



A full-page background image of a sky. A large, bright blue area is visible through a gap in white, fluffy clouds. The clouds are dense and textured, with some showing soft shadows. The blue area is a deep, vibrant shade of blue.

smart **energy** world

A smart, efficient world, where nature's energy is our energy.
Where sustainability and competitiveness are at the core
of energy independence and generation. Where leadership
through innovation and technology respect the future of our planet.
That's our world. That's the EDP world.





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1. EDP GROUP'S BUSINESS EVOLUTION

In 2010, the EDP Group's net profit reached EUR 1,079 million, compared with EUR 1,024 million in 2009. Net profit increased 5%, supported by a 7% increase in EBITDA.

INCOME STATEMENT	2010	2009	Δ%
EUR Million			
Gross Profit	5 404	5 105	6%
Supplies and services	862	768	12%
Personnel costs	575	540	7%
Costs with social benefits	153	158	-3%
Concession fees	251	249	1%
Other operating costs (net)	-50	27	-
Operating costs	1 791	1 742	3%
EBITDA	3 613	3 363	7%
Provisions	104	75	39%
Net Depreciation and amortisation	1 446	1 318	10%
EBIT	2 063	1 970	5%
Capital gains/(losses)	61	60	2%
Financial Results	-485	-487	0%
Results from associated companies	23	25	-7%
Pre-tax profit	1 662	1 568	6%
Income taxes	427	400	7%
Net Profit for the period	1 235	1 168	6%
Net Profit attribut. to EDP shareholders	1 079	1 024	5%
Minority interests	156	144	8%

EDP Group's EBITDA increased to EUR 3,613 million in 2010, fuelled by: (i) a 31% (+EUR 170 million) rise in wind operations, propelled by 32% increase in output (on larger asset portfolio); (ii) a 22% (+EUR 124 million) rise in Brazil, driven by a 19% appreciation of the Real against the Euro, clear recovery in electricity demand; and (iii) +13% (+EUR 109 million) increase in regulated networks, driven by gas regulated activities (+52%, +EUR 82 million), on the back of the first time consolidation of the assets acquired from Gas Natural and higher regulated revenues from gas activities in Iberia. Excluding the forex impact (+EUR 109 million from Brasil, +EUR 13 million in US), EBITDA rose 4% in 2010.

EBITDA BREAKDOWN	2010	2009	Δ%
EUR Million			
Generation Iberia	1 235.1	1 374.9	-10%
Long Term Contracted Generation	876.7	823.2	6%
Liberalised Generation Iberia	358.4	551.7	-35%
Supply Iberia	58.2	54.7	6%
Distribution Iberia	697.8	670.9	4%
Gas Iberia	273.0	217.5	25%
Wind	712.7	542.5	31%
Brazil	674.0	550.2	22%
Other and Adjustments	-38.0	-47.9	21%
Consolidated	3 612.8	3 363.0	7%

EBITDA from the generation business in the Iberian Peninsula decreased 10% in the period (-EUR 140 million) to EUR 1,235 million in 2010.

In 2010, EBITDA from long term contracted generation (Costs for the Maintenance of the Equilibrium System - CMEC and special regime) rose 6% to EUR 877 million supported by higher output

from our mini-hydro plants (+69%), new special regime capacity on stream, higher results from fuel procurement (EUR 19 million gain in 2010 versus EUR 34 million loss in 2009) and lower restructuring costs (-EUR18 million year-on-year). These impacts more than compensated the negative impact from the decommissioning of Barreiro fuel oil plant (-EUR 18 million) and normal depreciation of PPA asset base.

Gross profit from long term contracted generation related to Costs for the Maintenance of the Equilibrium System (CMEC) rose 2% to EUR 962 million in 2010, reflecting higher gains with fuel procurement: as a result of changes in fuel market prices between the moment of procurement and the moment of consumption, EDP posted a gain of EUR 19 million in 2010 (versus a loss of EUR 34 million in 2009). Note that as a result of EDP's strategy to hedge these changes through derivative financial instruments, this impact is ultimately compensated at the level of financial results. Gross profit from long term contracted generation related to CMEC also reflected the decommissioning of Barreiro (-EUR 18 million) and the normal decline in PPA net asset base.

Power plants operating under CMEC in Portugal are entitled with a stable contracted gross profit and an 8.5% RoA before inflation and taxes, adjusted for the ratio real vis-à-vis programmed availability levels (rather than output). The 1% decline in installed capacity under CMECs results from the end of PPA at our fuel oil plant, Barreiro (56MW), on 31of December 2009. As from January 1st, 2011, our fuel oil plant Carregado (710MW), with a contribution of EUR 94 million in gross profit 2010, will be included in our merchant portfolio. In line with the past, EDP posted real availability rates ahead of contracted levels: +10% at thermal, +1% at hydro plants.

Gross profit from long term contracted generation related to special regime rose 36% to EUR 114 million in 2010 fuelled by higher output at mini hydro plants (+69%) and new thermal capacity on stream: 29MW of biomass in Figueira da Foz (June 2009), 13MW of biomass in Constância (September 2009), both 50% owned by EDP; and 25MW cogeneration in Barreiro (April 2010).

EBITDA from liberalized generation activity amounted to EUR 358 million in 2010 following: (i) an higher average generation cost (+8%),(ii) lower generation output (-6%), (iii) lower level of arbitrage opportunities between purchases in the spot market and own generation, which had a material impact in the fourth quarter 2009, and had no material contribution in the second half of 2010. Note that 2009 results benefited strongly from our hedging policy and very attractive arbitrage opportunities on the back of lower pool prices and from a sharp increase in the fourth quarter 2009 ancillary services.

Average generation cost in our merchant generation portfolio advanced to EUR35/MWh (+8% year-on-year), mainly driven by higher gas costs and higher contribution from CCGTs in the generation mix. According to Royal Decree Law 14/2010, all generation in Spain is subject to a EUR0.5/MWh levy as from 1 of January 2011 onwards.

Output from our merchant electricity generation portfolio was 6% lower in 2010, at 17TWh. As a result of the lower cost of electricity purchases vis-a-vis our own generation in 2010, we have profited from our generation portfolio flexibility by meeting a larger portion of our needs in the supply activities through electricity purchases in the pool during 2010. Even so, the higher pool price in the fourth quarter 2010 when compared to our own generation costs prompted for higher working hours at our plants.

Output from our CCGTs plants reached 9.3TWh on average load factor in line with sector average (32%). Output retreated 4% in 2010, following lower thermal demand in Iberia (which led to a 16% decline in CCGTs output in Iberia) despite our capacity additions: 2 new CCGT groups in Portugal (Lares 1 and 2, totalling 863MW) since the fourth quarter 2009 and 1 new group in Spain (Soto 5, 428MW) since December 2010. Average production cost advanced 20% in 2010, as higher costs from our long term gas contracts (oil-linked) were only partially compensated by lower cost from CO₂ emissions deficit. Under the Ordinance 765/2010, it is planned that from January 2011, our CCGT plants in Portugal (2,039MW) will start receiving capacity payments (EUR20/KW/year for 10 years).

Output from our coal plants reached 4.2TWh, with average load factor (of 33%) consistently beating the Spanish average (23%). Even so, total output was 28% lower in 2010, penalised by a longer outage at Aboño 2 in the first quarter 2010 and sharp contraction of thermal demand. Our average production cost declined 7% in 2010, supported by our sourcing strategy, higher contribution from blast furnace gases at Aboño plant (cheaper fuel source) and by lower CO₂ deficit.

Output from our hydro output rose 54% in 2010, supported by extreme rainy weather in the first quarter 2010 and high reservoir levels throughout 2010. Additionally, nuclear output grew by 7%, reflecting Trillo's longer than expected outage for maintenance works during 7 weeks of first quarter 2009, versus a 4-week outage for fuel recharging in the second quarter 2010.

EBITDA from the supply business in the Iberian Peninsula

increased 6% in the period to EUR 58 million in 2010, due to increasing activity in 2010.

In Portugal, volumes supplied to EDP clients in the free market increased by 59% to 8.8TWh in 2010, supported by the expansion of free market (which doubled in the period) and a decline in EDP's market share from 65% in 2009 to 51% in 2010. Average selling price in retail was 23% lower year-on-year, at EUR51/MWh in 2010, reflecting the higher weight of industrial clients and current market conditions.

In Spain, electricity volumes supplied to our clients in the free market advanced 32% backed by a wider client portfolio (+24%) and by the agreement reached with CIDE (association of small electricity distributors in Spain) in July 2009. Market share rose 1p.p. to 12% reflecting EDP's ability to keep a share in the supply market the double of its share in generation. Average selling price was 16% lower, at EUR52/MWh in 2010, as the adjustment of contracted prices to current market conditions is now resulting in increased price stability.

EBITDA from Iberian distribution business increased 4% (+EUR 27 million) when compared with the same period of 2009, to EUR 698 million.

EBITDA of the electricity distribution and last resort supply activities in Portugal decreased 1% year-on-year to EUR563m in 2010, mostly due to human resources restructuring costs (EUR 29 million in 2010 versus EUR 13 million in 2009).

Electricity inflow into the grid rose 4% year-on-year to 51.6TWh in 2010 (+3% adjusted for temperature and working days), reflecting an improvement of industrial demand, namely from exporting industries such as pulp and paper and chemicals. Distribution grid regulated revenues stood flat at EUR 1,213 million in 2010. Additionally, our electricity distribution company, EDP Distribuição,

recorded a EUR 62 million positive tariff deviation due mostly to consumption and tariff mix different than ERSE's initial assumption.

In 2010, volumes supplied by our last resort supplier, EDP Serviço Universal, fell 19% year-on-year, essentially due to a switching of clients to liberalized suppliers, namely in the industrial segment. EDP Serviço Universal market share in electricity supply in Portugal fell from 82% in 2009 to 64% in 2010. Regarding electricity purchases: i) volumes acquired from special regime producers rose 25% year-on-year (21% above ERSE's assumption); and ii) total average cost of electricity purchased came 13% above forecasts due to an higher average cost of special regime generation (EUR98/MWh versus ERSE's estimate of EUR91/MWh), which more than offset the lower than expected wholesale procurement price (EUR47/MWh versus ERSE's assumption of EUR51/MWh). Overall, the higher volumes purchased from special regime producers at higher costs, resulted in a EUR 256 million negative tariff deviation supported by EDP Serviço Universal to be recovered through tariffs.

All in all, a EUR 195 million negative tariff deviation was created over 2010, which along with the devolution through tariffs of EUR 509 million of positive tariff deviations from previous periods, translated into EUR 188 million of pending regulatory receivables by December 2010.

EBITDA from electricity distribution activity in Spain jumped 30% year-on-year to EUR 135 million in 2010 reflecting a EUR 17 million operating income consequence of the application of IFRIC18. During 2010, the CNE issued notes of the final settlement for the years 2006 and 2007 and generated a profit of 22 million.

Electricity distributed by HC Energia essentially in Asturias region, went up by 2% year-on-year, following some recovery of both the industrial activity and the residential demand. Regulated revenues totalled EUR 166 million in 2010, increasing 11% Year-on-year as a result of the new amounts for 2010 revenues which were set provisionally in December 2009 and afterwards in a definitive way in December 2010.

Despite the 2010 increases, the tariffs paid by electricity customers were not enough to cover system costs, creating a net deficit regarding the whole system of EUR 3.5 billion on December 2010 clearing (regarding October 2010) from which 6.08% (EUR 212 million) are attributable to HC Energia. The 2010 deficit for the Spanish system estimated in February 2011 clearing (regarding December 2010) by CNE amounts to EUR 4.9 billion. In December 2010 the Government increased the amounts of recognized deficits for 2010, 2011 and 2012, setting a cap of EUR 5.5 billion for 2010 (versus EUR 3.0 billion set in April 2009), EUR 3.0 billion for 2011 (versus EUR 2.0 billion in April 2009) and EUR 1.5 billion for 2012 (versus EUR 1.0 billion in April 2009). By December 2010, HC Energia's regulatory receivables amounted to EUR 759 million (including interests/financial updates).

EBITDA from Iberian gas activity increased 25% (+EUR 56 million) when compared with 2009 to EUR 273 million in 2010. On December 31st, 2009, Naturgas Energia completed the acquisition from Gas Natural of its low pressure natural gas distribution activities in the Spanish regions of Cantabria and Murcia, as well as of its high pressure natural gas distribution assets in the regions of the Basque Country, Asturias and Cantabria. These assets started being consolidated at Profit and Losses level from January 2010 onwards. In July 2010, subsequent to the exercise of a put option held by Ente Vasco de Energia over a 30.4% stake in Naturgas Energia, HC Energia signed an agreement for the purchase of a 29.4% stake in Naturgas Energia for EUR 617 million to be paid

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in 3 tranches between 2010 and July 2013. By December 2010, HC Energía owned 75% of Naturgas Energía.

The growth from EBITDA from Iberian gas activity was supported by the gas regulated activity in Iberia, which showed an increase of 52% at EBITDA level to EUR 241 million due to the first time consolidation of the assets acquired from Gas Natural (+EUR 43 million) and higher regulated revenues from our activities both in Spain and Portugal. Excluding the contribution of the assets acquired from Gas Natural, EBITDA increased 25% Year-on-year.

In Spain, gas regulated activities gross profit went up 39% Year-on-year (+EUR 71 million) to EUR 251 million in 2010, including the first time contribution of the assets acquired from Gas Natural (+EUR 61 million). Regulated revenues increased 40% year-on-year to EUR 224 million: i) the assets acquired from Gas Natural contributed with an additional EUR 52 million, regarding approximately 3,300 Km of distribution network and 261,000 points of supply; excluding this contribution, ii) gas distribution regulated revenues grew 7% year-on-year, reflecting an increase of our network's extension, a 2% rise in the number of supply points to 723,000, and higher volumes of gas distributed. Gas distributed through high pressure distribution network (mostly industrials) benefited from a recovery of the industrial sector and a particularly weak comparison versus 2009. The volume of gas distributed through low pressure network (mostly residential) excluding the networks acquired, increased 8% year-on-year to 7.3TWh in 2010, backed by an increase in the number of supply points; iii) gas transmission regulated revenues rose 21% year-on-year, due to a 15% increase of transmission network length.

In Portugal, our grid network is still recent which, justifies the strong growth of both number of supply points (+11% year-on-year in 2010) and gas volumes distributed (+12% year-on-year in 2010). In order to provide an incentive to the connection of new clients to the network at this early stage of penetration rate, the Portuguese gas regulation targets a stable unit tariff per MWh. This fact together with the asset revaluation impact to reflect conditions of initial concession contract, which only in 2010 started to be included in regulated revenues (with retroactive impact), justify the EUR 24 million year-on-year increase in regulated revenues in 2010.

EBITDA from gas supply activity decreased by 45% year-on-year (-EUR 27 million) to EUR 32 million in 2010. Our gas supply activity in 2010 was marked by opportunistic gas spot purchases on top of volumes available under long term contracts. Such purchases allowed to lower our average sourcing cost, paving the way for significant new clients contracting and market share gains. Volumes supplied in Spain rose 40% in 2010, propelled by the consolidation of portfolio acquired from Gas Natural and new clients contracting. In Portugal, operations kicked off in April 2009 and volumes supplied in 2010 reached 6.9TWh in 2010. Average unit gross margin in Iberia decreased from EUR 2.4/MWh in 2009 to EUR 0.8/MWh in 2010 driven by the increasing weight of the industrial segment in our portfolio and by the renewal of contracts at lower margins due to increasing competition.

