EDP Group during the three months period ended 31 March 2011 are analysed as follows:

	Increases Euro'000	Decreases Euro'000
Ampla Energia e Serviços, S.A.	-	-25,271
Ampla Investimentos e Serviços, S.A.	-	-886
Denerge - Desenvolvimento Energético, S.A.	-	-3,045
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-1,589
Other	20	-
	<u>20</u>	<u>-30,791</u>

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 2011		Exchange rates at Dec 2010		Exchange-rate at Mar 2010	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.421	1.368	1.336	1.326	1.348	1.383
Brazilian Real	BRL	2.306	2.280	2.218	2.331	2.404	2.492
Macao Pataca	MOP	11.388	10.799	10.697	10.611	10.779	11.061
Quetzal	GTQ	10.922	10.787	10.708	10.708	10.764	11.356
Zloty	PLN	4.011	3.946	3.975	3.995	3.867	3.987
Lei	RON	4.122	4.221	4.262	4.212	4.097	4.113
Pound Sterling	GBP	0.884	0.854	0.861	0.858	0.890	0.888

Treasury stock reserve (EDP, S.A.)

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

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Dividends

On 14 April 2011, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders over the net profit for the year 2010 in the amount of 621,611 thousands of Euros, corresponding to a dividend of 0.17 Euros per share (including the treasury stock dividend). Considering the resolution date, the correspondent accounting of this decision was made during the second quarter of 2011.

33. Non-controlling interest

This caption is analysed as follows:

	Group	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
Non-controlling interest in income statement	54,542	155,676
Non-controlling interest in reserves	2,875,324	2,774,725
	<u>2,929,866</u>	<u>2,930,401</u>

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

	Group	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
EDP Renováveis Group	1,320,988	1,306,194
Energias do Brasil Group	1,551,651	1,570,666
Hidrocentrífugo Group	22,802	22,428
Other	34,425	31,113
	<u>2,929,866</u>	<u>2,930,401</u>

During the three months period ending 31 March 2011, EDP Group generated profits of 54,542 thousands of Euros attributable to non-controlling interest (31 December 2010: 155,676 thousands of Euros).

The movement of EDP Renováveis Group is mainly related to profits attributable to non-controlling interest of 13,324 thousands of Euros and to positive exchange differences of 596 thousands of Euros.

The movement booked in Energias do Brasil Group includes 38,438 thousands of Euros of profits attributable to non-controlling interest and 56,532 thousands of Euros from the negative exchange difference. Additionally, during the three months period ending 31 March 2011, the variation of fair value reserve associated to available for sale financial assets, has originated an increase in the non-controlling interest of 1,646 thousands of Euros.

The caption Other non-controlling interest includes 33,301 thousands of Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2010: 30,120 thousands of Euros).

34. Hydrological account

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

	Group and Company	
	Mar 2011	Mar 2010
	Euro'000	Euro'000
Balance at the beginning of the period	75,098	112,631
Amounts received / (paid) during the period	-	-10,318
Financial charges	794	1,134
Balance at the end of the period	<u>75,892</u>	<u>103,447</u>

35. Financial debt

Short term debt and borrowings - Current

Medium and long term debts and borrowings - Non current

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EDP Group, at EDP, S.A. level, has short-term credit facilities of 245,410 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 230,410 thousands of Euros have a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being totally available as at 31 March 2011. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of 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 2011 is totally drawn.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 March 2011 and 31 December 2010 these loans amounted to 905,779 thousands of Euros and 862,625 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of **Bond loans issued and outstanding**, as at 31 March 2011, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.						
EDP, S.A.	Mar-03	Euribor 6 months + 0.5%	n.a.	Mar-13	150,000	150,000
EDP, S.A. (ii)	May-08	Variable rate (iv)	n.a.	May-18	300,000	300,000
					<u>450,000</u>	<u>450,000</u>
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug-02	Fixed rate GBP 6.625%	Fair Value	Aug-17	320,000	-
EDP Finance B.V.	Dec-02	Fixed rate EUR (iv)	n.a.	Dec-22	93,357	-
EDP Finance B.V.	Jun-05	Fixed rate EUR 3.75%	n.a.	Jun-15	500,000	-
EDP Finance B.V. (i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300,000	-
EDP Finance B.V.	Jun-06	Fixed rate EUR 4.25%	n.a.	Jun-12	500,000	-
EDP Finance B.V.	Jun-06	Fixed rate EUR 4.625%	n.a.	Jun-16	500,000	-
EDP Finance B.V.	Nov-07	Fixed rate USD 5.375 %	Net Investment	Nov-12	703,878	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00 %	Net Investment	Feb-18	703,878	-
EDP Finance B.V. (i)	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon EUR (iv)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (iii) (i)	Feb-09	Fixed rate EUR 5.5%	Fair Value	Feb-14	1,000,000	-
EDP Finance B.V. (i)	Jun-09	Fixed rate JPY (iv)	Net Investment	Jun-19	73,604	-
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	703,878	-
EDP Finance B.V.	Feb-10	Variable Rate USD (iv)	Net Investment	Feb-15	70,388	-
EDP Finance B.V. (i)	Mar-10	Fixed Rate EUR 3.25%	Fair Value	Mar-15	1,000,000	-
EDP Finance B.V.	Jun-10	Variable Rate EUR (iv)	n.a.	Jun-11	500,000	-
EDP Finance B.V.	Feb-11	Fixed Rate EUR 5.875%	n.a.	Feb-16	750,000	-
EDP Finance B.V. (i)	Feb-11	Fixed Rate CHF 3.5%	Fair Value	Feb-14	177,911	-
					<u>9,467,208</u>	<u>-</u>
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov-01	IGPM + 10.5%	n.a.	Nov-11	14,824	-
Bandeirante	Jul-10	CDI + 1.50%	n.a.	Jun-14	169,139	-
Escelsa	Jun-06	104.4% do CDI	n.a.	Jun-11	38,165	-
Escelsa	Jul-07	105.0% do CDI	n.a.	Jul-14	108,422	-
					<u>330,550</u>	<u>-</u>
					<u>10,247,758</u>	<u>450,000</u>

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

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

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

(iv) These issues correspond to private placements.