EBITDA from wind power generation activity (EDP Renováveis) increased by 32% (+170 million euros) following a 17% increase in installed capacity, to 6,437MW, and by the 12-month contribution from MWs installed in 2009. Average selling price was 0.6% lower year-on-year at EUR 58/MWh and average reflecting lower hedging gains in Spain and low merchant prices in US load factor (29%) remained amongst the highest in the sector, reflecting EDP Renováveis' diversified portfolio.

In Europe, EBITDA grew 33% in 2010, reflecting higher load factors (+1 p.p. to 27%), capacity additions in 2010 and 2009. This more than compensated the 3% decline in average selling price. In US, local currency EBITDA rose 28% backed by capacity additions in 2010 (+23%) and 2009. Load factors were flat and average selling price was 1% lower in 2010. The contribution from US to EBITDA was EUR 13 million higher on the back of USD appreciation versus EUR.

By Dec-10, EDP Renováveis total wind power installed capacity was 6,437MW in 8 countries representing a 17% Year-on-year increase. On top of this, 239MW in Portugal owned by Eólicas de Portugal consortium (EDP Renováveis equity stake consolidated by equity method) are also attributable to EDP Renováveis. In line with the group's risk-controlled strategy, from EDP Renováveis' installed capacity in December 2010, 50% is remunerated under regulated regimes, 38% under PPA and only 12% is exposed to spot prices.

In 2010, EDP Renováveis added to its portfolio +947MW, of which +600MW in US and +347MW in Europe. In US, capacity additions were focused in the PJM (83%) and WECC markets (17%). In Europe, capacity additions were widespread geographically: 189MW in Spain, 90MW in Romania, 64MW in France and 4MW in Portugal. Additionally, during 2010, Eólicas de Portugal added to its portfolio 154MW (attributable to EDP Renováveis).

Wind power output rose 32% to 14TWh in 2010, driven by higher installed capacity (+17%) and the 12-month contribution from capacity installed in 2009. European markets accounted for 46% of EDP Renováveis' output following a 33% rise in 2010 on the back of higher installed capacity (+12%) and higher average load factor (+1 p.p. at 27%). US operations accounted for 54% of total output, following a 30% output backed by higher installed capacity (+23%). Average load factor in US was stable at 32%, supported on geographical diversification.

Average selling price in the US was 1% down in 2010, to USD48/MWh in 2010, penalised by the increasing weight of merchant capacity in the portfolio (30% in 2010 versus 19% in 2009) following strong capacity additions and fewer PPAs signed in 2009/1H10. The average price from our long-term selling contracts (PPAs) rose 3% in 2010, to USD54/MWh in 2010, driven by new PPA contracts and existing contracts with escalations. The average selling price of wind power sold in spot electricity market rose by a mere 4% to USD31/MWh in 2010, as low gas prices and weak demand keeps pressuring pool prices.

Average wind tariffs in Spain fell 6% to EUR79/MWh in 2010 on lower forward contracted prices for the volumes hedged (MWs under the 'transitory' regime) in 2010 and an increase in the weight of capacity under the new regime (Royal Decree 661/2007). Average realised prices in the pool were flat at EUR34.5/MWh in 2010. EDP Renováveis keeps hedging its capacity under the transitory regime with 1.8TWh sold forward in 2010 at EUR44/MWh (plus EUR38/MWh premium). Out of the total 4.4TWh produced in 2010 in Spain, 80% were sold through hedges or at the fixed floor price mechanism, while only 20% were sold at market prices plus renewable premium (0.9TWh). At the end of 2010 the Spanish Government (through Royal Decree 1614/2010) provided regulatory stability by setting all the remuneration elements for full useful life of the wind farms to be installed until the end of 2012. The temporary premium cut (applicable to capacity under Royal Decree 661/2007), has a limited impact.

In Portugal, average selling price was 1% lower in 2010 (EUR93.8/MWh), reflecting tariffs' negative indexation to the annual working hours (load factors were 1 p.p. higher at 29% reflecting above-the

average wind resources). Portugal is a regulated market offering a stable feed-in tariff, which allows obtaining sustainable and consistent remuneration.

In the Rest of Europe, EDP Renováveis’ average selling price rose 5% to EUR94/MWh in 2010, mainly supported by the higher contribution from the Polish assets (EUR111.5/MWh based on electricity price plus a long term contract to sell green certificates). In France, in spite of benefiting from a stable inflation-updated tariff, the average price fell by 3%, due to the trial period of the recently installed capacity. In Belgium the average price was EUR112/MWh, benefiting from a long term power purchase agreement (PPA).

Energias do Brasil’s EBITDA in 2010 rose 22% (+EUR 124 million) in 2010 to 550.2 million euros, driven by a 19% appreciation of the Real against the Euro (+EUR 109 million impact on EBITDA). In local currency, EBITDA grew 3%, driven by a 6% (+R\$ 48 million) increase in distribution, to R\$ 878 million, supported by the recovery of electricity demand in our concession areas (volumes of electricity sold went up 9%). EBITDA in generation and supply was virtually unchanged at R\$ 757 million penalised by dry weather conditions in Brazil in the fourth quarter 2010.

EBITDA of the distribution activity of EDP Brasil increased 6% in the period (in local currency) reflecting a significant recovery of electricity volumes sold and distributed and positive impact from annual tariff updates. Volume of electricity sold increased by 6% year-on-year. In the residential and commercial segment, volume sold in 2010 rose 4% year-on-year reflecting essentially a rise of 3% year-on-year in the number of clients connected. In the industrial segment, electricity volumes sold rose 10% in 2010 reflecting the recovery of Brazilian industrial production. Regarding electricity distributed (but not sold) to free market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), volume of electricity distributed increased 22% Year-on-year in 2010 due to a strong recovery of demand namely from the mining and steel sectors and a weak 2009 comparison basis.

EBITDA of the electricity generation activity of EDP Brasil increased just 1% driven by dry weather which impacted lower hydro generation output in Brazil. Installed capacity in 2010 increased 2MW following the completion of repowering works at Rio Bonito hydro plant in the first quarter 2010. The very dry weather in Brazil in the fourth quarter 2010 implied the decline of the hydro reservoirs to extremely low levels. This implied an increase in thermal power production and as a consequence there was an increase in spot market price (from R\$57/MWh in 9M10 to R\$109/MWh in the fourth quarter 2010). Since our PPA contracts involve delivery of energy to distribution companies, our generation subsidiaries had to buy energy in the spot market where price is higher than the cost of operating of our hydro plants. All in all, we had a negative impact of R\$ 24 million in 2010. Average selling price increased 3% year-on-year in 2010 which implied that gross profit associated with PPA contracts increased R\$ 21 million. All EDP Brasil’s installed capacity is contracted under PPA long term contracts with an average maturity of 15 years and prices updated to inflation.

EBITDA of the supply activity of EDP Brasil retreated by R\$ 13 million year-on-year due to renegotiation of the contract with Ampla from 2010 onwards which implied a decrease of the average price per MWh by 35% and a 10% decrease of supply margin (excluding new Ampla contract).

EDP Group’s Operating costs rose 3% (+EUR49 million) driven by an 10% rise in controllable costs, to EUR 1,438 million. The growth in controllable costs reflected (i) +1% in Iberia with good cost control almost compensating the impact from consolidation of gas assets acquired in 2009 and new capacity on stream, (ii) +31% in EDP Renováveis reflecting increasing activity; and (iii) +31% in Brazil, largely explained by BRL appreciation versus Euro.

Net depreciation and amortisation (net of compensation from depreciation and amortisation of subsidised assets) increased by 10% year-on-year in 2010 (+EUR128 million), mostly due to: i) higher depreciations at EDP Renováveis (+EUR 111 million), explained by the increase of wind installed capacity and the forex impact of the appreciation of the USD against the EUR (+5%); ii) higher depreciations at Energias do Brasil (+EUR 35 million), mostly due to the forex impact of the Brazilian Real appreciation against the Euro (+19%); iii) the start of operations of Lares 1 and 2 CCGT in Portugal (October/November 2009) (+EUR 15 million); iv) the first time consolidation of the gas assets acquired from Gas Natural (+EUR 24 million) and v) positive impact from the extension of the useful life in several plants in Portugal.

Financial results were flat in 2010 at EUR 485 million as the c50bp reduction in the average cost of debt to 3.5% in 2010, was offset by a 9% increase in average net debt.

Capital gains/(losses) in 2010 include a EUR 57 million gain related to the sale 21% stake in DECA II (Guatemala). In 2009, capital gains include: i) the entry of Sonatrach into the capital of Soto 4 (with a 25% stake); ii) the recognition of a EUR 19 million gain from the sale of Energias do Brasil’s stake in ESC90 (Brazilian telecom company) and iii) the accounting of a EUR 29 million capital gain following the sale of EDP’s remaining stake in Sonaecom in October 2009 (8%).

Consolidated capex amounted EUR 2,667 million in 2010, 74% of which devoted to expansion projects. In line with EDP’s strategy to increase its exposure to CO₂-free generation technologies and risk controlled activities, capex in new hydro and wind capacity represented 79% of expansion capex and 80% of total capex was devoted to regulated and long term contracted activities.

CAPITAL EXPENDITURE BREAKDOWN	2010	2009	Δ%
EUR Million			
Long Term Contracted Gen. Iberia	96.0	127.6	-25%
Liberalised Activities Iberia	466.4	703.9	-34%
Regulated Networks Iberia	369.3	366.7	1%
Wind Power	1 231.7	1 690.4	-27%
Brazil	427.3	258.5	65%
Other	76.6	87.6	-13%
EDP Group	2 667.3	3 234.7	-18%
Expansion Capex	1 972.9	2 556.3	-23%
Maintenance Capex	694.4	678.5	2%

Expansion capex was EUR 583 million lower than in 2009, at EUR1,973 million, reflecting the lower amount invested in both liberalised generation in Iberia (-EUR 258 million) and wind power (-EUR 459 million). The lower expansion capex at our liberalised activities in Iberia was mainly driven by the payment of concession rights for Fridão (238MW) and Alvito (225MW) hydro power plants in Portugal, in 2009.

In 2010, EDP invested EUR 982 million in 1,340MW of new capacity that came on stream: (1) EUR 895 million spent in the conclusion of 885MW of new wind capacity that came on stream in 2010 and in the final works on wind capacity which entered in operation in 2009; (2) EUR 81 million in Soto5, a 428MW CCGT plant that

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started-up commercial operations in December 2010; (3) EUR 6 million spent in the conclusion of 25MW of cogeneration capacity in Portugal (Barreiro plant) and in a 2MW hydro plant in Brazil (Rio Bonito). As of December 2010, EDP total installed capacity amounted to 22GW.

Maintenance capex amounted EUR 694 million in 2010, impacted by the DeNOx investment at our Sines coal plant (under CMEC regime), appreciation of BRL, pluri-annual works and EDP's new headquarters.

In wind power, capex adjusted for cash grants received totaled EUR 1,232 million in 2010: 50% of which invested in US, 44% in Europe and 6% in Brazil. Total capex in the period reflects not only the 590MW currently under construction, responsible for EUR 406 million of capex, but also the final works with the capacity in operation and with the capacity installed in the period, representing EUR 895 million. In April 2010, EDP Renováveis signed a turbine procurement agreement with Vestas that will bring flexibility of access to new turbines. This contract previews an initial firm order of 1,500MW, to be supplied, installed and commissioned with flexibility on quantity, place and date of delivery and also flexibility to choose commercially available wind turbine models and classes for each project, under a given notice.

In the Iberian liberalized activities, capex amounted EUR 453 million, 86% of which reporting to the development of new generation capacity. Out of EUR 390 million expansion capex in 2010: (I) EUR 306 million was spent in the execution of 5 ongoing hydro plant repowerings (Picote II, Bemposta II, Alqueva II, Venda Nova III, Salomonde II), 3 new hydro plants (Baixo Sabor, Ribeiradio and Foz Tua), due in 2011/15; (2) EUR 84 million invested in new CCGT capacity, namely in Soto 5 (428MW) which started commercial operations in December 2010. Maintenance capex totalled EUR 63 million impacted by pluri-annual works.

Capex at our electricity and gas regulated networks in Iberia was flat in 2010 at EUR 369 million. Capex in the electricity distribution activity in Portugal represented 65% of total capex in this area.

In Brazil, capex totaled EUR 427 million in 2010. Generation capex increased by 49% year-on-year to EUR 260 million due to: i) EUR 228 million was spent in new generation capacity, with the construction of Pecém PPA coal plant (720MW, 50% owned by Energias do Brasil) due to start-up in December 2011, and ii) the conclusion of the repowering of hydro plant Mascarenhas (18MW). Capex in distribution activity increased 27% year-on-year to EUR 116 million, 65% of which invested in expansion projects (+2,350km of electricity network).

As at December 2010, the Group's gross nominal debt totalled EUR 17,675 million. When compared to December 2009, the Group's debt was nearly EUR 1,548 million higher, mostly due to dividends and tax payments made in the first half of 2010 and to the execution of the planned investment programme.

The amount of cash and equivalents as at December 2010 stood at EUR 1,547 million, which was held, mainly, at EDP SA and EDP Finance BV (EUR 662 million), the Group's Brazilian subsidiaries (EUR 508 million) and EDP Renováveis (EUR 277 million).

EDP Group's consolidated **net debt** at the end of 2010 amounted to EUR 16,345 million.

BREAKDOWN	Dez-10	Dez-09	Δ%
EUR Millions			
Debt - Short term	2,737	2,549	7%
Bonds	1,339	581	131%
Bank loans	547	318	72%
Other loans	14	10	32%
Commercial paper	837	1,640	-49%
Debt - Long term	14,938	13,578	10%
Bonds	8,798	8,151	8%
Bank loans	6,038	5,332	13%
Other loans	102	96	7%
Nominal debt	17,675	16,127	10%
Interest accrued	265	246	
Fair value hedge adjustments	-48	-92	
Total Financial Debt	17,892	16,281	10%
Cash and Cash Equivalents and Other	1,547	2,274	
Net Debt	16,345	14,007	17%

In terms of maturity, EDP Group's consolidated nominal debt breaks down into 15% in short-term and 85% in medium and long-term. In relation to short-term financing and treasury management, EDP SA continues to favour the use of its 1,000 million Euro Commercial Paper programme, an instrument that provides access to a large investor base at very competitive pricing, ensuring the necessary flexibility for efficient cash management.

During 2010, EDP maintained its policy of centralizing funding at EDP SA and EDP Finance BV, which represented 86% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings, project finance debt (mainly from the subsidiaries of the EDP Renováveis Group), as well as short term debt and borrowings contracted by Hidrocontábrico.

In the first semester of 2010, EDP Finance B.V. took advantage of some windows of opportunity in the international capital markets to issue in February a USD 100 million Eurobond, in March a EUR 1,000 million Eurobond and in June a EUR 500 million one-year Eurobond, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". The bonds issued in February and March have a tenor of five years. These issues allowed EDP Group to reach different markets and investors, to extend the average life of its debt portfolio and strengthen its liquidity position, ahead of refinancing needs for 2010 and 2011. The proceeds of the offering were used for EDP's general corporate purposes. Additionally, during the course of 2010 EDP SA and EDP Finance BV signed several bilateral loans in the total amount of EUR 455 million, of which EUR 355 million were revolving facilities. In July 2010 and January 2011, EDP S.A. contracted with the European Investment Bank a EUR 140 million and EUR 300 million bilateral loans maturing in 2025.