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Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Bank loans and overdrafts:				
Up to 1 year	620,930	562,399	28,546	28,853
From 1 to 5 years	4,490,482	4,644,826	204,002	170,592
More than 5 years	1,691,221	1,393,476	944,009	700,401
	<u>6,802,633</u>	<u>6,600,701</u>	<u>1,176,557</u>	<u>899,846</u>
Bond loans:				
Up to 1 year	729,533	1,590,549	5,440	786,380
From 1 to 5 years	5,064,457	4,232,741	140,870	140,382
More than 5 years	4,393,473	4,513,744	300,000	300,000
	<u>10,187,463</u>	<u>10,337,034</u>	<u>446,310</u>	<u>1,226,762</u>
Commercial paper:				
Up to 1 year	773,202	837,607	5,804,217	4,964,503
Other loans:				
Up to 1 year	12,468	13,896	-	-
From 1 to 5 years	49,334	50,866	-	-
More than 5 years	47,962	51,542	-	-
	<u>109,764</u>	<u>116,304</u>	<u>-</u>	<u>-</u>
	<u>17,873,062</u>	<u>17,891,646</u>	<u>7,427,084</u>	<u>7,091,111</u>

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

	Mar 2011		Dec 2010	
	Carrying amount	Market value	Carrying amount	Market value
	Euro'000	Euro'000	Euro'000	Euro'000
Short term debt and borrowings - Current	2,136,133	1,934,323	3,004,451	2,764,591
Medium/Long term debt and borrowings - Non current	15,736,929	15,372,919	14,887,195	14,634,186
	<u>17,873,062</u>	<u>17,307,242</u>	<u>17,891,646</u>	<u>17,398,777</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 March 2011, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2011	2012	2013	2014	2015	Following years	Total
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Medium/long term debt and borrowings	-	1,792,711	2,560,145	2,559,549	1,920,382	6,904,142	15,736,929
Short term debt and borrowings	2,052,927	83,206	-	-	-	-	2,136,133
	<u>2,052,927</u>	<u>1,875,917</u>	<u>2,560,145</u>	<u>2,559,549</u>	<u>1,920,382</u>	<u>6,904,142</u>	<u>17,873,062</u>

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

36. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Provisions for social liabilities and benefits	1,076,597	1,104,406	-	-
Provisions for medical liabilities and other benefits	803,611	800,473	-	-
	<u>1,880,208</u>	<u>1,904,879</u>	<u>-</u>	<u>-</u>

Provisions for social liabilities and benefits as at 31 March 2011 include 1,065,779 thousands of Euros relating to retirement pension defined benefit plans (31 December 2010: 1,093,075 thousands of Euros) and 10,818 thousands of Euros (31 December 2010: 11,331 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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The movement in **Provisions for social liabilities and benefits** during the period of three months ended at 31 March 2011 is analysed as follows :

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	1,104,406	1,109,347	-	-
Charge for the period	14,850	14,947	-	-
Charge-off	-42,822	-40,250	-	-
Transfers, reclassifications and exchange differences	163	1,345	-	-
Balance at the end of the period	<u>1,076,597</u>	<u>1,085,389</u>	<u>-</u>	<u>-</u>

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

	Mar 2011			
	Portugal	Spain	Brazil	Group
	Euro'000	Euro'000	Euro'000	Euro'000
Cost for the period				
Current service cost	3,339	-	-93	3,246
Interest cost	24,550	927	5,655	31,132
Expected return on plan assets	-14,763	-	-4,765	-19,528
Net cost for the period	<u>13,126</u>	<u>927</u>	<u>797</u>	<u>14,850</u>

	Mar 2010			
	Portugal	Spain	Brazil	Group
	Euro'000	Euro'000	Euro'000	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
Other	-	-	-274	-274
Net cost for the period	<u>13,137</u>	<u>1,279</u>	<u>531</u>	<u>14,947</u>

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

	Group		Company	
	Mar 2011	Mar 2010	Mar 2011	Mar 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Balance at the beginning of the period	800,473	770,357	-	-
Charge for the period	12,935	11,961	-	-
Charge-off	-8,175	-6,563	-	-
Transfers, reclassifications and exchange differences	-1,622	1,285	-	-
Balance at the end of the period	<u>803,611</u>	<u>777,040</u>	<u>-</u>	<u>-</u>

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

	Mar 2011			Mar 2010		
	Portugal	Brazil	Group	Portugal	Brazil	Group
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Cost for the period						
Current service cost	1,741	150	1,891	1,741	34	1,775
Interest cost	9,294	1,750	11,044	9,409	777	10,186
Net cost for the period	<u>11,035</u>	<u>1,900</u>	<u>12,935</u>	<u>11,150</u>	<u>811</u>	<u>11,961</u>

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

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37. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Provision for legal and labour matters and other contingencies	97,795	92,406	-	-
Provision for customer guarantees under current operations	85,032	108,480	-	-
Provision for other liabilities and charges	230,489	230,308	18,186	21,867
	413,316	431,194	18,186	21,867

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 March 2011, the amount of this Tax contingency totals 203 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 81, 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.

38. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Mar 2011	Dec 2010	Mar 2011	Dec 2010
	Euro'000	Euro'000	Euro'000	Euro'000
Trade and other payables - Current:				
Suppliers	1,288,877	1,521,141	403,228	319,342
Property, plant and equipment suppliers	435,319	858,306	1,443	2,414
Advances from customers	29,724	86,935	43	43
Other payables:				
- Employees	38,898	32,579	9,102	8,023
- Concession rents	10,019	16,729	-	-
- Amount payable to the regulatory entity in Brazil	25,156	26,710	-	-
- Amount to be invested in research and development - Brazil	24,786	26,573	-	-
- Amounts payable for electricity transactions in MIBEL	61,680	68,257	61,680	68,257
Payables - related companies	107,330	90,258	-	-
Payables from the Regulated Activity	15,227	87,517	-	-
Energetic efficiency program - Brazil	35,449	33,588	-	-
Holiday pay, bonus and other charges	113,277	97,246	641	510
Derivative financial instruments	88,015	27,310	96,039	87,216
Government grants and co-participation in investment in fixed assets	1,433	1,407	-	-
Accrued income - supply energy	25,187	24,572	-	-
Accrued costs relating to the fix network utilization tariff	89,809	30,464	-	-
CO2 emission licenses	373,876	170,919	-	-
Deferred income - CMEC	2,185	3,769	-	-
Amounts payable for tariff adjustments - Portugal	93,692	173,831	-	-
Amounts payable for tariff adjustments - Spain	15,227	55,009	-	-
Tariff adjustment payable	14,317	14,317	-	-
Creditors - Group companies	-	-	359,282	467,188
Put options over non-controlling interest liabilities	-	234,754	-	-
Amounts payable for the acquisition of companies	443,523	210,852	-	-
Other creditors and sundry operations	421,548	279,789	43,905	32,562
	3,754,554	4,172,832	975,363	985,555

Following the decision of Caja Madrid to exercise its put option over its 20% stake in Genesa, the strike price of the put option was set at 231,000 thousands of Euros and booked under "Amounts payable for acquisitions". On 31 December 2010, the liability associated with this put option was booked in "Put options over non-controlling interest liabilities" amounting to 234,754 thousands of Euros.