In September 2010, the Group contracted a PLN 535 million project finance loan with 15 years maturity through its subsidiary EDP Renováveis.

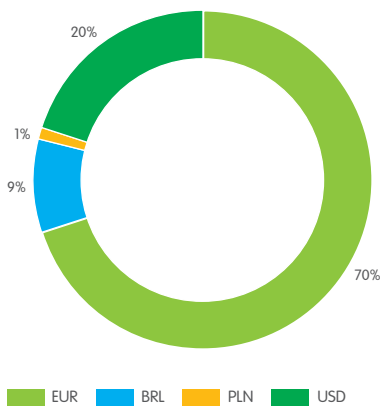
In November 2010, EDP SA and EDP Finance BV entered into a five year revolving credit facility in the amount of EUR 2,000 million. This new facility replaced the existing EUR 1,600 million revolving credit facility signed in March 2009, keeping the same purpose: backup credit facility. The credit line is currently undrawn and involves 21 domestic and international banks.

Maintaining a prudent financial management policy, by the end of December 2010, EDP SA had access to EUR 2,242 million of available credit lines and EUR 650 million of commercial paper with underwriting commitment, fully available. It is the Group's policy to diversify its liquidity sources through high credit standing banks.

During 2010, the average cost of debt of the EDP Group was 3.5% per year and approximately 44% of its debt and borrowings had a fixed rate.

In terms of currencies, the USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 20%. Euro continues to be the main funding currency of EDP at 70%.

Debt by Currency



RATING

In October 2010, Standard & Poor's affirmed EDP's "A-" rating with negative outlook, Moody's confirmed the "A3" rating with a stable outlook in July and Fitch affirmed the "A-" rating with a stable outlook in June . Nevertheless, in December , Standard & Poor's and Moody's placed EDP on review for possible downgrade mirroring the rating action taken on the Republic of Portugal on review for possible downgrade.

GLOBAL SCALE	Standard & Poor's	Last update	Moody's	Last update	Fitch	Last update
EDP SA and EDP Finance BV	A-/CW-/A-2	03/12/2010	A3/CW-/P2	21/12/2010	A-/STAB/F2	17/06/2010
HC Energia			BAA1/STAB/P2	09/06/2009	A-/STAB/F2	17/06/2010
EDP Brasil			BA1/AA2.BR/STAB	04/03/2009		
Bandeirante	BB+/BRAA+/STAB	16/03/2010	BAA3/AA1.BR/STAB	04/03/2009		
Escelsa	BB/BRAA/STAB	16/03/2010	BAA3/AA1.BR/STAB	04/03/2009		

financial statements

EDP - Energias de Portugal

Consolidated Income Statement for the years ended 31 December 2010 and 2009

	Notes	2010 (Thousand Euros)	2009* (Thousand Euros)
Turnover	6	14,170,742	12,198,009
Cost of consumed electricity	6	-6,808,261	-5,340,458
Cost of consumed gas	6	-945,270	-641,183
Changes in inventories and cost of raw materials and consumables used	6	-1,012,880	-1,111,229
		<u>5,404,331</u>	<u>5,105,139</u>
Other operating income / (expenses)			
Other operating income	7	320,889	224,790
Supplies and services	8	-862,256	-768,202
Personnel costs	9	-575,408	-540,036
Employee benefits	9	-153,362	-158,353
Other operating expenses	10	-521,384	-500,564
		<u>-1,791,521</u>	<u>-1,742,365</u>
		3,612,810	3,362,774
Provisions	11	-103,578	-74,685
Depreciation and amortisation expense	12	-1,469,002	-1,334,053
Compensation of amortisation and depreciation	12	22,279	15,531
		<u>2,062,509</u>	<u>1,969,567</u>
Gains / (losses) on the sale of financial assets	13	60,821	59,703
Other financial income	14	820,743	1,036,374
Other financial expenses	14	-1,305,710	-1,523,083
Share of profit in associates		<u>23,470</u>	<u>25,151</u>
Profit before income tax		1,661,833	1,567,712
Income tax expense	15	<u>-427,232</u>	<u>-399,765</u>
Net profit for the year		<u>1,234,601</u>	<u>1,167,947</u>
Attributable to:			
Equity holders of EDP		1,078,925	1,023,845
Minority interests	32	<u>155,676</u>	<u>144,102</u>
Net profit for the year		<u>1,234,601</u>	<u>1,167,947</u>
Earnings per share (Basic and Diluted) - Euros	29	<u>0.30</u>	<u>0.28</u>

* Restated for IFRIC 12 purposes (see note 45)

LISBON, 3 MARCH 2011

THE ACCOUNTANT
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Balance Sheet as at 31 December 2010 and 2009

	Notes	2010 (Thousand Euros)	2009* (Thousand Euros)
Assets			
Property, plant and equipment	16	20,323,583	18,434,806
Intangible assets	17	6,614,139	6,490,049
Goodwill	18	3,349,179	3,136,566
Investments in associates	20	146,871	175,272
Available for sale investments	21	443,965	443,117
Deferred tax assets	22	515,332	661,335
Trade receivables	24	117,442	114,821
Debtors and other assets	25	1,696,717	2,313,227
Total Non-Current Assets		33,207,228	31,769,193
Inventories	23	356,978	273,376
Trade receivables	24	2,069,676	1,892,805
Debtors and other assets	25	2,636,565	1,866,477
Tax receivable	26	640,485	557,641
Financial assets at fair value through profit or loss	27	35,745	84,852
Cash and cash equivalents	28	1,511,224	2,189,560
Assets classified as held for sale	39	30,952	-
Total Current Assets		7,281,625	6,864,711
Total Assets		40,488,853	38,633,904
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-115,731	-119,784
Share premium	29	503,923	501,992
Reserves and retained earnings	31	2,730,903	2,230,981
Consolidated net profit attributable to equity holders of EDP		1,078,925	1,023,845
Total Equity attributable to equity holders of EDP		7,854,558	7,293,572
Minority interests	32	2,930,401	2,684,441
Total Equity		10,784,959	9,978,013
Liabilities			
Financial debt	34	14,887,195	13,486,499
Employee benefits	35	1,904,879	1,879,704
Provisions	36	431,194	344,383
Hydrological correction account	33	75,098	112,631
Deferred tax liabilities	22	856,072	771,896
Trade and other payables	37	3,819,817	3,152,745
Total Non-Current Liabilities		21,974,255	19,747,858
Financial debt	34	3,004,451	2,794,481
Trade and other payables	37	4,172,832	5,185,546
Tax payable	38	552,356	928,006
Total Current Liabilities		7,729,639	8,908,033
Total Liabilities		29,703,894	28,655,891
Total Equity and Liabilities		40,488,853	38,633,904

* Restated for IFRIC 12 purposes (see note 45)

LISBON, 3 MARCH 2011

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MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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EDP - Energias de Portugal		
Consolidated Income Statement		
for the three month periods from 1 October to 31 December 2010 and 2009		
	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	3,932,133	3,342,443
Cost of consumed electricity	-1,860,818	-1,446,730
Cost of consumed gas	-318,166	-196,387
Changes in inventories and cost of raw materials and consumables used	-343,307	-272,990
	<u>1,409,842</u>	<u>1,426,336</u>
Other operating income / (expenses)		
Other operating income	130,618	65,847
Supplies and services	-240,623	-238,430
Personnel costs	-139,495	-131,733
Employee benefits	-64,020	-48,223
Other operating expenses	-134,281	-140,967
	<u>-447,801</u>	<u>-493,506</u>
	962,041	932,830
Provisions	-35,269	-40,729
Depreciation and amortisation expense	-372,443	-404,048
Compensation of amortisation and depreciation	5,483	6,438
	<u>559,812</u>	<u>494,491</u>
Gains / (losses) on the sale of financial assets	58,246	29,056
Other financial income	255,778	339,335
Other financial expenses	-392,846	-446,709
Share of profit in associates	5,125	4,272
	<u>486,115</u>	<u>420,445</u>
Profit before income tax	486,115	420,445
Income tax expense	-121,691	-90,624
Net profit for the period	<u><u>364,424</u></u>	<u><u>329,821</u></u>
Attributable to:		
Equity holders of EDP	304,653	273,515
Minority interests	59,771	56,306
	<u>364,424</u>	<u>329,821</u>
Earnings per share (Basic and Diluted) - Euros	<u><u>0.08</u></u>	<u><u>0.08</u></u>

LISBON, 3 MARCH 2011

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MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Changes in Equity as at
31 December 2010 and 2009

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange Differences	Treasury Stock	Equity attributable to equity holders of EDP	Minority Interests
Balance as at 31 December 2008	8,567,425	3,656,538	501,992	443,838	1,975,487	-34,523	44,038	-94,018	-126,532	6,366,820	2,200,605
Comprehensive income:											
Net profit for the year	1,167,947	-	-	-	1,023,845	-	-	-	-	1,023,845	144,102
Changes in the fair value reserve (cash flow hedge) net of taxes	91,843	-	-	-	-	96,317	-	-	-	96,317	-4,474
Changes in the fair value reserve (available for sale investments) net of taxes	130,470	-	-	-	-	-	130,065	-	-	130,065	405
Actuarial gains/(losses) net of taxes	-84,740	-	-	-	-83,898	-	-	-	-	-83,898	-842
Exchange differences arising on consolidation	502,022	-	-	-	-	-	-	259,877	-	259,877	242,145
Total comprehensive income for the year	1,807,542	-	-	-	939,947	96,317	130,065	259,877	-	1,426,206	381,336
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-	-	-507,153	-
Dividends attributable to minority interests	-74,691	-	-	-	-	-	-	-	-	-	-74,691
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	-	4,786	2,845	-
Share-based payments	2,062	-	-	-	100	-	-	-	1,962	2,062	-
Sale of treasury stock - Energias do Brasil	166,621	-	-	-	-	-	-	-	-	-	166,621
Changes in minority interests resulting from acquisitions / sales and equity increases	11,520	-	-	-	-	-	-	-	-	-	11,520
Other reserves arising on consolidation	1,842	-	-	-	2,792	-	-	-	-	2,792	-950
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 year	1,234,601	-	-	-	1,078,925	-	-	-	-	1,078,925	155,676
Changes in the fair value reserve (cash flow hedge) net of taxes	-28,267	-	-	-	-	-26,683	-	-	-	-26,683	-1,584
Changes in the fair value reserve (available for sale investments) net of taxes	-6,727	-	-	-	-	-	-9,419	-	-	-9,419	2,692
Actuarial gains/(losses) net of taxes	-80,677	-	-	-	-71,345	-	-	-	-	-71,345	-9,332
Exchange differences arising on consolidation	299,123	-	-	-	-	-	-	146,964	-	146,964	152,159
Total comprehensive income for the year	1,418,053	-	-	-	1,007,580	-26,683	-9,419	146,964	-	1,118,442	299,611
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to minority interests	-62,018	-	-	-	-	-	-	-	-	-	-62,018
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	-	2,323	291	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in minority interests resulting from acquisitions / sales and equity increases	8,538	-	-	-	-	-	-	-	-	-	8,538
Other reserves arising on consolidation	-148	-	-	-	23	-	-	-	-	23	-171
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

financial statements

EDP - Energias de Portugal
Consolidated Statement of Comprehensive Income as at
31 December 2010 and 2009

	(Thousand Euros)			
	2010		2009	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
Net profit for the year	1,078,925	155,676	1,023,845	144,102
Exchange differences arising on consolidation	146,964	152,159	259,877	242,145
Fair value reserve (cash flow hedge)	-35,264	-1,640	135,097	-6,666
Tax effect from the fair value reserve (cash flow hedge)	8,581	56	-38,780	2,192
Fair value reserve (available for sale investments)	-9,364	2,861	144,929	405
Tax effect from the fair value reserve (available for sale investments)	-55	-169	-14,864	-
Actuarial gains / (losses)	-93,788	-14,127	-85,239	-1,245
Tax effect from the actuarial gains / (losses)	22,443	4,795	1,341	403
Other comprehensive income for the year, net of income tax	39,517	143,935	402,361	237,234
Total comprehensive income for the year	1,118,442	299,611	1,426,206	381,336

EDP - Energias de Portugal

Consolidated and Non-Consolidated Cash Flow Statements as at 31 December 2010 and 2009

(Thousand Euros)

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Operating activities				
Cash receipts from customers	13,153,511	11,478,194	1,890,333	1,729,310
Proceeds from tariff adjustments securitization	-	1,639,142	-	-
Cash paid to suppliers	-9,415,651	-7,924,642	-1,810,537	-1,695,918
Cash paid to personnel	-654,063	-680,885	-49,502	-54,904
Concession rents paid	-236,440	-255,684	-	-
Other receipts / (payments) relating to operating activities	-321,258	-213,925	-56,178	-34,890
Net cash from operations	2,526,099	4,042,200	-25,884	-56,402
Income tax received / (paid)	-683,955	-120,531	25,793	6,237
Net cash from operating activities	1,842,144	3,921,669	-91	-50,165
Investing activities				
Cash receipts relating to:				
Financial assets	169,833	319,022	98,122	4,435
Property, plant and equipment and intangible assets	65,292	2,836	2,024	798
Investment grants	31,313	161,879	-	-
Interest and similar income	127,218	87,563	324,606	323,519
Dividends	37,387	48,766	346,968	645,078
	431,043	620,066	771,720	973,830
Cash payments relating to:				
Financial assets	-283,708	-451,571	-3,039	-121,042
Changes in cash resulting from perimeter variations	5,440	10,447	-	-
Property, plant and equipment and intangible assets	-2,983,595	-3,417,533	-59,617	-16,327
	-3,261,863	-3,858,657	-62,656	-137,369
Net cash from investing activities	-2,830,820	-3,238,591	709,064	836,461
Financing activities				
Receipts / (payments) relating to loans	1,104,831	1,257,479	-538,091	650,249
Interest and similar costs including hedge derivatives	-540,095	-528,581	-361,482	-420,671
Cash grants	169,304	155,946	-	-
Share capital and share premium increases	2,514	9,057	-	-
Receipts / (payments) relating to derivative financial instruments	-42,670	54,710	901	193,898
Dividends paid to equity holders of EDP	-561,819	-507,153	-561,819	-507,153
Dividends paid to minority interests	-87,274	-68,542	-	-
Treasury stock sold / (purchased)	369	2,107	2,487	4,169
Receipts / (payments) from wind activity institutional partnerships - USA	228,359	333,528	-	-
Net cash from financing activities	273,519	708,551	-1,458,004	-79,508
Changes in cash and cash equivalents	-715,157	1,391,629	-749,031	706,788
Effect of exchange rate fluctuations on cash held	36,821	84,344	350	1,689
Cash and cash equivalents at the beginning of the year	2,189,560	713,587	891,356	182,879
Cash and cash equivalents at the end of the year (*)	1,511,224	2,189,560	142,675	891,356