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	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	11,062	11,062	11,062	11,062
Deposits received from customers and other debtors	29,245	32,859	3	3
Payables to associates	126,458	144,554	-	-
Suppliers of property, plant and equipment	9,830	10,056	1,697	1,791
Government grants for investment in fixed assets	537,778	563,477	-	-
Put options over non-controlling interest liabilities	131,341	123,492	-	-
Amounts payable for tariff adjustments - Portugal	46,286	61,557	-	-
Energy sales contracts - EDPR NA	64,822	71,991	-	-
Deferred income - CMEC	439,907	377,508	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,528,457	1,644,048	-	-
Amounts payable for concessions	269,050	265,341	-	-
Derivative financial instruments	194,031	169,383	-	-
Payables - Group companies (EDP Finance BV)	-	-	3,086,209	3,207,855
Amounts payable for the acquisition of companies	212,553	210,859	-	-
Success fees payable related to companies acquisitions	75,456	76,621	-	-
Other creditors and sundry operations	40,593	57,009	2,444	2,003
	<u>3,716,869</u>	<u>3,819,817</u>	<u>3,101,415</u>	<u>3,222,714</u>

Subsidies for investment in fixed assets current and non current corresponds to the amount of customer contributions for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

In the caption Put options over non-controlling interest liabilities medium / long term at 31 March 2011 the Group books the put options related to interests held by non-controlling interest. This caption include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 91,429 thousands of Euros (31 December 2010: 84,149 thousands of Euros) and the put option of Energia in Natura to EDPR EU for 15% of EDPR Italia share capital of 36,992 thousands of Euros (31 December 2010: 36,494 thousands of Euros).

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

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 31 March 2011 the captions amounts payable for the acquisition of companies - Current and Non current include the amounts of 212,523 thousands of Euros (210,852 thousands of Euros) and 212,553 thousands of Euros (210,859 thousands of Euros), respectively.

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 2010	1,056,236	88,479
Payment through the electricity tariff	-270,119	-
Tariff adjustment of 2009	-	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>
Payments through the electric energy tariff	-810,357	-
Tariff adjustment of 2009	14,378	-21,396
Tariff adjustment for the period	59,789	17,397
Interest expense	19,674	-414
Transfer from Non-Current to Current	60,955	-60,955
Balance as at 31 December 2010	<u>173,831</u>	<u>61,557</u>
Payments through the electric energy tariff	-96,006	-
Interest expense	832	118
Transfer to tariff adjustments receivable	-354	-
Transfer from Non-Current to Current	15,389	-15,389
Balance as at 31 March 2011	<u>93,692</u>	<u>46,286</u>

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

	Group	
	Mar 2011 Euro'000	Dec 2010 Euro'000
Deferred income related to benefits provided	631,997	635,271
Liabilities arising from institutional partnerships in US wind farms	896,460	1,008,777
	<u>1,528,457</u>	<u>1,644,048</u>

EDPR NA book the receipts of institutional investors associated with wind projects as non-current liabilities under "Liabilities arising from institutional partnerships in US wind farms". This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 15).

39. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
State and other public entities:				
- Income tax	197,561	149,183	16,667	-
- Withholding tax	22,693	59,045	185	234
- Social Security contributions	10,339	10,183	31	19
- Value added tax (VAT)	79,276	62,531	182	935
- Turnover tax (Brazil)	71,074	78,846	-	-
- Social tax (Brazil)	32,233	49,309	-	-
- Other taxes	137,686	143,259	3	-
	<u>550,862</u>	<u>552,356</u>	<u>17,068</u>	<u>1,188</u>

As at 31 March 2011, Other taxes include foreign taxes regarding HC Energia Group of 57,664 thousands of Euros, Naturgas Group of 37,425 thousands of Euros (31 December 2010: HC Energia Group 51,196 thousands of Euros and Naturgas Group of 35,140 thousands of Euros) and Energias do Brazil Group of 35,243 thousands of Euros (31 December 2010: 51,364 thousands of Euros).

40. Assets and liabilities classified as held for sale

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

This caption is analysed as follows:

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Assets classified as held for sale				
Electricity transport equipment - Hidroantabrico	-	30,952	-	-
	<u>-</u>	<u>30,952</u>	<u>-</u>	<u>-</u>

During first quarter of 2011 and following the approval by the Comission Nacional de la Competencia, EDP Group has concluded the sale of the electricity lines and substations belonging to Hidroantabrico to Red Eléctrica de España ("REE"), recognising a gain of 27 millions of Euros (see note 8).

41. Derivative financial instruments

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

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

	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Derivatives held for trading	15,617	25,563	38,382	21,628
Fair value hedge	-125,314	21,978	26,865	181,949
Cash-flow hedge	-4,741	-20,107	30,729	25,083
Net Investment hedge	485	-1,074	-	-
	<u>-113,953</u>	<u>26,360</u>	<u>95,976</u>	<u>228,660</u>

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42. Commitments

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

Type	Group		Company	
	Mar 2011 Euro'000	Dec 2010 Euro'000	Mar 2011 Euro'000	Dec 2010 Euro'000
Guarantees of a financial nature				
EDP, S.A.	350,332	381,332	350,332	381,332
Hidrocontábrico Group	44,806	36,271	-	-
Brazil Group	12,738	13,244	-	-
EDP Renováveis Group	21,877	24,999	-	-
Other	3,711	3,711	-	-
	<u>433,464</u>	<u>459,557</u>	<u>350,332</u>	<u>381,332</u>
Guarantees of an operating nature				
EDP, S.A.	967,922	911,218	967,922	911,218
Hidrocontábrico Group	332,779	348,543	-	-
Brazil Group	119,309	120,663	-	-
EDP Renováveis Group	1,636,507	1,893,862	-	-
Other (Portugal)	10,529	32,280	-	-
	<u>3,067,046</u>	<u>3,306,566</u>	<u>967,922</u>	<u>911,218</u>
Total	<u>3,500,510</u>	<u>3,766,123</u>	<u>1,318,254</u>	<u>1,292,550</u>
Real guarantees	<u>11,914</u>	<u>13,335</u>	<u>-</u>	<u>-</u>

The financial guarantees contracted include, at 31 March 2011 and 31 December 2010, 326,087 thousands of Euros and 358,631 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 290,680 thousands of Euros at 31 March 2011 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 109,509 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 March 2011 and 31 December 2010, 487,108 thousands of Euros and 553,274 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 March 2011 and 31 December 2010 these loans amounted to 905,779 thousands of Euros and 862,625 thousands of Euros, respectively, and are included in the Group's consolidated debt.

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

	Mar 2011				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	21,660,938	2,657,316	6,825,465	4,901,260	7,276,897
Finance lease commitments	8,710	2,504	6,120	86	-
Operating lease commitments	738,115	56,892	109,997	80,598	490,628
Purchase obligations	45,014,588	5,871,385	8,942,142	6,403,435	23,797,626
Other long term commitments	2,946,291	319,936	582,223	560,852	1,483,280
	<u>70,368,642</u>	<u>8,908,033</u>	<u>16,465,947</u>	<u>11,946,231</u>	<u>33,048,431</u>
	Dec 2010				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	<u>71,793,576</u>	<u>9,514,638</u>	<u>15,957,600</u>	<u>12,852,301</u>	<u>33,469,037</u>

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

The short and long term debt corresponds to the balance of borrowings and related interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based in interest rates in force at the period-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 statement of financial position (note 36).

As at 31 March 2011, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over the shares held by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energías Limpias, S.L. This option can be exercised until 18 April 2014;
- The EDP Group, through its subsidiary EDP - Energias do Brasil, acquired an interest of 3.16% in Denerge following the asset swap transaction occurred in August 2008 with Rede Group. The acquisition contract for this investment includes an option clause, to swap Denerge shares for a subscription of Rede Group shares in a potential Initial Public Offering, or an equivalent shareholding in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share;
- Soporcel holds a call option over the shares held by EDP, exercisable on 30 September 2015, with an exercise price of 5 Euros, to be paid in proportion to the shares held by Alstom Portugal, S.A. and EDP Produção S.A.;
- Soporcel holds a call option exercisable at any time of the shares held by EDP Produção, S.A. in Soporgen. This option is exercisable at any time until 31 December 2014. The exercise price is fixed depending on the date of exercise of the option;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., a call option of the remaining 15% of the share capital of EDP Renewables Italia, with an exercise price based on an independent process evaluation conducted by an independent expert. Energia in Natura, S.r.l. holds a put option for 15% of the share capital of EDP Renewables Italia, whose exercise price corresponds to 85% of the market value of this participation. The exercise period of the options is 2 years after occurrence of one of the following events:
 - Fifth anniversary of the execution of the shareholders agreement (27 January 2015);
 - When EDP Renewables Italia is able to build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remain shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.A., holds a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvougá and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of . of the share capital of Greenvougá and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros.

43. Share based payments

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

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

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

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

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	203,460	
Options granted	-	
Balance as at 31 March 2010	<u>808,937</u>	
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 March 2011	<u>605,477</u>	2.22

Information regarding stock options as at 31 March 2011:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options Euro'000
605,477	2.22	2.69	605,477	426,772

During the three months period ending 31 March 2011 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In the first quarter of 2011, was not granted treasury stocks to employees.

44. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 March 2011 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	915,977,598	25.05%	24.09%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	5.00%
Caixa Geral de Depósitos Group	23,365,116	0.64%	0.61%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,340,958	4.82%	4.82%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	123,241,223	3.37%	3.37%
Banco Espírito Santo Group	99 173 971	2.71%	2.71%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	97,247,888	2.66%	2.66%
AllianceBernstein L.P.	76,553,268	2.09%	2.09%
EDP Group (Treasury stock)	32,040,235	0.88%	
Remaining shareholders	1,450,757,354	39.69%	
	<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 2011, the **credits** over subsidiaries and associates, at **Company** level and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	21,926	255,000	4,414	281,340
EDP Produção Bioelétrica	-	10,768	98	10,866
EDP Gestão da Produção	-	3,696,626	418,776	4,115,402
EDP Distribuição	543,753	1,599,125	90,386	2,233,264
EDP Comercial	-	57,613	88,121	145,734
EDP Finance BV	-	79,089	556,007	635,096
EDP Gás.Com	-	-	23,369	23,369
EDP Imobiliária e Participações	2,715	175,298	1,613	179,626
EDP Inovação	-	7,303	562	7,865
EDP Soluções Comerciais	-	-	15,072	15,072
EDP Renováveis	-	68,565	38,799	107,364
EDP Renewables Europe	-	-	13,469	13,469
EDP Serviço Universal	-	-	6,279	6,279
EDP Gás -SGPS	6,725	107,400	3,127	117,252
EDP Valor	-	-	9,262	9,262
EDP Energias do Brasil	-	-	10,643	10,643
Electrica Ribera del Ebro	-	-	1,660	1,660
Sávida	-	-	1,134	1,134
Hidrocantábrico Energia	-	-	701	701
HDC Gestion de Energia	-	43,553	34	43,587
Hidroelétrica del Cantábrico	24	-	14,235	14,259
EDP Internacional	61	1,269	624	1,954
Naturgas Comercializadora	-	-	9,502	9,502
EDP Investimentos	1,572	15,000	266	16,838
Pebble Hydro	-	-	7,420	7,420
Portgás	-	-	1,370	1,370
Other	99	-	8,674	8,773
	<u>576,875</u>	<u>6,116,609</u>	<u>1,325,617</u>	<u>8,019,101</u>

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

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
Companies				
Balwerk	4,330	265,000	10,466	279,796
EDP Produção Bioelétrica	-	12,458	90	12,548
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Comercial	32,156	54,551	35,957	122,664
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás.Com	-	-	13,342	13,342
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Inovação	2,662	7,071	844	10,577
EDP Soluções Comerciais	-	-	6,588	6,588
EDP Renováveis	-	-	161,909	161,909
EDP Renewables Europe	-	-	8,162	8,162
EDP Serviço Universal	-	-	3,922	3,922
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Valor	-	-	4,743	4,743
EDP Energias do Brasil	-	-	10,643	10,643
Energim	-	-	911	911
Hidrocantábrico Energia	-	-	1,512	1,512
HDC Gestion de Energia	-	14,433	-	14,433
Hidroelétrica del Cantábrico	1,841	131,313	7,371	140,525
EDP Internacional	2,295	1,349	749	4,393
Naturgas Comercializadora	-	-	4,226	4,226
Naturgas Energía Servicios	-	-	2,968	2,968
EDP Investimentos	1,137	15,000	538	16,675
Pebble Hydro	-	-	4,793	4,793
Portgás	-	-	1,168	1,168
Other	25	-	8,892	8,917
	<u>325,149</u>	<u>6,242,157</u>	<u>1,394,625</u>	<u>7,961,931</u>

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As at 31 March 2011, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Gestão da Produção	246,861	-	260,445	507,306
EDP Distribuição	-	-	43,312	43,312
EDP Comercial	4,994	-	3,228	8,222
EDP Estudos e Consultoria	4,205	-	7,919	12,124
EDP Finance BV	-	3,153,323	52,974	3,206,297
EDP Gás.Com	10,031	-	5,117	15,148
EDP Imobiliária e Participações	-	-	2,352	2,352
EDP Inovação	460	-	424	884
EDP Soluções Comerciais	37,158	-	812	37,970
EDP Renewables Europe	-	65,587	159	65,746
EDP Serviner	1,430	-	161	1,591
EDP Serviço Universal	-	-	265,330	265,330
EDP Valor	24,047	-	1,787	25,834
Electrica Ribera del Ebro	-	-	11,357	11,357
Hidroeléctrica do Guadiana	-	-	8,696	8,696
Hidroeléctrica del Cantábrico	-	-	23,239	23,239
Hidrocantábrico Energia	-	-	1,283	1,283
Labelec	1,838	-	28	1,866
Naturgás	-	129,383	-	129,383
Naturgas Comercializadora	-	-	6,543	6,543
EDP Gás III SGPS	62,509	-	350	62,859
Soporgen	-	-	936	936
OPTEP	-	-	910	910
Sávida	12,707	-	202	12,909
Other	538	1	3,381	3,920
	<u>406,778</u>	<u>3,348,294</u>	<u>700,945</u>	<u>4,456,017</u>