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

financial statements

EDP - Energias de Portugal, S.A.
Company Income Statement
for the years ended 31 December 2010 and 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Turnover	6	2,003,510	1,755,564
Cost of consumed electricity	6	-1,412,899	-1,192,863
Changes in inventories and cost of raw materials and consumables used	6	-430,640	-360,684
		159,971	202,017
Other operating income / (expenses)			
Other operating income	7	12,408	8,453
Supplies and services	8	-163,333	-99,170
Personnel costs	9	-13,797	-16,262
Employee benefits	9	-225	-197
Other operating expenses	10	-12,834	-17,610
		-177,781	-124,786
		-17,810	77,231
Provisions	11	-5,418	-187
Depreciation and amortisation expense	12	-12,054	-6,935
		-35,282	70,109
Gains / (losses) on the sale of financial assets	13	52,724	-10
Other financial income	14	1,628,636	2,162,520
Other financial expenses	14	-947,406	-1,574,110
Profit before income tax		698,672	658,509
Income tax expense	15	26,464	-28,488
Net profit for the year		725,136	630,021

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MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.
Company Balance Sheet as at 31 December 2010 and 31 December 2009

	Notes	2010	2009
		(Thousand Euros)	(Thousand Euros)
Assets			
Property, plant and equipment	16	165,105	123,562
Intangible assets	17	24	33
Investments in subsidiaries	19	9,507,310	9,535,843
Investments in associates	20	-	45,398
Available for sale investments	21	257,072	238,401
Debtors and other assets	25	5,393,428	4,537,916
Total Non-Current Assets		15,322,939	14,481,153
Inventories	23	51,745	11,351
Trade receivables	24	46,357	97,432
Debtors and other assets	25	2,511,562	1,727,737
Tax receivable	26	92,330	44,545
Cash and cash equivalents	28	142,675	891,356
Total Current Assets		2,844,669	2,772,421
Total Assets		18,167,608	17,253,574
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-109,636	-113,689
Share premium	29	503,923	501,992
Reserves and retained earnings	31	1,926,188	1,868,007
Net profit for the year		725,136	630,021
Total Equity		6,702,149	6,542,869
Liabilities			
Financial debt	34	1,311,375	1,962,393
Provisions	36	21,867	18,637
Hydrological correction account	33	75,098	112,631
Deferred tax liabilities	22	67,926	80,489
Trade and other payables	37	3,222,714	2,824,741
Total Non-Current Liabilities		4,698,980	4,998,891
Financial debt	34	5,779,736	4,194,840
Trade and other payables	37	985,555	1,032,380
Tax payable	38	1,188	484,594
Total Current Liabilities		6,766,479	5,711,814
Total Liabilities		11,465,459	10,710,705
Total Equity and Liabilities		18,167,608	17,253,574

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THE EXECUTIVE BOARD OF DIRECTORS

financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement for the three month periods from 1 October to 31 December 2010 and 2009

	2010	2009
	(Thousand Euros)	(Thousand Euros)
Turnover	601,048	555,787
Cost of consumed electricity	-404,972	-333,352
Changes in inventories and cost of raw materials and consumables used	-180,696	-149,853
	<u>15,380</u>	<u>72,582</u>
Other operating income / (expenses)		
Other operating income	4,403	3,564
Supplies and services	-43,155	-33,192
Personnel costs	-3,824	-3,427
Employee benefits	-33	-56
Other operating expenses	-1,266	-1,928
	<u>-43,875</u>	<u>-35,039</u>
	-28,495	37,543
Provisions	8,146	3,570
Depreciation and amortisation expense	-5,050	-1,915
	<u>-25,399</u>	<u>39,198</u>
Gains / (losses) on the sale of financial assets	45,782	-
Other financial income	594,803	672,689
Other financial expenses	-258,852	-400,538
	<u>356,334</u>	<u>311,349</u>
Profit before income tax	356,334	311,349
Income tax expense	18,617	-31,934
Net profit for the period	<u><u>374,951</u></u>	<u><u>279,415</u></u>

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MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

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

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2008	6,270,678	3,656,538	501,992	443,838	1,774,327	-8,770	23,190	-120,437
Comprehensive income:								
Net profit for the year	630,021	-	-	-	630,021	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	49,874	-	-	-	-	49,874	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	94,542	-	-	-	-	-	94,542	-
Total comprehensive income for the year	774,437	-	-	-	630,021	49,874	94,542	-
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	4,786
Share-based payments	2,062	-	-	-	100	-	-	1,962
Balance as at 31 December 2009	6,542,869	3,656,538	501,992	471,387	1,867,805	41,104	117,732	-113,689
Comprehensive income:								
Net profit for the year	725,136	-	-	-	725,136	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-23,291	-	-	-	-	-23,291	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	14,914	-	-	-	-	-	14,914	-
Total comprehensive income for the year	716,759	-	-	-	725,136	-23,291	14,914	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	2,323
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
Share-based payments	2,118	-	-	-	388	-	-	1,730
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

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EDP - Energias de Portugal
Company Statement of Comprehensive Income as at
31 December 2010 and 2009

	(Thousand Euros)	
	2010	2009
Net profit for the year	725,136	630,021
Fair value reserve (cash flow hedge)	-30,839	67,856
Tax effect from the fair value reserve (cash flow hedge)	7,548	-17,982
Fair value reserve (available for sale investments)	18,034	104,160
Tax effect from the fair value reserve (available for sale investments)	-3,120	-9,618
Other comprehensive income for the year, net of income tax	-8,377	144,416
Total comprehensive income for the year	716,759	774,437

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for the years ended 31 December 2010 and 2009

1. Economic activity of EDP Group

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

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

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

Activity in the energy sector in Portugal

Electricity

The National Electricity System (SEN) basis of organization, operations and activities are established by the Decree-Law 29/2006 of 15 February, which transposes the principles of the European Parliament and Council's Directive n.º 2009/72/CE of 13 July which came to repeal the Directive n.º 2003/54/CE, and the Decree-Law 172/2006 of 23 August with the wording of DL 264-2007, of 24 July and DL 104/2010, of 29 September.

The National Electricity System (SEN) includes the activities of generation and supply of electricity under free competition conditions, subject to licensing, and the activities of transmission and distribution provided through the award of public service concessions.

Transmission, distribution and supply of last resort activities are subject to regulation from Entidade Reguladora dos Serviços Energéticos — ERSE (Energy Sector Regulator), which is responsible for the preparation, issuance and enforcement of regulations and for establishing the tariffs and prices related to network usage — access tariffs — and electricity supply for clients in the regulated market - electricity tariffs charged by the Supplier of Last Resort.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

Generation

The generation of electricity covers the generation under ordinary and special regimes. Under the ordinary regime, where EDP Group is represented by EDP Gestão da Produção, S.A., electricity is generated and sold under free market conditions, in organised markets or through bilateral agreements, being subject only to licensing.

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being remunerated based on the principle of the costs avoided to the system, plus an environmental reward representing the benefits of using renewable energy resources. The PRE is subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

In January 2005, following the publication of Decree-Law 240/2004 of 27 December, the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group. This Decree-Law established the creation of a compensation mechanism to maintain the contractual balance (CMEC) attributed to the bounded producers, which includes a significant portion of the EDP Group's generation activity in Portugal. According to this legislation, the effects of the termination agreements were suspended until the launch of the Iberian Electricity Market (MIBEL), effective as of 1 July 2007.

On 16 February 2007 the Portuguese Government confirmed its decision to early terminate the PPAs and implement the CMEC mechanism and defined the rules to calculate the compensations due to the power generators for such early termination, which essentially consisted in an adjustment of the reference market price of electricity used to calculate the CMEC initial compensation amount. On 15 June 2007, EDP and REN agreed on the early termination of the PPAs, effective as of 1 July 2007. The new CMEC regulation sets the compensation due at 833,467 thousand Euros, which in accordance with the legislation can be subject to securitisation.

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law extends the period on which the companies, owning the hydroelectric plants relating to the various dams, can operate the public hydric resources. The extension of the operating period, and the consequent extension of the useful life of the related hydraulic fixed assets, implied a payment by the holders of the hydroelectric plants of an amount of economic and financial compensation. On that basis, the Government (INAG), REN and EDP Gestão da Produção de Energia signed on 8 March 2008, several service concession arrangements for which EDP Gestão da Produção de Energia paid approximately 759 million Euros for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

Distribution

Electricity distribution is carried out through the National Distribution Network (RND) and consists of a medium and high-tension network and a low-tension distribution network, exclusively under public service concessions.

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição with the possibility of being revoked with at least 1 year's prior notice. These concessions are in return for payment of a rent to the municipalities that grant.

Supply

The Electricity supply market is open to competition, subject only to a licensing regime. Suppliers have the right of access to the national transmission and distribution networks upon payment of the access charges set by ERSE. The activity of supply of last resort (CUR), including universal public service obligations, is guaranteed by EDP Serviço Universal, S.A., a company wholly owned by EDP Distribuição.

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are defined by ERSE. The Decree-Law 104/2010 of 29 September, establishes the end of regulated tariffs for very high, high, medium and low-tension customers from 1 January 2011, with a transitional period until 31 December 2011.

Regarding the activities of transportation, transmission, distribution and supply of last resort (CUR) of electricity, the law establishes the right for a remuneration set by ERSE, in accordance with the terms of the Tariff Regulation, to ensure an economic and financial equilibrium assuming an efficient management.



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for the years ended 31 December 2010 and 2009

Public Domain Assets

In Portugal some fixed assets relating to electricity generation and distribution in the regulated market are subject to the public domain regime. These assets are directly related with the Group's activity, which can freely manage them, but cannot dispose of them for private commercial purposes while they are related with public domain regime.

Gas

In the distribution and commercialization activity for natural gas, EDP Group develops its activity in Portugal through its subsidiaries Portgás, S.A. EDP Group is present in the commercialization of natural gas, under the regulated market (EDP Gás Serviço Universal) and free market (EDP Gás.com). EDP Gás.com, with a trading license in the free market since 2008, began operating in early 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL S.A.

On 15 June 2010, the tariffs set by ERSE were published for the years 2010-2011. The income allowed to Portgás S.A. include the initial revaluation of its assets (with reference to 31.12.2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity

In Spain, Hidroeléctrica del Cantábrico (HC Energía) is the parent company of an industrial group that operates in the electricity and gas sectors. In the electricity sector, HC Energía generates, transports, distributes and supplies electricity. Production is based essentially on traditional coal thermal power plants and, on a smaller scale, on hydroelectric and nuclear power plants.

Electric Sector Regulation

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and Energy and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July went into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity.

The referred Law 54/1997, as amended, provides the following basic principles:

Generation

Since 1 January 1998 electricity generation operates in a free market competition basis, which covers the purchase and sale of energy and other services related to the distribution of electricity.

The market structure for electricity generation has been widened by Law 17/2007 of 4 July, in order to include the forwards market and the intraday market, as well as technical issues, complementary services, deviations management and unorganised markets. The organisation and regulation of the market for electric power generation is defined by Royal Decree 2019/1997 of 26 December.

Electric energy is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of September 27, which revised the tariffs of electricity from 1 October 2007, replaced the concept of "power availability" of remuneration of electricity generation by the concept of "capacity payments" stated in article 16 of the Law 54/1997 (amended by Law 17/2007), which sets a retribution of the availability service - for the procurement of capacity in the medium term - and the incentive to invest in long-term capacity.

The installation of new generation units is liberalised, subject to obtaining the necessary permits.

Producers have the right to use primary energy sources in its generation units as deemed most appropriate, with the restrictions applicable to the environment. As a consequence of a pre-notification of European Commission, was approved the Royal Decree Law 1221/2010 of 1 October that modify the Royal Decree Law 134/2010 of 12 February and establishes the procedure for supply restrictions, as a protective decision to promote the consumption of local coal. Additionally, from the endorsement of Royal Decree Law 14/2010 of 23 December, the producers in ordinary regime have the obligation of paying for the utilization of the transport and distribution networks.

Transportation

Red Eléctrica de España, S.A. performs the activities of Transmission Manager and System Operator, being responsible for its technical management, to ensure the continuity of supply and efficient management of the generation and transmission system. The responsibility for the economic management of the system is guaranteed by the Compañía Operadora del Mercado Español de Electricidad, S.A.

The entities and qualified consumers have free access to the transmission and supply networks, setting out a system of "tariff" for traffic. The retribution for the transmission and distribution activities is set by the regulatory entity.

The Royal Decree 325/2008 of 29 February, establishes a new fee system applicable to electricity transportation facilities, that entered into service from 1 January 2009. Just as for distribution, this new model of compensation is based on investments, but there is no knowledge of the amounts which will be allocated to the electrical assets and associates, because the standard is not yet developed in detail.

The current text of Law 54/1997 also provides that the transmission activity will be performed by a single entity, for which all transmission facilities will be transferred before 6 July 2010. There is also a distinction made between the primary transmission system (facilities > 380 kV and with international networks and extra-peninsular island systems) and the secondary transmission system (facilities <220 kV other than primary transmission systems and less but fulfilling the functions of transmission).

Distribution

Law 54/1997 provides that the retribution for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the distribution electricity activity and modifying the system of "Acometidas" (system that regulated the installation, that allows the connection of the network distribution with the point of delivery energy to the client). The new remuneration system is based on investments and increased demand of each distributor. The standard provides new incentives for reducing losses and improving quality, which are pending for new regulatory developments.

Supply

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalised the supply market starting 1 January 2003. Additionally, since 1 July 2009, the distributors can no longer act as suppliers (sell electricity) acting strictly as network operators.

Electricity Tariffs Regime

The activities for the energy supply are paid by consumers, through fees and charges. These rates exclusive to Spain, are established by the Industry Trade Ministry, of industry, tourism and trade based on regulated activities costs, including permanent costs and diversification and security of supply costs.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to free market. However, the Royal Decree 485/2009 of 3 April, pursuant to Articles 9.f and 18th and 24th Additional disposition of Law 54/1997, provide that the consumers of low-tension, with contract capacity not exceeding 10 kW, are eligible for the tariff of last resort, which determines the maximum and minimum price of supply. This rate will be applicable by the suppliers of last resort, where Hidrocarburo Energía Último Recurso, S.A.U. is included.

Social Benefit

The Royal Decree 6/2009 of 30 April, created the Social Benefit for some consumers who benefit from the tariff of last resort (TUR) and that meet certain social characteristics of consumption and purchasing power given by the Ministry of Industry, Tourism and Trade. The benefit will cover the difference between the value of TUR and the benchmark value and will be financed by the production companies.

Gas

Naturgás, a subsidiary of HC Energía Group which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The distribution of natural gas in Spain is a regulated activity.

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market.

The aforementioned legislation identifies the following operators in the context of the supply of natural gas by pipeline:

- § Transmission companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas;
- § Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as build, maintain and operate such facilities in order to bring natural gas to the consumption points;
- § Suppliers, companies that hold access to the facilities owned by third parties, purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;
- § Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the gas basic network and secondary transmission network, attributed to ENAGÁS, S.A.

The system of provisioning and based on tariffs for natural gas distribution companies expired on 1 July 2008. Since then, new last resort rates have been set, that can benefit the consumers who are covered by the regulation (from July 2009 are those consuming less than 50,000 kWh / year), and that will be implemented by the suppliers, in accordance with Article 82 of Law 34/1998 that have an obligation to take delivery of last resort. Naturgás Comercializadora Energía, SAU. is one of the trading companies designated by the Ministry.

For the supplier of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (HC Energía Supplier of Last Resort currently comprises the delivery obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff ("TUR") became the only tariff from 1 January 2010, denying to the suppliers of last resort the application of discounts over customers with TUR.

Activity in the energy sector in Brazil

Electricity

In Brazil, the EDP Group generates, distributes, transports/transmits and supplies electric energy through its subsidiary EDP Energias do Brasil, S.A. (EDP Energias do Brasil).