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

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
Companies				
EDP Gestão da Produção	-	-	168,342	168,342
EDP Distribuição	-	-	45,341	45,341
EDP Comercial	-	-	1,548	1,548
EDP Estudos e Consultoria	6,624	-	6,220	12,844
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Gás.Com	-	-	4,286	4,286
EDP Imobiliária e Participações	-	-	2,731	2,731
EDP Inovação	-	-	4,981	4,981
EDP Soluções Comerciais	19,581	-	817	20,398
EDP Renováveis	-	170,387	-	170,387
EDP Renewables Europe	-	55,398	-	55,398
EDP Serviner	1,051	-	231	1,282
EDP Serviço Universal	-	-	230,712	230,712
EDP Valor	18,082	-	1,863	19,945
Electrica Ribera del Ebro	-	-	11,220	11,220
Hidroeléctrica do Guadiana	-	-	4,818	4,818
Hidroeléctrica del Cantábrico	-	5	32,071	32,076
Hidrocantábrico Energia	-	-	2,992	2,992
Labelec	499	-	672	1,171
Naturgás	-	84,492	-	84,492
Naturgas Comercializadora	-	-	2,513	2,513
EDP Gás III SGPS	62,488	-	277	62,765
ENERGIN	-	-	1,030	1,030
Soporgen	-	-	1,074	1,074
OPTEP	-	-	910	910
Sávida	13,816	-	361	14,177
Other	100	1	1,770	1,871
	<u>122,241</u>	<u>3,585,252</u>	<u>571,238</u>	<u>4,278,731</u>

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Expenses related to intra-Group transactions as at 31 March 2011, at **Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Gestão da Produção	68	-	317,739	317,807
EDP Distribuição	-	-	2,650	2,650
EDP Estudos e Consultoria	11	-	4,977	4,988
EDP Finance BV	-	42,414	1,110	43,524
EDP Gás.Com	-	-	1,542	1,542
EDP Inovação	1	-	800	801
EDP Renováveis	-	46	121,934	121,980
EDP Renewables Europe	-	-	934	934
EDP Valor	30	-	1,245	1,275
Electrica Ribera del Ebro	-	-	4,628	4,628
Hidrocontábrico Energia	-	-	2,188	2,188
Hidroelétrica do Guadiana	-	-	15,282	15,282
Hidroelétrica del Cantábrico	-	-	7,619	7,619
Naturgas Comercializadora	-	-	4,066	4,066
Other	74	265	923	1,262
	<u>184</u>	<u>42,725</u>	<u>487,637</u>	<u>530,546</u>

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 Gestão da Produção	43	-	240,212	240,255
EDP Distribuição	-	-	2,352	2,352
EDP Estudos e Consultoria	3	-	4,761	4,764
EDP Finance BV	-	46,261	2,264	48,525
EDP Gás.Com	-	-	1,093	1,093
EDP Inovação	-	-	800	800
EDP Renováveis	-	52	1,690	1,742
EDP Renewables Europe	-	-	8,691	8,691
EDP Valor	24	-	1,465	1,489
Electrica Ribera del Ebro	-	-	13,299	13,299
Hidrocontábrico Energia	-	-	1,844	1,844
Hidroelétrica do Guadiana	-	-	10,673	10,673
Hidroelétrica del Cantábrico	-	-	16,999	16,999
Other	24	45	1,134	1,203
	<u>94</u>	<u>46,358</u>	<u>307,277</u>	<u>353,729</u>

Income related to intra-Group transactions as at 31 March 2011, at **Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
Balwerk	89	1,919	20	2,028
EDP Gestão da Produção	203	51,466	27,705	79,374
EDP Distribuição	1,439	17,303	9,552	28,294
EDP Comercial	38	582	109,843	110,463
EDP Gás.Com	-	-	36,697	36,697
EDP Imobiliária e Participações	13	1,197	75	1,285
EDP Soluções Comerciais	-	-	6,779	6,779
EDP Renováveis	-	140	2,954	3,094
EDP Renewables Europe	-	-	6,202	6,202
EDP Serviço Universal	-	-	2,822	2,822
EDP Gás - SGPS	19	1,313	505	1,837
EDP Valor	-	-	2,000	2,000
Electrica Ribera del Ebro	-	-	2,079	2,079
Hidrocontábrico Distribución Eléctrica S.A.U.	-	-	808	808
Hidroelétrica del Cantábrico	-	-	13,096	13,096
Naturgas Energia Servicios	-	-	1,200	1,200
Naturgas Comercializadora	-	-	6,314	6,314
Other	13	655	3,810	4,478
	<u>1,814</u>	<u>74,575</u>	<u>232,461</u>	<u>308,850</u>

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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 Gestão da 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 Gás.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 Renewables Europe	-	-	1,071	1,071
EDP Serviço Universal	-	-	3,043	3,043
EDP Gás SGPS	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 Energía Servicios	-	-	1,085	1,085
Other	10	267	3,783	4,060
	<u>903</u>	<u>65,701</u>	<u>324,006</u>	<u>390,610</u>

Assets and Liabilities with related companies at 31 March 2011, for the **Group** and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	167,422	3,726	163,696
Jointly controlled entities	<u>28,201</u>	<u>12,475</u>	<u>15,726</u>
	<u>195,623</u>	<u>16,201</u>	<u>179,422</u>

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

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

Transactions with related companies at 31 March 2011, **for the Group** and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	3,494	1,135	-362	-2
Jointly controlled entities	<u>16,352</u>	<u>2,925</u>	<u>-5,471</u>	<u>-189</u>
	<u>19,846</u>	<u>4,060</u>	<u>-5,833</u>	<u>-191</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	2,200	824	-126	-2
Jointly controlled entities	<u>15,391</u>	<u>1,762</u>	<u>-4,903</u>	<u>-148</u>
	<u>17,591</u>	<u>2,586</u>	<u>-5,029</u>	<u>-150</u>

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45. Fair value of financial assets and liabilities

	Group Mar 2011			Group Dec 2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	409,730	409,730	-	443,965	443,965	-
Trade receivables	2,264,084	2,264,084	-	2,187,118	2,187,118	-
Derivative financial instruments	168,093	168,093	-	223,053	223,053	-
Financial assets at fair value through profit or loss	35,501	35,501	-	35,745	35,745	-
Cash and cash equivalents (assets)	1,851,281	1,851,281	-	1,511,224	1,511,224	-
	<u>4,728,689</u>	<u>4,728,689</u>	<u>-</u>	<u>4,401,105</u>	<u>4,401,105</u>	<u>-</u>
Financial liabilities						
Loans	17,873,062	17,307,242	-565,820	17,891,646	17,398,777	-492,869
Trade payables	1,724,196	1,724,196	-	2,379,447	2,379,447	-
Derivative financial instruments	282,046	282,046	-	196,693	196,693	-
	<u>19,879,304</u>	<u>19,313,484</u>	<u>-565,820</u>	<u>20,467,786</u>	<u>19,974,917</u>	<u>-492,869</u>

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

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

46. Subsequent events

EDPR sells financial stake in Spanish wind farm

On 7 April 2011, EDP Renováveis closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucía, SA ("SEASA") by 10.7 million of Euros, with an after-tax capital gain of 6.6 million of Euros.