In August 2008, Energias do Brasil made an exchange with "Grupo REDE" of the entire interest held in Enersul (a distributor of electricity in the State of Mato Grosso do Sul) by the corporate shares held by Rede Energia in Rede Lajeado Energia S.A. ("Rede Lajeado") and Investco S.A. ("Investco"), as well as corporate shareholdings held by Rede Power in Rede Lajeado and Tocantins Energia S.A. This transaction enabled EDP Energias do Brasil to consolidate its position in the electricity generation sector in the State of Tocantins in northern Brazil.

The Brazilian electricity sector has undergone major structural and institutional changes in recent years, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system (or not regulated).

Regulated System

The Regulated Contracting Environment is for the sale of electricity between generators, energy importers or retailers, selling energy to distributors who in turn, acquire energy to ensure supply to consumers.

The main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by ANEEL. The rules of these auctions are designed so that the winner is the one with the lowest price.

The distribution companies must estimate the amount of electricity to contract in auctions and they are obliged to purchase 100% of their needs respecting the condition that, market increases must be met by energy from new ventures, contracted 3 years (Auction A-3) or 5 years (Auction A-5) in advance. Failure to comply with the supply of energy to its markets may result in severe fines. Public auctions began in late 2004.

Liberalised system

In the liberalised market, electricity is traded among production concessionaires, independent power producers, auto-producers, agents and free consumers. In this market, the contractual conditions, such as price, duration and amount of the contract are traded freely and negotiated between the parties (Decree No. 5.163/04). Free consumers can return to the regulated system under certain conditions.

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Generation

The generation market is based predominantly on the existence of Power Purchase Agreements (PPA) between generators and distributors, with tenders to supply long-term demand, the adjustment of medium and short term and daily market for deviations, or spot market.

Electricity generation in Brazil relies mostly on hydroelectric technology. Power generation plants are object of concession, permit or registration, according to the type of plant, the power capacity to be installed and the destination of the energy. Depending on the destination of energy, power generation plants can be classified as:

- § Generation companies, producing electricity for public service distribution;
- § Independent producers, who assume the risk of the sale of electricity with distributors or directly with free consumers;
- § Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorization).

Transmission

The Brazilian transmission system, with a capacity above 230 kV, is divided into transmission and sub-transmission networks, depending on the disaggregation level of the consumers market. The primary network is responsible for the transmission of electricity to large consumers and the supply of energy to any consumer of high dimension. The secondary network is basically an extension of the primary network with the objective of delivering electricity to small consumers and providing energy to large industrial customers.

Distribution

The service concession arrangements for electricity distribution are allocated by tender and establish rules regarding price, regularity, continuity, safety, timeliness and quality of services and supplies provided to consumers and users. These arrangements also define penalties for possible irregularities.

In most states, mainly in the North and Northeast, the concession area corresponds to the state boundaries. However, mainly in São Paulo and Rio Grande do Sul, the concessions for distribution may cover smaller areas than the state itself. In some cases, the concession area is extended beyond the geographical limits of the state where the distribution company is located.

The distribution activity operates in a regulated environment, with tariffs determined in the context of incentive regulation ("price cap") with a remuneration basis in the assets used in the distribution energy service (BRR). The tariff also includes a part to cover the operating costs established from a standard company, the Reference Company (with costs that would be charged by an efficient operator and which acted in the concession region). The regulatory EBITDA has two parts, which (i) regulatory depreciation of BRR assets and (ii) return on capital prudently invested multiplied by the regulatory WACC, ie by the rate of weighted average cost of capital of sector companies. Finally, the tariffs also consider the costs of acquiring energy, hiring the use of transmission and sector-based as costs to be included in the tariff. The tariff portion that includes the regulatory remuneration, the depreciation charge and the value of the reference Company is called portion B. The costs of buying energy, hiring of basic network and charges, set up the portion A of the tariffs as set out in the concession contracts for distribution companies.

Tariffs are adjusted annually based on changes occurred in portion A costs and in the correction of portion B costs, by the index of variation of IGPM, discounting productivity gains (factor X). The index adjustment is calculated to pass on the variations in costs not manageable in the Parcel A and the adjusted Parcel B. Periodically (on average every 4 years) there is a tariff revision, which results in a global review of costs, in the definition of a new BRR and a new Reference Company, which capture of the productivity gains in the period between reviews. At the start of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs.

Supply

The electricity suppliers that do not own electric assets, are authorised to act exclusively in the free market, selling or buying energy in quantity, conditions and prices freely negotiated. The commercialization of energy with a distributor is only possible through participation in the "Auction set by the distributors", with the negotiation of contracts, for a maximum of two years, and commencement of energy delivery within a period not exceeding two years.

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are binded to these services and can not be removed, sold, transferred or used as mortgage without the prior and express consent of the regulator (ANEEL).

Activity in the Renewable energies sector

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector.

On 4 July 2008, a share capital increase of EDP Renováveis was made through an Initial Public Offering (IPO) of 196,024,306 shares. This share capital increase was not subscribed by the EDP Group, resulting in a dilution of the interest held in EDP Renováveis from 100% to 77.53%. The share capital increase amounted to 1,566,726 thousand Euros, of which 980,121 thousand Euros relates to the capital increase and 586,605 thousand Euros relates to the share premium.

Electricity

Generation

In December 2010, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital in EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energías del Occidente, S.L) and Horizon Wind Energy, LLC (EDPR NA), operating respectively in Europe and in the United States of America.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and Brazil. EDPR EU's main subsidiaries are: EDP Renováveis Portugal (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors), EDP Renewables Polska (wind farms in Poland held by EDPR EU), EDP Renewables Romania (wind farms in Romania), EDP Renewables Italia (wind farms in Italy) and EDP Renováveis Brasil (wind farms in Brasil). As at 31 December 2010, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

In July 2007 the EDP Group acquired from Goldman Sachs, 100% of the share capital of EDPR NA, which develops, manages and operates wind farms in the United States of America. EDPR NA holds a series of wind farms in operation and a pipeline of projects under development for the construction of wind farms.

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and subsequent amendments to legislation.

Royal Decree 436 of 12 March 2004 was published on 24 March 2004 and sets out the methodology to be used for updating and systematizing the legal and economic regime relating to the electrical power production under the special regime, which includes the generation of electricity using renewable sources of energy, cogeneration, biomass and waste. This Royal Decree replaces the former Royal Decree 2818/1998 and unifies regulations applicable to special regime energies. The Royal Decree also defines a system whereby the owners of the electrical installation are entitled to sell the production or surplus of electrical power to distributors. A regulated price can be received for this sale, or production and surplus can be sold directly on the daily market, futures market or through a bilateral agreement, in which case a market-negotiated price would be received, plus an incentive for participation in the agreement and a premium if the installation was entitled to receive it.

The Royal Decree 661 of 25 May 2007 was published on 26 May 2007 and regulates electrical power produced under the special regime. This Royal Decree replaces Royal Decree 436 of 12 March 2004 and updates regulations on electrical power production under the special regime, whilst maintaining the basic structure of the regulation. The economic framework set out in this Royal Decree maintains the same system of payment for power produced under the special regime, whereby the owner of the installations can opt to sell its power at a regulated price, for the programmed periods only, or sell the power directly on the daily market, futures market or through a bilateral agreement, in this case receiving the negotiated price plus a premium.

The main changes to the Royal Decree include a modification to the regulated price and premiums and the introduction of a system of variable premium for certain technologies, such as wind power. The owners of wind power installations officially entering into service prior to 1 January 2008 can opt to adhere to the transitory regime established in the first transitory provisions, which stipulate that the owners of these installations may maintain the prices and premiums established in the aforementioned Royal Decree until 31 December 2012.

The Royal Decree 6/2009 of 7 May was approved and is aimed at eliminating the tariff deficit from 2013. Among other measures, it introduces a pre-allocation register for new renewable energy capacity for renewable-energy installations to obtain the entitlements set out in Royal Decree 661/2007.

In July 2010, Ministry of Industry established an agreement with two major associations of renewables (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1614/2010, of December 7, which defines i) for the years 2011 and 2012 a reduction of 35% in the prize applicable to wind generation defined by Royal Decree 661/2007, ii) an addition to article 44.3 of Royal Decree 661/2007 clarifying that future revisions of the prize for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) setting a limit of 2,589 hours of operation for the installed capacity from which the wind farm is not entitled to receive any prize.

The Decree-Law 14/2010 of 23 December, establishes several measures to reduce the tariff deficit, including a production rate of 0,5€ /MWh applicable to producers under the ordinary and special regimes.

Regulatory framework for the activities in Portugal

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May, as amended by Decree-Law No. 168/99 dated 18 May, Decree-Law No. 312/2001 dated 10 December and Decree-Law No. 339-C/2001 dated 29 December. Also relevant is Decree-Law No. 33-A/2005, dated 16 February, which establishes the current amounts used in the remuneration formula applicable to energy produced by means of renewable resources and the deadlines for the application of such remuneration formula.

The main feature of the legal framework for renewable energy power generation in Portugal is that the national network operator or the regional distribution operator must purchase all electricity produced by renewable producers who hold an operating license. The construction and operation of a wind farm depends on the allocation of a network connection point issued by the State Energy Department "Direcção Geral de Geologia e Energia-DGGE". The issue of the point of connection occurs upon the request of the promoters during limited periods of time set by the DGGE or by means of a public tender procedure. Award of connection points by direct negotiation is exceptional.

Decree-Law No. 225/2007 dated 31 May, establishes a set of regulations associated to renewable energies, foreseen in the National Strategy for Energy, and has reviewed the formula used in estimating the remuneration of electricity supply generated by renewable power stations and delivered to the network of the National Electric System, as well as the procedures for the attribution of the available power in the same network and the deadlines to obtain licenses for the establishment of renewable power stations.

Since 1 July, 2007, the Iberian electricity financial market ("MIBEL") has been fully operational, with daily transactions from both Portugal and Spain, including a forwards market that has operated since July 2006.

Regulatory framework for the activities in the United States of America

Federal, state and local energy laws and regulations regulate the development, ownership, business organization and operation of electric generating facilities and the sale of electricity in the United States. All project companies within the Group in the United States operate as exempt wholesale generators ("EWGs") or qualifying facilities ("QFs") under federal law or are dually certified. In addition, most of the project companies in the United States are regulated by the Federal Energy Regulatory Commission ("FERC") and have market-based rates on file with FERC.

The federal government regulates the wholesale electric energy sale and transmission business in interstate commerce through the Federal Energy Regulatory Commission ("FERC"), which draws its jurisdiction from the Federal Power Act (the "FPA"), and from other federal legislation such as the Public Utility Regulatory Policies Act of 1978 ("PURPA 1978"), the Energy Policy Act of 1992 ("EPACT 1992") and the Energy Policy Act of 2005 ("EPACT 2005").

EWGs are owners or operators of electric generation (including producers of renewable energy, such as wind projects) that are engaged exclusively in the business of owning and/or operating generating facilities and selling electric energy at wholesale rates. An EWG cannot make retail sales of electric energy and may only own or operate the limited interconnection facilities necessary to connect its generating facility to the network.

In certain states, approval of the construction of new electricity generating facilities, including renewable energy facilities such as wind farms, is obtained from a state agency, with only limited ministerial approvals required from state and local governments. However, in many states the permit process for power plants (including wind farms) also remains subject to land-use and similar regulations of county and city governments. State-level authorizations may involve a more extensive approval process, possibly including an environmental impact evaluation and opposition by interested parties or users.

Both the United States federal government and various state governments have implemented policies designed to promote the growth of renewable energy, including wind power. The primary federal renewable energy incentive program is the Production Tax Credit (PTC), which was established by the U.S. Congress as part of EPACT 1992. As part of the American Recovery and Investment Act of 2009, the federal government is encouraging renewable energy development through investment tax credits and cash grants from 2009 through 2013. Many states have passed legislation, principally in the form of renewable portfolio standards ("RPS"), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

The American Recovery and Investment Act of 2009 was approved and includes a number of energy related tax and policy provisions to benefit the development of wind energy generation, namely i) a three year extension of the PTC until 2012 and ii) an option to elect a 30% Investment Tax Credit ("ITC") that could replace the PTC through the duration of the extension. This ITC allows the companies to receive 30% of the cash invested in projects placed in service or with the beginning of construction in 2009 and 2010. In December 2010, the Tax Relief, Unemployment, Insurance and Reauthorization, and Job Creation Act of 2010 was approved and includes an one year extension of the ITC, which allow the companies to receive 30% of the cash invested in projects with beginning of construction until December 2011 as long as placed in service until December 2012.

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for the years ended 31 December 2010 and 2009

2. Accounting policies

a) Basis of presentation

The accompanying 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 years ended 31 December 2010 and 2009.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 3 March 2011. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

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

The EDP Group's consolidated financial statements for the years ended 31 December 2010 and 2009 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

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

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

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any participation previously acquired is booked against the profit and loss account, when goodwill is calculated. On a 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 minority interest at fair value or at cost, implying that the full amount of goodwill can be booked in the financial statements, including the portion attributable to the minority interests, against minority interests, if the first option is chosen. Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets acquired, depending on the option taken.

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

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

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

Purchases of minority interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

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Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 75
Thermoelectric generation	25 to 40
Renewable generation	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.

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.

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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 balance sheet. Measurement and recognition of the medical benefits liabilities are similar to those of the defined benefit plans pension liabilities, explained above.

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

Costs and revenues are recognised in the year to which they 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) Segmental 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.

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2) 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.

a) 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 6 and 45).

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

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

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

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

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

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

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation (CMEC)

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

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

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

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

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

Contractual Stability Compensation — Revisable mechanism

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

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

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

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

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.



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Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of the pension 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 EDPR NA. The exchange rate and interest rate risk on the GBP and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

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

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

Sensitivity analysis - exchange rate

Relating to financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2010 and 2009, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

		31 December 2010			
		Results Euro'000		Equity Euro'000	
		+10%	-10%	+10%	-10%
USD		7,485	-9,148	-15,995	19,550
PLN		-	-	3,584	-4,381
		7,485	-9,148	-12,411	15,169

		31 December 2009			
		Results Euro'000		Equity Euro'000	
		+10%	-10%	+10%	-10%
USD		24,114	-29,473	-23,087	28,218
PLN		-	-	7,984	-9,759
		24,114	-29,473	-15,103	18,459

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

Interest rate risk management

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

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

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

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

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 31 December 2010 and 2009 would lead to the following increases / (decreases) in equity and results of the EDP Group:

		31 Dec 2010			
		Results Euro'000		Equity Euro'000	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:					
Hedged debt		-27,277	27,277	-	-
Unhedged debt		-64,241	64,241	-	-
Fair value effect:					
Cash flow hedging derivatives		-	-	36,981	-40,988
Trading derivatives (accounting perspective)		-25,659	28,386	-	-
		-117,177	119,904	36,981	-40,988

		31 Dec 2009			
		Results Euro'000		Equity Euro'000	
		100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:					
Hedged debt		-17,277	17,277	-	-
Unhedged debt		-64,135	64,135	-	-
Fair value effect:					
Cash flow hedging derivatives		-	-	18,997	-20,956
Trading derivatives (accounting perspective)		-15,142	12,191	-	-
		-96,554	93,603	18,997	-20,956

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

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Counterparty credit risk management

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

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

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

Liquidity risk management

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

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (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.

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

Risk factor:	P@R Distribution by risk factor	
	Dec 2010	Dec 2009
	Euro'000	Euro'000
Negotiation	1,000	4,000
Fuel	41,000	32,000
CO2	3,000	33,000
Electricity	36,000	44,000
Hydrological	20,000	17,000
Diversification effect	-74,000	-93,000
Total	27,000	37,000

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

Credit risk rating (S&P):	Dec 2010	Dec 2009
AAA to AA-	18.06%	48.48%
A+ to A-	75.69%	47.66%
BBB+ to BBB-	0.900%	0.92%
BB+ to B-	1.11%	2.25%
No rating assigned	4.24%	0.69%
Total	100.00%	100.00%

Brazil — Interest rate and exchange rate risk management

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

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

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

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

	VaR	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Exchange rate risk	461	809
Interest rate risk	3,638	3,619
Covariation	-421	-1,098
Total	3,678	3,330

5. Consolidation perimeter

During 2010, several changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Renewables Europe, S.L. acquired 85% of the share capital of Repano Wind S.r.l. and EDP Renewables Italia, S.r.l.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of the polish companies Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO and Karpacka Mala Energetyka SP ZOO, through its subsidiary EDP Renewables Polska SP ZOO (previously Neolica Polska SP ZOO);
- EDP Renewables Europe, S.L. acquired 80% of the share capital of Re Plus - Societ   a Responsabilit   Limitata, thorough its subsidiary EDP Renewables Italia, S.r.l.);
- A EDP Ventures, S.G.P.S., S.A. acquired 40% of the Arquiled Group, which includes Arquiled - Projectos de ilumina  o, S.A., Arquiservice - Consultadoria e Servi  os, S.A. and Futurcompact, Lda.

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

Companies sold and liquidated:

- Horizon Wind Energy L.L.C. liquidated Freeport Windpower I, L.P.*;
- Hidrocant  brico Explotaci  n Centrales dissolved and liquidated Mazarr  n Cogeneraci  n, S.A. and Papresa Cogeneraci  n AIE;
- Naturg  s Energ  a Grupo, S.A. sold its shareholding, through its subsidiary Naturgas Participaciones, in Tecman, S.L.;
- EDP Imobili  ria e Participa  es, S.A. sold its 34% shareholding of Central-E - Informa  o e Com  rcio Electr  nico, S.A.;
- EDP, S.A. sold its 21% shareholding of Deca - Distribuici  n El  ctrica do Centro Americana Dos (II), S.A.;
- EDP Renewables Europe sold its shareholding, through its subsidiary Genesa, in Murciasol 1 - Solar T  rmica, S.L.;
- EDP Produ  o liquidated Hidroel  ctrica de Janeiro de Baixo, Lda..

Companies incorporated:

The following companies were merged into Naturg  s Comercializadora, S.A.:

- Naturg  s Energ  a Suministro Sur, S.L.;
- Naturg  s Energ  a Suministro, S.L.

The following companies were merged into Pebble Hydro - Consultoria, Investimento e Servi  os, Lda:

- Hidroel  ctrica de Fagilde, Lda.;
- Minih  drica do Palhal, Lda.;
- Hidroel  ctrica de Penacova, Lda.;
- Hidroel  ctrica de Pinhel, Lda.;
- Hidroel  ctrica do Raba  al Ponte, Lda.

Eneraltius - Produ  o de Energia El  ctrica, S.A. was merged into EDP Renov  veis Portugal, S.A.

Agrupaci  n E  lica Francia, S.L. was merged into EDP Renewables Europe, S.L.

Companies incorporated:

- Headwaters Wind Farm L.L.C.*;
- 17th Star Wind Farm L.L.C.*;
- Waverly Wind Farm L.L.C.;
- EDP - Projectos SGPS, S.A.;
- EDP Renewables Canada;
- 2010 Vento VII, L.L.C.;
- 2010 Vento VIII, L.L.C.;
- 2010 Vento IX, L.L.C.*;
- Horizon Wind Ventures VII, L.L.C.;
- Horizon Wind Ventures VIII, L.L.C.;
- Horizon Wind Ventures IX, L.L.C.*;
- EDP MOP - Opera  o de Pontos de Carregamento de Mobilidade El  ctrica, S.A.;
- SGORME - SGO Rede Mobilidade El  ctrica,S.A..
- Rio Blanco Wind Farm L.L.C.*;
- Hidalgo Wind Farm L.L.C.*;
- HC Naturgas Servicios Energeticos S.L.;
- MacColl Offshore Windfarm Limited*;
- Stevenson Offshore Windfarm Limited*;
- Telford Offshore Windfarm Limited*;
- Stone Wind Power L.L.C.*;
- Franklin Wind Farm L.L.C.*;
- HC Energia Gas, S.L.

* EDP Group holds, through EDP Renov  veis, a set of subsidiaries in the United States and United Kingdom legally incorporated without share capital and that as at 31 December 2010 do not have any assets, liabilities, or any operating activity.



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- Other changes:
• EDP Renewables Europe, S.L. increased its shareholding from 19.6% to 36% on ENEOP - Élicas de Portugal, S.A., through its subsidiary EDP Renováveis Portugal, S.A.;
• EDP Renewables Europe, S.L. increased its shareholding from 49% to 61% on Parque Eólico Altos del Voltoya, S.A. through its subsidiary Sinae, S.L.;
• Naturgás Energía Distribución, S.A.U. now holds 100% of the share capital of Naturgás Energía Distribución Cantabria, S.A., following the amortisation of the shares held by the minority interests.
• As a consequence of the put option exercise by Ente Vasco de la Energía over Naturgas Energía, HC Energía acquired from EVE 29.43% of Naturgas Energía share capital, increasing to 95% its shareholding in this company. As the put option referred to 30.35% of share capital of Naturgás Energía, the indirect shareholding held by HC Energía in Naturgás subsidiaries decrease by 0.92%, following the put option exercise;
• EDP Comercial - Comercialização de Energia, S.A. increased its shareholding from 55% to 100% on EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. through acquisition of shares from other shareholders;
• EDP - Gestão da Produção de Energia S.A. increased its shareholding from 55% to 97% on Greenvougá - Sociedade Gestora do Aproveitamento Hidroelétrico de Ribeiradio-Ermida,S.A. through a share capital increase;
• Windplus, S.A. changed its consolidation method from full to proportional consolidation due to a share capital dilution.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2010 and 2009 are listed in note 52.

6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Turnover:				
Electricity and network accesses	12,536,606	11,021,866	1,664,390	1,566,404
Gas and network accesses	1,348,165	981,493	62,945	-
Advisory, management and IT services	8,262	7,274	121,782	59,774
CO2 licenses	145,922	71,559	154,038	129,196
Other	131,787	115,817	355	190
	14,170,742	12,198,009	2,003,510	1,755,564

In 2010, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 194,510 thousand Euros (cost in December 2009: 361,080 thousand Euros) regarding the tariff adjustments of the period, as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network accesses includes on a consolidated basis 312,899 thousand Euros (31 December 2009: 535,543 thousand Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 91,622 thousand Euros (140,052 thousand Euros as at 31 December 2009) related to the initial CMEC for the period and 221,277 thousand Euros (395,491 thousand Euros as at 31 December 2009) resulting from the revisable mechanism, as established by the current legislation in Portugal.

The caption "Advisory, management and IT services" includes, on a company basis, an amount of 80,589 thousand 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:

	Dec 2010				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	7,148,205	3,000,503	2,111,404	276,494	12,536,606
Gas and network accesses	283,205	1,064,960	-	-	1,348,165
Advisory, management services and IT services	7,274	988	-	-	8,262
CO2 licenses	145,922	-	-	-	145,922
Other	68,262	23,940	39,585	-	131,787
	7,652,868	4,090,391	2,150,989	276,494	14,170,742
	Dec 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity and network accesses	6,923,086	2,247,272	1,655,241	196,267	11,021,866
Gas and network accesses	126,387	855,106	-	-	981,493
Advisory, management services and IT services	6,617	657	-	-	7,274
CO2 licenses	71,559	-	-	-	71,559
Other	53,379	27,178	26,879	8,381	115,817
	7,181,028	3,130,213	1,682,120	204,648	12,198,009

The breakdown of Revenue by segment is presented in the Segmental reporting (see note 51).

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

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost of consumed electricity	6,808,261	5,340,458	1,412,899	1,192,863
Cost of consumed gas	945,270	641,183	-	-
Changes in inventories and cost of raw materials and consumables used:				
Fuel, steam and ashes	252,223	454,965	-	3,411
Gas	586,698	495,745	274,779	214,521
Cost of consumables used	34,162	134,529	-	-
CO2 licenses	98,152	104,970	155,859	142,752
Other	131,558	124,224	2	-
Own work capitalised	-89,913	-203,204	-	-
	1,012,880	1,111,229	430,640	360,684
	8,766,411	7,092,870	1,843,539	1,553,547

On a company basis, Cost of consumed electricity includes costs of 730,536 thousand Euros (31 December 2009: 699,737 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets assigned to concessions				
Revenue from assets assigned to concessions	-392,017	-350,590	-	-
Expenditure with the acquisition of assets assigned to concessions	392,017	350,590	-	-
	-	-	-	-

7. Other operating income

Other operating income is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Supplementary income	23,409	25,181	345	325
Operating government grants	1,909	882	-	-
Gains on fixed assets	4,731	3,297	1,839	781
Reversal of impairment losses:				
- Doubtful debtors	30,401	20,700	-	-
- Debtors and other assets	2,666	831	-	-
Own work capitalised	2,048	4,198	-	-
Customers contributions	25,982	8,201	-	-
Insurance premiums - Energia RE	10,692	11,302	-	-
Income arising from institutional partnerships - EDPR NA	107,005	82,671	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	25,776	17,654	-	-
Turbine availability bonus - EDPR NA	962	12,692	-	-
Remeasurement to fair value of the existing interest in Parque Eólico del Voltoya	3,170	-	-	-
Contract termination indemnity - EDPR NA	15,840	-	-	-
EDPR Poland PPA	15,000	-	-	-
Other operating income	51,298	37,181	10,224	7,347
	320,889	224,790	12,408	8,453

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 37). This liability is depreciated over the period of the agreements against other operating income. As at 31 December 2010, the amortisation for the period amounts to 25,776 thousand Euros (31 December 2009: 17,654 thousand Euros).

Turbine availability bonus - EDPR NA refers to compensation received and predicted in the contracts with turbines suppliers responsible for supply and maintenance of eolic turbines when the measured average availability of turbines in activity is less than 93% in the first six months and/or less than 97% in any of the subsequent periods of six months during the warranty period.

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

In 2010, Customers contributions includes 18,670 thousand 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).

Contract termination indemnity - EDPR NA totalling 15,840 thousand Euros, relates to na indemnity received by the subsidiary Poast Oak Wind LLC (EDPR NA subgroup) due to the early termination of a power purchase agreement held with a customer.



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The caption EDPR Poland PPA totalling 15,000 thousand Euros corresponds to the operating income arising from the Purchase Price Allocation completed during 2010 for the operating assets and liabilities related with the acquisition of the subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO, Farma Wiatrowa Wyszogrod SP ZOO. Following the purchase price allocation a positive difference between the fair value of assets and liabilities acquired and the cost of acquiring these subsidiaries was identified. In accordance with IFRS 3 and the Group's accounting policy, this difference was recognized as operating income for the year.

8. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Subcontracts	4,742	3,753	-	-
Supplies and services:				
Water, electricity and fuel	13,700	11,386	972	928
Tools and office material	7,117	6,597	771	273
Rents and leases	93,892	92,759	36,589	9,804
Communication	40,832	40,156	9,293	1,584
Insurance	41,191	34,174	640	845
Transportation, travelling and representation	28,150	25,031	2,177	1,393
Commission and fees	4,697	4,205	68	105
Maintenance and repairs	289,048	241,202	16,058	2,739
Advertising	26,611	27,403	7,755	6,640
Surveillance and security	11,982	10,304	457	456
Specialised works:				
- Commercial activity	134,219	92,275	-	-
- IT services	45,096	41,013	16,775	1,913
- Legal fees	23,742	18,420	3,662	2,330
- Advisory fees	24,551	25,001	6,464	4,354
- Other services	43,490	63,397	20,877	25,998
Provided personnel	-	-	36,985	34,175
Other supplies and services	29,196	31,126	3,790	5,633
	862,256	768,202	163,333	99,170

9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Board of Directors remuneration	14,514	12,298	5,173	5,281
Employee's remuneration	478,214	441,098	1,516	405
Social charges on remuneration	121,485	112,501	266	227
Indemnities	7,062	7,838	-	-
Performance, assiduity and seniority bonus	77,670	74,725	5,714	9,102
Share-based remuneration plan	2,118	2,062	-	-
Other costs	22,937	21,936	1,128	1,247
Own work capitalised	-148,592	-132,422	-	-
	575,408	540,036	13,797	16,262

The breakdown by management positions and category of professional permanent staff as at 31 December 2010 and 2009 is as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Board members and senior officers	107	87	28	29
Senior management	484	436	-	-
High management	2,389	2,050	-	-
Middle management	646	803	-	-
Intermediate management	782	830	-	-
Highly-skilled and skilled workers	5,890	5,976	1	1
Semi-skilled workers	1,737	1,837	-	-
Temporary workers	61	77	-	-
	12,096	12,096	29	30

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Pension plans costs	72,426	73,751	86	75
Medical plans costs and other benefits	47,453	43,801	135	122
Cost of rationalising human resources	33,164	39,872	-	-
Other	319	929	4	-
	153,362	158,353	225	197

Pension plans costs include 56,705 thousand Euros (31 December 2009: 62,274 thousand Euros) related to defined benefit plans (see note 35) and 15,721 thousand Euros (31 December 2009: 11,477 thousand Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 49,201 thousand Euros (31 December 2009: 49,955 thousand Euros) related to the charge of the year, net of the corresponding charge-off. The cost of rationalising human resources results from 135 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. and EDP Distribuição, S.A. In 2009, the cost of rationalising human resources results from the implementation of PAE Plan (Plan to Adjust the Workforce in Portugal), through which 133 employees opted for early retirement, totalling 34,493 thousand Euros and from the project for restructuring the hierarchy structure of EDP Brasil, with a total cost of 5,379 thousand Euros.

10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Concession rents paid to local authorities	239,286	240,517	-	-
Rents from power generation units	11,251	8,113	-	-
Direct taxes	16,647	13,132	240	271
Indirect taxes	62,800	57,376	812	460
Impairment losses on doubtful debts	83,610	71,327	19	-
Impairment losses on debtors and other assets	2,280	7,369	6	11
Losses on fixed assets	14,724	8,934	69	415
Regulation costs	1,669	5,037	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	-	15,502	-	-
Operating compensations	5,237	857	-	-
Donations	20,918	16,770	8,127	6,876
Other operating costs	62,962	55,630	3,561	9,577
	<u>521,384</u>	<u>500,564</u>	<u>12,834</u>	<u>17,610</u>

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

Return of CO2 licenses (Royal Decree - Law 11/07) in 2009 referred to the amount of the licenses that the Group expected to return to the Spanish Government as a result of Royal Decree - Law 11/07 in force until July 2009, which established that the cost relating to CO2 licenses granted free of charge by the Spanish Government should be deducted from the sector's tariff deficit in that year.

Impairment losses on doubtful debts and debtors and other assets are analysed in notes 24 and 25, respectively.