47. Recent accounting standards and interpretations issued

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

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

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

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

- IAS 12 - Income Tax
- IFRS 1 - First - time Adoption of International Financial Reporting Standards;
- IFRS 9 - Financial Instruments;
- IFRS 7 - Financial Instruments: Disclosures for transfer transactions of financial assets.

48. EDP Branch in Spain

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

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

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

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

	EDP Branch	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
Assets		
Property, plant and equipment	136	104
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
Other	60	60
Deferred tax assets	22,660	-
Other debtors	27,271	144,462
Total Non-Current Assets	4,971,814	5,066,313
Trade receivables	12,159	15,253
Debtors and other assets	203,974	343,553
Tax receivable	20,230	20,211
Cash and cash equivalents	15,855	15,661
Total Current Assets	252,218	394,678
Total Assets	5,224,032	5,460,991
	EDP Branch	
	Mar 2011	Dec 2010
	Euro'000	Euro'000
Equity	1,786,569	1,797,905
Financial debt	3,086,209	3,207,855
Total Non-Current Liabilities	3,086,209	3,207,855
Financial debt	-	33
Trade and other payables	351,028	454,192
Tax payable	226	1,006
Total Current Liabilities	351,254	455,231
Total Liabilities	3,437,463	3,663,086
Total Equity and Liabilities	5,224,032	5,460,991

49. Segmental reporting

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

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

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

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

EDP - Energias de Portugal, S.A.
Notes to the Condensed Consolidated and Company Financial Statements
for the three months period ended 31 March 2011

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

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

The segments defined by the Group are the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Definition

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

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

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

50. Explanation added for translation

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

EDP Group Activity by Business Segment

Information by Business Segment — three months period ended 31 March 2011

(Amounts in thousands of Euros)

	Electricity																											Gas			
	Iberian Generation				Iberian Distribution *			Iberian Supply				EDP Renováveis					EDP Energias do Brasil					Iberian Activity				Other operations **	Adjustments	EDP Group			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Ajustamentos	Total	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments				Total		
Turnover	642,382	518,686	-626	1,160,242	1,510,695	46,026	1,556,721	259,812	471,358	-141	731,029	174,420	81,545	863	-199	256,629	116,271	448,861	99,449	677	-62,628	602,630	180,624	416,809	-60,629	536,804	65,531	-894,614	4,014,972		
Revenues from external customers	440,667	168,139	-	608,806	1,409,457	-	1,409,457	219,174	461,902	-	681,076	162,864	81,545	664	-	245,073	64,754	447,905	89,428	543	-	602,630	108,653	362,478	-	471,131	1,802	-5,202	4,014,773		
Revenues from transactions with other operating segments	201,515	350,547	-626	551,436	101,238	46,026	147,264	40,638	9,456	-141	49,953	11,556	-	199	-199	11,556	51,517	956	10,021	134	-62,628	-	71,971	54,331	-60,629	65,673	63,729	-889,412	199		
Cost of consumed electricity	-181,458	-317,736	-	-499,194	-1,178,381	-	-1,178,381	-211,960	-440,944	-	-652,904	-474	-939	-37	-	-1,450	-25,386	-262,487	-92,417	-6	62,628	-317,668	-	-55,188	-	-55,188	-10	672,804	-2,031,991		
Cost of consumed gas	-	-	-	-	-	-	-	-1,204	-2,768	-	-3,972	-	-	-	-	-	-	-	-	-	-	-	-154,593	-278,724	60,114	-373,203	-	42,258	-334,917		
Change in inventories and cost of raw materials and consumables used	-161,666	-105,506	2,359	-264,813	-2,020	46	-1,974	-904	-7,691	-	-8,595	-1,012	-	-	-	-1,012	-2	-1,039	-	-	-	-1,041	-	-2,810	-	-2,810	-265	63,819	-216,691		
	299,058	95,444	1,733	396,235	330,294	46,072	376,366	45,744	19,955	-141	65,558	172,934	80,606	826	-199	254,167	90,883	185,335	7,032	671	-	283,921	26,031	80,087	-515	105,603	65,256	-115,733	1,431,373		
Revenue from assets assigned to concessions	274	-	-	274	48,643	-	48,643	-	-	-	-	-	-	-	-	-	-	31,771	-	-	-	31,771	5,575	-	-	-	5,575	-	86,263		
Expenditure with assets assigned to concessions	-274	-	-	-274	-48,643	-	-48,643	-	-	-	-	-	-	-	-	-	-	-31,771	-	-	-	-31,771	-5,575	-	-	-	-5,575	-	-86,263		