11. Provisions

Provisions are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Charge for the year	134,145	92,322	7,927	187
Write-back for the year	-30,567	-17,637	-2,509	-
	<u>103,578</u>	<u>74,685</u>	<u>5,418</u>	<u>187</u>

The net movement of provisions (103,578 thousand Euros) includes the charge for the year related to onerous contracts with clients (approximately 85,018 thousand Euros) in Portugal and Spain.



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12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Property, plant and equipment:				
Buildings and other constructions	12,354	10,756	443	469
Plant and machinery:				
Hydroelectricity generation	118,592	134,526	8	8
Thermoelectric generation	274,325	275,957	-	-
Renewable generation	422,524	305,996	-	-
Electricity distribution	54,633	56,728	-	-
Gas distribution	54,160	31,600	-	-
Other plant and machinery	4,043	1,782	15	15
Transport equipment	8,886	10,191	754	687
Office equipment and tools	64,557	52,341	9,405	4,335
Other	3,372	3,023	1,421	1,413
Impairment loss	-	416	-	-
	<u>1,017,446</u>	<u>883,316</u>	<u>12,046</u>	<u>6,927</u>
Intangible assets:				
Industrial property and other rights	5,788	15,753	8	8
Concession rights amortisation and impairment	92,062	125,007	-	-
Intangible assets related to concessions - IFRIC 12	<u>353,706</u>	<u>309,977</u>	<u>-</u>	<u>-</u>
	<u>451,556</u>	<u>450,737</u>	<u>8</u>	<u>8</u>
	<u>1,469,002</u>	<u>1,334,053</u>	<u>12,054</u>	<u>6,935</u>
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	<u>-22,279</u>	<u>-15,531</u>	<u>-</u>	<u>-</u>
	<u>1,446,723</u>	<u>1,318,522</u>	<u>12,054</u>	<u>6,935</u>

In 2009, Concession rights amortisation and impairment included 44,219 thousand Euros related to the accelerated amortisation/impairment of the concession rights of EDP Energias do Brasil, under the treasury stock sale performed by this company (see note 13).

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

Following the adoption of the interpretation IFRIC 12, the depreciation of tangible fixed assets under concessions and the corresponding subsidies have been reclassified to the caption Intangible assets related to concessions - IFRIC 12. As at 31 December 2010 the referred reclassification amounts to 458,637 thousand Euros (31 December 2009: 405,635 thousand Euros) and 104,578 thousand Euros (31 December 2009: 95,484 thousand Euros), respectively.

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

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

	Dec 2010		Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Banco Comercial Português, S.A.	-	-	0.60%	5,355
Sonae com, S.A.	-	-	7.96%	28,920
Other	-	1,073	-	-
Held for sale assets:				
ESC90 - Telecomunicações, Lda.	-	-	48.51%	19,141
Investments in subsidiaries and associates:				
Ambitec Laboratorio Medioambiental, S.A.	-	-	100.00%	-150
Central Térmica Ciclo Combinado Soto 4	-	-	25.00%	12,899
Ibersol E. Solar Ibérica, S.A.	-	-	50.00%	268
Proenercam	-	-	50.00%	60
Cogeneration La Espina, S.L	-	-	50.00%	367
EDP Brasil Treasury stock	-	-	7.03%	-6,979
Oni SGPS, S.A.	-	6,942	-	-
Distribuição Eléctrica Centroamericana Dos (II), S.A. (DECA II)	21.00%	56,965	-	-
Naturgas	0.92%	-2,831	-	-
Tecman, S.L.	100.00%	-846	-	-
Other	-	-482	-	-178
		<u>60,821</u>		<u>59,703</u>

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

	Dec 2010		Dec 2009	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
Available for sale investments:				
Pirites Alentejanas, S.A. *	-	-	-	-10
Investments in subsidiaries and associates:				
Oni SGPS, S.A.	-	6,942		-
Distribucion Eléctrica Centroamericana Dos (II), S.A. (DECA II)	21.00%	45,782	-	-
		<u>52,724</u>		<u>-10</u>

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

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

On 21 October 2010 EDP, S.A., and the remaining shareholders, signed a sale and purchase agreement with Empresas Públicas de Medellín in order to sell its share of 21% of the voting rights of Distribucion Eléctrica Centro Americana Dos (II), S.A. (DECA II), in accordance with its other shareholders: Iberdrola and TECO by 91,180 thousand Euros. Following this transaction, EDP, S.A. recognised a gain on sale in the company and consolidated accounts of 45,782 thousand Euros and 56,965 thousand Euros, respectively.

On 28 July 2010, Ente Vasco de la Energia and HC Energia signed an agreement for the partial exercise, 29.43%, of the put option held by Ente Vasco de la Energia over Naturgás share capital. Considering that the original put option was for 30.35% of Naturgás share capital, the EDP Group recognised in 2010 the remaining 0.92% as a sale of minority interests, generating a loss on a consolidated basis of 2,831 thousand Euros.

In 2009, EDP sold 28,167,603 shares of BCP, for 22,706 thousand Euros, which were booked by 17,351 thousand Euros, net of impairment losses, generating a gain on a consolidated basis of 5,355 thousand Euros.

In 2009, EDP sold 29,150,000 shares of Sonaecom, S.A., for 57,866 thousand Euros, which were booked by 28,946 thousand Euros, net of impairment losses, generating a gain on a consolidated basis of 28,920 thousand Euros.

In November 2009 it was concluded a secondary public offer distribution of ordinary shares which consists in own shares of EDP - Energias do Brasil, S.A. The offer was composed by 15.5 million shares (including greenshoe) corresponding to 9.76% of total share capital. EDP reduced its participation percentage by 7.03% (from 71.95% to 64.91%). This operation generated for EDP Group, a loss of 6,979 thousand Euros by dilution, recognised in the income statement, according to the accounting policy described in paragraph 2 b).

On 30 June 2009 the Group sold its investment in ESC 90 Telecomunicações Ltda. ("ESC 90"), representing 48.51% of the respective share capital, to Net Serviços de Comunicação S.A. as agreed on the Sales and Purchase Private Agreement celebrated on August 2008. This operation generated a gain of 19,141 thousand Euros.

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

14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Other financial income				
Interest income from investments	57,804	70,139	291,268	353,022
Interest from derivative financial instruments	149,480	182,941	57,926	200,944
Derivative financial instruments	293,696	445,646	542,210	671,023
Other interest income	87,708	46,089	5,918	-
Income from equity investments	16,159	24,954	713,321	608,697
Foreign exchange gains	92,284	80,449	15,537	268,825
CMEC	83,729	91,693	-	-
Interest Income - Tariff adjustment and tariff deficit	13,575	76,627	-	-
Reversal of impairment losses of equity investments	-	-	-	57,190
Other financial income	<u>26,308</u>	<u>17,836</u>	<u>2,456</u>	<u>2,819</u>
	<u>820,743</u>	<u>1,036,374</u>	<u>1,628,636</u>	<u>2,162,520</u>

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	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Other financial expenses				
Interest expense from financial debt	687,156	666,280	312,849	377,456
Capitalised interest expense from financial debt	-168,651	-150,387	-	-
Interest from derivative financial instruments	93,220	127,562	24,729	160,494
Derivative financial instruments	338,849	498,564	401,870	723,025
Other interest expense	8,271	12,076	4,447	12,724
Impairment of available for sale financial assets	4,207	29,289	-	-
Banking services	15,084	10,881	4,250	2,657
Foreign exchange losses	96,875	73,321	167,567	244,481
CMEC	20,274	25,696	-	-
Impairment of financial investments and equity investments	-	-	29,339	42,550
Unwinding	118,562	113,059	-	-
Interest Expenses - Tariff adjustment	25,734	17,241	-	-
Cost of the securitization of the tariff deficit	-	35,718	-	-
Other financial expenses	66,129	63,783	2,355	10,723
	<u>1,305,710</u>	<u>1,523,083</u>	<u>947,406</u>	<u>1,574,110</u>
Financial income / (expenses)	<u>-484,967</u>	<u>-486,709</u>	<u>681,230</u>	<u>588,410</u>

The caption Other financial Income - CMEC totalling 83,729 thousand Euros includes 21,099 thousand Euros related to interest of the initial CMEC included in the annuity for 2010 and 59,283 thousand Euros related to the financial effect considered in the calculation of the initial CMEC, and 3,347 thousand Euros relating to the financial component of revisable mechanism of CMEC for 2010. Other financial expenses - CMEC, in the amount of 20,274 thousand Euros, is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 37).

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

In 2010, Impairment of available for sale financial assets, on a consolidated basis, totalling 4,207 thousand Euros, refers essentially to the recognition in the income statement of impairment losses in the investment held in BCP as a result of the depreciation on the market share price of this investment (31 December 2009: 29,274 thousand Euros).

Impairment of financial investments and equity investments, on a company basis, in 2010 include a provision booked against financial expenses as a result of losses on its subsidiaries EDP Imobiliária e Participações, S.A. (28,109 thousand Euros) and EDP Inovação, S.A. (1,230 thousand Euros). In 2009, this caption include a provision of the same nature on its subsidiaries EDP Imobiliária e Participações, S.A. and EDP Investimentos of 41,891 thousand Euros and 659 thousand Euros, respectively.

The Unwinding expenses refer essentially to, (i) the unwinding of the dismantling provision for wind farms of 2,872 thousand Euros (3,134 thousand Euros in 2009), (ii) the unwinding related to the put option of EDP Renewables Itália of 1,889 thousand Euros, (iii) the unwinding related to the put option of Naturgás of 10,830 thousand Euros (16,100 thousand Euros in 2009), (iv) the implied financial return in institutional partnership in US wind farms which amounted to 64,830 thousand Euros (54,147 thousand Euros in 2009) and (v) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 11,551 thousand Euros (11,518 thousand Euros in 2009), 2,828 thousand Euros (2,444 thousand Euros in 2009) and 13,480 thousand Euros (3,075 thousand Euros in 2009), respectively. During 2009, this caption includes 8,620 thousand Euros related with the unwinding of the liability related with Genesa's put option.

Income from equity investments is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Group companies	-	-	696,458	590,621
Associated companies				
DECA - Distribución Eléctrica Centroamericana, S.A.	-	-	9,322	3,965
Other companies				
Ampla Energia e Serviços, S.A.	381	2,119	381	2,119
Ampla Investimentos e Serviços, S.A.	4,039	8,908	4,039	8,908
EDA - Electricidade dos Açores, S.A.	350	315	-	-
Banco Comercial Português, S.A.	2,347	2,579	-	-
Tejo Energia, S.A.	5,556	7,556	-	-
REN - Redes Energéticas Nacionais, S.A.	3,121	3,084	3,121	3,084
Other	365	393	-	-
	<u>16,159</u>	<u>24,954</u>	<u>713,321</u>	<u>608,697</u>

15. Income tax

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

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

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 2010 was already calculated based on the taxable profit of the group, which results in a decrease of the current income tax of 12,700 thousand Euros, when compared with the previous calculation.

For the amounts paid related with 2007, 2008 and 2009 municipal surcharge, in the amount of 18,600 thousand Euros, the Group will take the necessary steps, as prescribed by Law, to recover these amounts.

Income tax expense is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Current tax	-186,304	-531,037	20,110	26,031
Deferred tax	-240,928	131,272	6,354	-54,519
	-427,232	-399,765	26,464	-28,488

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

	Dec 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,661,833	440,386
Tax losses and tax credits	-0.1%	-4,551	-1,206
Dividends	1.1%	71,449	18,934
Tax benefits	-0.9%	-58,049	-15,383
Non deductible provisions and amortisations for tax purposes	-1.3%	-79,064	-20,952
Fair value of financial instruments and financial investments	0.1%	8,849	2,345
Financial investments in associates and subsidiaries	-0.4%	-26,528	-7,030
Autonomous taxation and tax benefits	0.0%	1,034	274
Change in tax rate	-0.9%	-56,683	-15,021
State surcharge	1.4%	84,509	22,395
Other adjustments and changes in estimates	0.2%	9,396	2,490
Effective tax rate and total income tax	25.7%	1,612,195	427,232

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

The impact of this change in the tax rate was considered in the computation of current and deferred income tax for the year ended at 31 December 2010, as disclosed under Change in tax rate (deferred tax) and State surcharge (current tax).

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

	Dec 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,567,712	415,444
Tax losses and tax credits	0.8%	50,355	13,344
Dividends	0.9%	53,894	14,282
Tax benefits	-3.5%	-206,800	-54,802
Non deductible provisions and amortisations for tax purposes	-1.0%	-57,294	-15,183
Fair value of financial instruments and financial investments	2.0%	115,823	30,693
Financial investments in associates and subsidiaries	-0.5%	-29,540	-7,828
Autonomous taxation and tax benefits	0.1%	4,506	1,194
Difference between tax and accounting gains/losses	-0.4%	-26,004	-6,891
Other adjustments and changes in estimates	0.6%	35,894	9,512
Effective tax rate and total income tax	25.5%	1,508,546	399,765

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

	Dec 2010		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	698,672	185,148
Non deductible provisions and amortisations for tax purposes	1.1%	27,883	7,389
Tax losses and tax credits	-5.2%	-136,883	-36,274
Difference between tax and accounting gains/losses	-0.9%	-23,758	-6,296
Dividends	-25.2%	-662,830	-175,650
Autonomous taxation and tax benefits	0.0%	-1,045	-277
Change in tax rate	0.6%	14,777	3,916
State surcharge	0.2%	6,192	1,641
Other adjustments and changes in estimates	-0.9%	-22,872	-6,061
Effective tax rate and total income tax	-3.8%	-99,864	-26,464

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

	Dec 2009		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	658,509	174,505
Non deductible provisions and amortisations for tax purposes	0.1%	1,475	391
Tax losses and tax credits	-2.0%	-49,770	-13,189
Difference between tax and accounting gains/losses	-0.1%	-2,966	-786
Dividends	-22.2%	-552,336	-146,369
Autonomous taxation and tax benefits	-0.4%	-8,479	-2,247
Unrecognised deferred tax assets related to temporary differences	0.2%	4,438	1,176
Fair value of financial instruments and financial investments	-0.6%	-14,642	-3,880
Other adjustments and changes in estimates	2.8%	71,272	18,887
Effective tax rate and total income tax	4.3%	107,501	28,488

16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Land and natural resources	163,184	149,633	46,498	46,502
Buildings and other constructions	502,184	473,599	24,569	25,252
Plant and machinery:				
Hydroelectric generation	7,805,470	7,720,225	254	254
Thermoelectric generation	7,571,906	7,161,919	-	-
Renewable generation	9,531,048	7,346,192	-	-
Electricity distribution	1,985,616	1,921,172	-	-
Gas distribution	1,268,116	1,216,821	-	-
Other plant and machinery	39,065	30,139	148	148
Transport equipment	73,793	88,356	4,051	3,788
Office equipment and tools	610,443	600,790	103,915	98,114
Other	121,428	115,131	14,312	14,246
Assets under construction	3,210,711	3,278,539	82,951	36,056
	32,882,964	30,102,516	276,698	224,360
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,017,446	-882,900	-12,046	-6,927
Accumulated depreciation in previous years	-11,535,836	-10,769,930	-99,547	-93,871
Impairment reversal losses for the year	-	-416	-	-
Impairment losses in previous years	-6,099	-14,464	-	-
	-12,559,381	-11,667,710	-111,593	-100,798
Carrying amount	20,323,583	18,434,806	165,105	123,562

As referred under accounting policies - note 2b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gás Natural Cantabria S.A., Gás Natural Murcia, S.A. and Gas Natural Servicios Comunes, S.L. in 2009, determined an increase of the fair value of Property, plant and equipment of 4,041 thousand Euros, decrease of 3,226 thousand Euros, increase of 19,537 thousand Euros and 4,906 thousand Euros, respectively, with reference to 31 December 2009.