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Other operating income / (expenses)																															
Other operating income	2,407	488	-	2,895	11,064	40,339	51,403	1,809	3,012	-	4,821	3,513	36,528	6,900	-975	45,966	17	3,497	1,852	-	-	5,366	1,133	1,978	-	3,111	5,508	-12,275	106,795		
Supplies and services	-21,910	-15,497	493	-36,914	-78,775	-13,403	-92,178	-28,679	-12,601	-	-41,280	-24,592	-25,942	-5,666	1,145	-55,055	-6,002	-31,438	-443	-3,196	-	-41,079	-3,644	-13,202	272	-16,574	-42,297	117,112	-208,265		
Personnel costs	-19,904	-8,698	-	-28,602	-31,481	-4,935	-36,416	-9,610	-2,333	-	-11,943	-5,439	-4,725	-1,380	-	-11,544	-4,500	-17,858	-771	-2,765	-	-25,894	-1,324	-6,548	-	-7,872	-27,931	2,973	-147,229		
Employee benefits	-5,568	-372	-	-5,940	-18,564	-428	-18,992	-1,412	-54	-	-1,466	-92	-319	-152	-	-563	-303	-4,703	-39	-473	-	-5,518	-59	-124	-	-183	-2,437	3,380	-31,719		
Other operating expenses	-4,392	-11,359	57	-15,694	-68,991	-1,723	-70,714	-2,725	-7,597	141	-10,181	-5,703	-6,197	-959	29	-12,830	-357	-15,033	-709	-2,526	-	-18,625	-1,228	-5,201	244	-6,185	-9,306	746	-142,789		
	-49,367	-35,438	550	-84,255	-186,747	19,850	-166,897	-40,617	-19,573	141	-60,049	-32,313	-655	-1,257	199	-34,026	-11,145	-65,535	-110	-8,960	-	-85,750	-5,122	-23,097	516	-27,703	-76,463	111,936	-423,207		
	249,691	60,006	2,283	311,980	143,547	65,922	209,469	5,127	382	-	5,509	140,621	79,951	-431	-	220,141	79,738	119,800	6,922	-8,289	-	198,171	20,909	56,990	1	77,900	-11,207	-3,797	1,008,166		
Provisions	1,532	500	-	2,032	-6,851	-	-6,851	-4,534	1,372	-	-3,162	266	-	-	-	266	-16	-903	-	37	-	-882	-5	266	-	261	-1,718	7,667	-2,387		
Depreciation and amortisation expense	-63,517	-34,662	-	-98,179	-59,711	-7,529	-67,240	-3,736	-266	-	-4,002	-59,790	-62,936	-547	-391	-123,664	-20,398	-18,294	-18	-1,998	4,217	-36,491	-3,044	-14,944	-	-17,988	-3,414	-14,323	-365,301		
	1,990	111	-	2,101	294	-	294	5	-	-	5	420	4,111	-	-	4,531	-	-	-	-	-	-	-	317	-	317	11	-	7,259		
Gain from the sale of financial assets	189,696	25,955	2,283	217,934	76,985	58,687	135,672	-3,138	1,488	-	-1,650	81,517	21,126	-978	-391	101,274	59,324	100,603	6,904	-10,250	4,217	160,798	17,860	42,629	1	60,490	-16,328	-10,453	647,737		
Other financial income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,609	-	-	-	-	-	-	233	-	233		
Interest revenue	120,716	14,806	-22,528	112,994	166	-	166	-	-11	-	-11	8,848	1,400	209,118	-201,898	17,468	-1,130	1,864	242	90	-	1,066	1,305	1,242	-	2,547	19,756	-28,093	125,893		
Other financial expenses	395	1,828	-	2,223	5,850	14	5,864	54	321	-	375	1,743	45	63,991	-60,999	4,780	2,912	12,989	288	4,604	-848	19,945	351	368	-	719	185,341	-138,197	81,050		
Interest expense	-122,490	-13,351	19,014	-116,827	-69	-28	-97	-18	-24	-	-42	-5,456	-18,456	-199,513	198,189	-25,236	-10,644	-5,311	-185	-1,008	762	-16,386	-1,681	-1,446	-	-3,127	-24,598	32,685	-153,628		
Share of profit of associates	-40,017	-8,705	-	-48,722	-19,663	-946	-20,609	-625	-2,728	-	-3,353	-62,553	131	-34,966	61,940	-35,448	-10,082	-15,534	-10	-	86	-25,540	-1,981	-6,238	-	-8,219	-169,366	124,454	-186,803		
Profit / (loss) before tax	156	179	-	335	-	-	-	-	-	-	-	3,015	-	-	-	3,015	-	-	-	-	-537	-537	957	68	-	1,025	1,460	536	5,834		
Income tax expense	148,456	20,712	-1,231	167,937	63,269	57,727	120,996	-3,727	-954	-	-4,681	27,114	4,246	37,652	-3,159	65,853	40,380	94,611	7,239	-1,955	-929	139,346	16,811	36,623	1	53,435	-3,502	-19,068	520,316		
Profit after taxes and before gains/(loss) from discontinued operations	-42,257	-11,295	1,626	-51,926	-12,223	-17,188	-29,411	627	273	-	900	-3,871	-	-10,697	-136	-14,704	-10,933	-32,049	-2,477	-52	-	-45,511	-4,646	-12,174	-	-16,820	36,135	-2,048	-123,385		
	106,199	9,417	395	116,011	51,046	40,539	91,585	-3,100	-681	-	-3,781	23,243	4,246	26,955	-3,295	51,149	29,447	62,562	4,762	-2,007	-929	93,835	12,165	24,449	1	36,615	32,633	-21,116	396,931		
Attributable to:																															
Equity holders of EDP	106,762	10,189	395	117,346	51,049	39,269	90,318	-3,100	-655	-	-3,755	20,702	4,246	27,492	-3,250	49,190	18,324	62,562	4,762	-2,007	-929	82,712	9,020	22,371	1	31,392	33,115	-57,929	342,389		
Non-controlling Interest	-563	-772	-	-1,335	-3	1,270	1,267	-	-26	-	-26	2,541	-	-537	-45	1,959	11,123	-	-	-	-	11,123	3,145	2,078	-	5,223	-482	36,813	54,542		
Net profit / (loss) for the period	106,199	9,417	395	116,011	51,046	40,539	91,585	-3,100	-681	-	-3,781	23,243	4,246	26,955	-3,295	51,149	29,447	62,562	4,762	-2,007	-929	93,835	12,165	24,449	1	36,615	32,633	-21,116	396,931		
Assets																															
Property, plant and equipment	4,068,035	1,948,793	-	6,016,828	101,344	685,166	786,510	41,548	13,208	-	54,756	5,050,059	4,492,786	185,551	39,425	9,767,821	2,315,444	189	286	911	-62	2,316,768	2,573	819,407	-	821,980	214,124				

EDP Group Activity by Business Segment

Information by Business Segment — three months period ended 31 March 2010

(Amounts in thousands of Euros)

	Iberian Generation				Iberian Distribution *			Iberian Supply			Electricity					EDP Renováveis					EDP Energias do Brasil						Gas				Other operations **	Adjustments	EDP Group
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total								
Turnover	520,169	430,065	-2,415	947,819	1,380,480	39,876	1,420,356	205,119	489,390	694,509	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	57,337	-736,243	3,494,252					
Revenues from external customers	371,628	117,765	-	489,393	1,314,810	-	1,314,810	168,485	460,219	628,704	52,405	63,172	599	-	116,176	56,574	371,759	52,824	374	-	481,531	58,455	324,506	-	382,961	2,163	61,272	3,477,010					
Revenues from transactions with other operating segments	148,541	312,300	-2,415	458,426	65,670	39,876	105,546	36,634	29,171	65,805	102,677	-	102	-101	102,678	34,501	833	4,344	292	-39,970	-	50,448	20,110	-43,430	27,128	55,174	-797,515	17,242					
Cost of consumed electricity	-104,891	-232,062	330	-336,623	-1,036,871	1,480	-1,035,391	-156,817	-470,104	-626,921	-37	-276	-29	-	-342	-17,791	-212,139	-52,770	-	39,970	-242,730	-	-48,497	-	-48,497	-	602,007	-1,688,497					
Cost of consumed gas	-	-	-	-	-	-	-	-	-2,450	-2,450	-	-	-	-	-	-	336	-	-	-	336	-82,345	-220,479	41,752	-261,072	-	41,813	-221,373					
Change in inventories and cost of raw materials and consumables used	-93,445	-75,594	3,919	-165,120	-2,251	-221	-2,472	-675	-6,310	-6,985	-75	-	-	-	746	671	-2	-	-	-	-2	-	-748	-	-748	-19	-7,426	-182,101					
	321,833	122,409	1,834	446,076	341,358	41,135	382,493	47,627	10,526	58,153	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	-99,849	1,402,281					
Revenue from assets assigned to concessions	-	-	-	-	55,606	-	55,606	-	-	-	-	-	-	-	-	-	22,235	-	-	-	22,235	6,547	-	-	6,547	-	-	84,388					
Expenditure with assets assigned to concessions	-	-	-	-	-55,606	-	-55,606	-	-	-	-	-	-	-	-	-	-22,235	-	-	-	-22,235	-6,547	-	-	-6,547	-	-	-84,388					
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Other operating income / (expenses)																																	
Other operating income	2,145	570	-	2,715	12,103	3,255	15,358	279	6,430	6,709	3,911	26,585	408	-105	30,799	24	2,622	2,643	67	-58	5,298	704	3,010	-	3,714	13,250	-23,555	54,288					
Supplies and services	-24,382	-14,686	475	-38,593	-80,074	-12,045	-92,119	-29,957	-11,156	-41,113	-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	113,069	-194,203					
Personnel costs	-20,865	-7,840	538	-28,167	-35,694	-5,117	-40,811	-9,473	-2,085	-11,558	-5,207	-5,493	-2,168	-	-12,668	-3,603	-15,920	-537	-1,990	-	-22,050	-1,494	-6,446	-	-7,940	-27,359	211	-150,542					
Employee benefits	-5,827	-356	-	-6,183	-20,139	-486	-20,625	-1,351	-44	-1,395	-62	-311	-22	-	-395	-	-225	-	-108	-	-4,597	-58	-115	-	-173	-2,316	3,466	-32,777					
Other operating expenses	-4,929	-6,191	-275	-11,395	-70,702	-1,204	-71,906	-1,809	-5,871	-7,680	-4,456	-5,217	-45	45	-9,673	-1,130	-14,148	-98	-551	-	-15,927	-830	-6,721	324	-17,177	1,499	-139,486						
	-53,858	-28,503	738	-81,623	-194,506	-15,797	-210,303	-42,311	-12,726	-55,037	-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	94,690	-462,720					
	267,975	93,906	2,572	364,453	146,852	25,338	172,190	5,316	-2,200	3,116	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	-5,159	939,561					
Provisions	344	-402	-	-58	-398	-	-398	1	115	116	16	-	-	-	16	220	-1,485	-	-474	-	-1,739	-2	-	-	-2	-13,275	5,282	-10,058					
Depreciation and amortisation expense	-77,458	-30,778	-	-108,236	-59,831	-8,005	-67,836	-3,948	-698	-4,646	-45,542	-50,002	-433	-225	-94,202	-14,906	-18,202	-14	-1,438	-	-34,560	-2,798	-15,521	-	-18,319	-3,380	-13,811	-346,990					
Compensation of amortisation and depreciation	1,976	121	-	2,097	-	1,069	1,069	5	-	5	218	2,025	-	-	2,243	-	-	-	-	-	-	-	687	-	687	11	-	6,112					
Gain/(losses) from the sale of financial assets	192,837	62,847	2,572	258,256	86,623	18,402	105,025	1,374	-2,783	-1,409	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	-13,688	588,625					
Other financial income	139,606	10,871	-22,154	128,323	109	-	109	16	210	226	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	6,408	162	6,570	19	60	79	2,604	114	57,163	-56,019	3,862	1,450	21,525	131	2,804	-688	25,222	195	132	-	327	141,231	-113,673	66,282					
Other financial expenses	-135,502	-21,434	38,211	-118,725	-101	-11	-112	-10	-397	-420	-5,803	-8,786	-94,817	90,233	-29,227	-6,189	-8,786	-255	-715	688	-15,257	-402	-251	-	-453	-169,107	148,791	-184,710					
Interest expense	-44,011	-7,171	-	-51,182	-13,656	-601	-14,257	-290	-1,188	-1,478	-49,542	368	59,147	-20,345	-10,403	-10,403	-4,644	-	-1	-	-15,056	-1,259	-94	-	-1,353	-136,338	113,738	-126,271					
Share of profit of associates	145	123	-	268	-	-	-	-	-	-	2,028	-	-	-	2,028	-31	-	-	-	-	-31	759	66	-	825	3,827	32	6,949					
Profit / (loss) before tax	153,140	47,835	18,629	219,604	79,383	17,952	97,335	1,096	-4,098	-3,002	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	-47,480	483,236					
Income tax expense	-33,170	-16,810	-5,465	-55,445	-17,846	-5,404	-23,250	-459	377	-82	-9,997	-	-6,279	-1,213	-17,489	-9,542	-34,164	-1,990	3,627	-	-42,069	-5,160	-10,483	-	-15,643	13,365	11,591	-129,022					
Net profit / (loss) for the period	119,970	31,025	13,164	164,159	61,537	12,548	74,085	637	-3,721	-3,084	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	-15,374	-35,889	354,214					
Attributable to:																																	
Equity holders of EDP	120,144	31,286	13,164	164,594	61,537	12,151	73,688	763	-3,604	-2,841	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	-14,628	-65,069	309,179					
Non-controlling 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	13,164	164,159	61,537	12,548	74,085	637	-3,721	-3,084	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	-15,374	-35,889	354,214					

Information by Business Segment — 31 December 2010

(Amounts in thousands of Euros)

Assets																													
Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404	5,000,280	4,814,548	125,479	41,464	9,981,771	2,393,016	201	308	854	(61)	2,394,318	2,620	825,679	-	828,299	212,199	17,401	20,323,583	
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516	751,975	600,317	1,718	12,723	1,366,733	361,644	968,774	432	147,405	(37,339)	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,943,318	
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817	-	-	45,871	1,267	-	-	11,358	(1,299)	11,326	26,789	3,877	-	-	30,666	658,107	-601,570	146,871
Current assets	833,779	1,143,934	(417)	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994	759,626	199,503	679,763	(378,327)	1,260,565	275,912	809,403	51,482	250,008	(109,798)	1,277,007	144,160	521,714	(26,928)	638,946	3,481,394	-3,751,939	7,281,625	
Equity and Liabilities																													
Equity and non-controlling interest	2,157,999	2,100,706	(156,903)	4,101,802	414,554	471,611	886,165	9,007	(143,126)	(134,119)	442,303	3,146,741	5,141,393	(3,336,926)	5,393,511	1,746,295	757,366	20,051	1,655,012	(1,270,196)	2,908,528	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959	
Current liabilities	810,804	1,387,548	(417)	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721	1,071,940	428,332	180,192	(388,290)	1,292,174	352,153	812,680	39,023	89,778	(113,344)	1,180,290	138,886	654,880	(25,864)	767,902	3,519,791	-3,587,306	7,729,639	
Other information:																													
Increase of the period																													
Property, plant and equipment	27,416	10,359	-	37,775	36,587	12,220	48,807	107	322	429	166,672	200,103	16,121	-	382,896	17,506	16,152	-	-	-	33,658	3,592	9,459	-	13,051	9,394	-	526,010	
Intangible assets + Goodwill	223,651	14,823	-	238,474	-	7	7	-	-	-	60,566	-	-	-	60,566	496	9,518	-	-	-	10,014	-	-	-	-	54,228	-	363,289	
Material non-cash items:																													
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	