The movements in **Property, plant and equipment, for the Group**, for the year ended 31 December 2010 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions/ Increases Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	149,633	5,564	-194	-306	8,852	-365	163,184
Buildings and other constructions	473,599	2,994	-6,794	-3,742	41,719	-5,592	502,184
Plant and machinery	25,396,468	21,041	-93,135	2,273,969	493,388	109,490	28,201,221
Transport equipment	88,356	10,441	-9,575	-18,082	2,628	25	73,793
Office equipment and tools	600,790	16,223	-27,436	17,850	3,393	-377	610,443
Other	115,131	5,508	-1,558	29,705	293	-27,651	121,428
Assets under construction	3,278,539	2,331,788	-2,564	-2,453,161	81,555	-25,446	3,210,711
	30,102,516	2,393,559	-141,256	-153,767	631,828	50,084	32,882,964

	Balance at 1 January Euro'000	Charge and Impairment loss for the year Euro'000	Transfers Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	12,354	-4,094	-4,211	7,477	-2,964	144,266
Plant and machinery	10,962,464	928,277	-62,307	-93,146	48,576	34,329	11,818,193
Transport equipment	59,074	8,886	-12,461	-8,506	2,385	46	49,424
Office equipment and tools	441,004	64,557	-5,547	-27,299	2,871	-5,069	470,517
Other	69,464	3,372	-	-7,522	54	11,613	76,981
	<u>11,667,710</u>	<u>1,017,446</u>	<u>-84,409</u>	<u>-140,684</u>	<u>61,363</u>	<u>37,955</u>	<u>12,559,381</u>

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

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2010. Additionally, the EDP Brasil subgroup carried out investments related to the construction of the new coal thermoelectric generation center (Porto de Pecém). In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Transfers include 61,184 thousand Euros of cost of acquisition and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, which were classified as non-current assets held for sale (see note 39). Additionally, this caption includes the effect of the changes in the application of IFRIC 12 in Brazil. These changes follow the clarifications provided by the Agência Nacional de Energia Elétrica (ANEEL) regarding the criteria to determine assets allocated to concessions.

Transfers from assets under construction into operation in 2010, refer mainly to wind farms of EDP Renováveis that became operational.

Perimeter Variations / Regularisation includes the effect of the acquisitions made by EDP Renováveis Group in 2010, namely EDP Renewables Italia, and Repano Wind, and also the integration of the assets (and liabilities) of the subsidiary Parque Eólico Altos de Voltoya, which has been consolidated under the full consolidation method, following the acquisition of an additional 12% interest.

The movement in Exchange differences in the period results mainly from the appreciation of the Brazilian Real (BRL) and the American Dollar (USD) against the Euro, for the year ended 31 December 2010.

The movements in **Property, plant and equipment, for the Group**, for the year ended 31 December 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Land and natural resources	129,936	1,926	-93	2,422	14,161	1,281	149,633
Buildings and other constructions	394,513	2,855	-1,400	8,448	69,892	-709	473,599
Plant and machinery	21,810,979	166,183	-21,065	2,470,615	192,278	777,478	25,396,468
Transport equipment	78,078	13,856	-11,825	2,321	5,840	86	88,356
Office equipment and tools	521,145	20,411	-146	48,424	4,777	6,179	600,790
Other	92,456	888	-19,991	1,880	-29	39,927	115,131
Assets under construction	3,505,873	2,695,229	-11,844	-2,534,110	64,608	-441,217	3,278,539
	<u>26,532,980</u>	<u>2,901,348</u>	<u>-66,364</u>	<u>-</u>	<u>351,527</u>	<u>383,025</u>	<u>30,102,516</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 December Euro'000
Accumulated depreciation and impairment losses:							
Buildings and other constructions	112,915	10,756	-	-1,472	11,516	1,989	135,704
Plant and machinery	10,034,822	806,589	416	-16,427	35,356	101,708	10,962,464
Transport equipment	54,743	10,191	-	-11,062	4,964	238	59,074
Office equipment and tools	387,109	52,341	-	-94	4,845	-3,197	441,004
Other	53,324	3,023	-	-7,305	-29	20,451	69,464
	<u>10,642,913</u>	<u>882,900</u>	<u>416</u>	<u>-36,360</u>	<u>56,652</u>	<u>121,189</u>	<u>11,667,710</u>

Acquisitions include the investment in wind farms by the subgroups EDPR EU, in Europe, and EDPR NA, in the United States during 2009. Additionally, the Hidrocontábrico subgroup carried out investments related to the construction of the new CCGT Soto 5, as well as in new gas and electricity networks. In Portugal subgroup, in the energy distribution activity, investments were made in the electricity distribution network. In the Portuguese generation activity, the Group is carrying out hydroelectric investments on the construction of the new Baixo Sabor power station and on the power enhancement projects of Picote and Bemposta.

Transfers from assets under construction into operation in 2009, refer mainly to wind farms of EDP Renováveis that became operational and to the conclusion of the construction of CCGT Lares by the Portuguese Generation subgroup.

The Perimeter Variations/Regularisations include, among others, the effect of the 2009 acquisitions, by the EDPR EU subgroup, namely Mardelle, Quinze Mines, Vallé du Moulin, Renovatio Power and Aprofitament D'Energies Renovables de la Terra Alta, by the Naturgás subgroup, such as Gas Natural Cantabria, Gas Natural Murcia, GEM Suministro Gas, GEM Suministro Sur and GEM Suministro Servicios Comunes. This caption also includes 35,756 thousand Euros related with the effect of the Purchase Price Allocation for the companies acquired in 2009 namely, Elektrownia Wiatrowa Kresy, Bon Vent de L'Ebre, CENAEEL and Elebrás, subsidiaries of the EDP Renováveis Group.

The movement in Exchange differences for the period is essentially due to the appreciation of the Brazilian Real (BRL) against the Euro and the depreciation of the American Dollar (USD) against the Euro for the year ended 31 December 2009.

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As at 31 December 2010, Property, plant and equipment financed through lease contracts for the Group, amounts to 13,103 thousand Euros (12,133 thousand Euros at 31 December 2009), with accumulated depreciation of 4,186 thousand Euros (4,678 thousand Euros at 31 December 2009) and, the respective future lease payments amount to 7,572 thousand Euros (5,861 thousand Euros at 31 December 2009).

	Dec 2010			Dec 2009		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	2,857	146	3,003	2,325	97	2,422
Between one and three years	3,859	147	4,006	3,059	93	3,152
Between three and five years	548	15	563	279	8	287
	7,264	308	7,572	5,663	198	5,861

During 2010, the costs incurred with these assets amounted to 562 thousand Euros (31 December 2009: 607 thousand Euros) and are booked in the income statement under Maintenance and repairs.

The movements in **Property, plant and equipment, for the Company**, for the year ended 31 December 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 December Euro'000
Cost:						
Land and natural resources	46,502	-	-4	-	-	46,498
Buildings and other constructions	25,252	391	-1,887	-	813	24,569
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,788	754	-491	-	-	4,051
Office equipment and tools	98,114	6,476	-	164	-839	103,915
Other	14,246	-	-	66	-	14,312
Assets under construction	36,056	47,125	-	-230	-	82,951
	224,360	54,746	-2,382	-	-26	276,698
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	443	-	-1,597	813	17,394
Plant and machinery	122	23	-	-	-	145
Transport equipment	1,483	754	-	-393	-	1,844
Office equipment and tools	72,757	9,405	-	-	-74	82,088
Other	8,701	1,421	-	-	-	10,122
	100,798	12,046	-	-1,990	739	111,593

The movements in **Property, plant and equipment, for the Company**, for the year ended 2009 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost:						
Land and natural resources	46,502	-	-	-	-	46,502
Buildings and other constructions	25,648	-	-1,222	-	826	25,252
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,262	1,358	-832	-	-	3,788
Office equipment and tools	85,001	5,991	-	7,054	68	98,114
Other	14,246	-	-	-	-	14,246
Assets under construction	26,834	16,276	-	-7,054	-	36,056
	201,895	23,625	-2,054	-	894	224,360
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,647	469	-1,207	-	826	17,735
Plant and machinery	99	23	-	-	-	122
Transport equipment	1,469	687	-673	-	-	1,483
Office equipment and tools	68,354	4,335	-	-	68	72,757
Other	7,288	1,413	-	-	-	8,701
	94,857	6,927	-1,880	-	894	100,798

As at 31 December 2010 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,393 thousand Euros (3,177 thousand Euros at 31 December 2009), with accumulated depreciation of 1,318 thousand Euros (1,055 thousand Euros at 31 December 2009) and the respective future lease payments amount to 1,644 thousand Euros (1,751 thousand Euros at 31 December 2009). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2010			Dec 2009		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	717	28	745	674	26	700
Between one and three years	816	25	841	949	25	974
Between three and five years	56	2	58	75	2	77
	<u>1,589</u>	<u>55</u>	<u>1,644</u>	<u>1,698</u>	<u>53</u>	<u>1,751</u>

During 2010, the costs incurred related to these assets amount to 155 thousand Euros (130 thousand Euros at 31 December 2009) and are booked under Maintenance and repairs in the income statement.

17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cost:				
Industrial property, other rights and other intangibles	93,411	212,112	100	100
Concession rights	15,032,831	14,126,916	-	-
CO2 licenses	212,230	287,989	-	-
Intangible assets in progress	597,396	566,909	-	-
	<u>15,935,868</u>	<u>15,193,926</u>	<u>100</u>	<u>100</u>
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-445,768	-434,984	-	-
Amortisation of industrial property and other intangibles during the period	-5,788	-15,753	-8	-8
Accumulated amortisation in previous years	-8,870,173	-8,253,140	-68	-59
	<u>-9,321,729</u>	<u>-8,703,877</u>	<u>-76</u>	<u>-67</u>
Carrying amount	<u>6,614,139</u>	<u>6,490,049</u>	<u>24</u>	<u>33</u>

As referred under accounting policies - note 2 b) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Gas Natural Cantabria S.A., GEM Suministro,S.L. and GEM Suministro Sur, S.L., in 2009, determined an increase of the fair value of Intangible assets of 21,529 thousand Euros and 1,013 thousand Euros, respectively, with reference to 31 December 2009.

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

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

The movements in **Intangible assets** during 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 December Euro'000
Cost:							
Industrial property, other rights and other intangibles assets	212,112	3,235	-448	-135,925	11,841	2,596	93,411
Concession rights							
Concession rights - Brazil	1,190,694	-	-	-	63,727	-	1,254,421
Concession rights - Gas	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	411,437	43,924	-	-	-	14,867	470,228
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	218,001	-293,760	-	-	-	212,230
Intangible assets assigned to concessions	11,525,486	62,296	-31,348	470,825	281,624	-	12,308,883
Intangible assets assigned to concessions - in progress	254,238	329,721	-121	-337,842	11,302	-	257,298
Intangible assets not assigned to concessions - in progress	312,671	33,940	-4,010	-2,289	233	-447	340,098
	<u>15,193,926</u>	<u>691,117</u>	<u>-329,687</u>	<u>-5,231</u>	<u>368,727</u>	<u>17,016</u>	<u>15,935,868</u>

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	Balance at 1 January Euro'000	Charge for the Year Euro'000	Transfers Euro'000	Disposals/ Write-offs Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation and impairment losses:							
Industrial property and other rights	88,729	5,788	-73,692	-305	5,680	-571	25,629
Concession rights	496,217	92,062	-	-	9,001	-	597,280
Intangible assets assigned to concessions	8,118,931	353,706	127,869	-14,812	113,126	-	8,698,820
	<u>8,703,877</u>	<u>451,556</u>	<u>54,177</u>	<u>-15,117</u>	<u>127,807</u>	<u>-571</u>	<u>9,321,729</u>

Transfers includes 97,814 thousand Euros that corresponds to the movement of the financial asset related with IFRIC 12 and also the impact of the change in the IFRIC 12 scope application in Brazil, which originated a transfer from tangible assets to this caption of 92,583 thousand Euros.

Acquisitions of CO2 Licenses as at 31 December 2010 includes 209,978 thousand Euros (31 December 2009: 234,817 thousands Euros) of CO2 licenses granted free of charge to the EDP Group plants operating in Portugal and in Spain. The market for CO2 licenses is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licenses correspond to CO2 licenses consumed during 2009 and delivered to regulatory authorities in the amount of 247,399 thousand Euros (31 December 2009: 366,115 thousand Euros) and 46,361 thousand Euros sold at market.

In the caption Use rights Alqueva/Pedrogão, acquisitions of 43,924 thousand Euros (31 December 2009: 43,612 thousand Euros) relate to the power enhancement performed during the year. The movement in Perimeter variations/Regularisations of 14,867 thousand Euros (31 December 2009: 9,635 thousand Euros) relates to the update of the discount rate used in the calculation of the use rights to 6.66% (31 December 2009: 7.56%).

The movements in **Intangible assets** during 2009, for the Group, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
Cost:							
Industrial property, other rights and other intangibles	145,427	302	-6,855	49,014	27,694	-3,470	212,112
Concession rights							
Concession rights - Brazil	1,082,498	-	-	-	109,079	-883	1,190,694
Concession rights - Gas	152,232	-	-	-	-	-13,878	138,354
Use rights Alqueva/Pedrogão	377,460	43,612	-	-	-	-9,635	411,437
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	385,096	243,091	-366,115	25,917	-	-	287,989
Intangible assets assigned to concessions	10,792,886	-	-20,267	296,530	456,337	-	11,525,486
Intangible assets assigned to concessions - in progress	256,989	350,590	-	-393,367	40,026	-	254,238
Intangible assets not assigned to concessions - in progress	75,880	280,372	-	-49,014	2,737	2,696	312,671
	<u>14,129,413</u>	<u>917,967</u>	<u>-393,237</u>	<u>-70,920</u>	<u>635,873</u>	<u>-25,170</u>	<u>15,193,926</u>

	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 December Euro'000
Accumulated amortisation and impairment losses:								
Industrial property and other rights	64,953	15,753	-	-7,049	-	14,809	263	88,729
Concession rights	365,793	80,788	44,219	-	-	11,053	-5,636	496,217
Intangible assets assigned to concessions	7,548,201	309,977	-	-9,922	-	270,675	-	8,118,931
	<u>7,978,947</u>	<u>406,518</u>	<u>44,219</u>	<u>-16,971</u>	<u>-</u>	<u>296,537</u>	<u>-5,373</u>	<u>8,703,877</u>

In accordance with IFRS 3 - Business combinations, the adjustments resulting from the conclusion of the purchase price allocation performed during 2009 for the goodwill of Ródão Power, Investco and Rede Lajeado resulted in a restatement of the comparative financial information which implied a decrease of 12,252 thousand Euros and an increase of 10,827 thousand Euros regarding Concession rights - Brazil and Other concession rights, respectively. The caption Accumulated amortisation and impairment losses - Concession rights was also restated with a decrease of 401 thousand Euros.

Accelerated depreciation / Impairment include the impairment booked through the dilution effect which resulted from the liquidation of EDP Energias do Brasil treasury stock of 44,219 thousand Euros, in accordance with Accounting policy — note 2 b).

Acquisitions of intangible assets in progress include 231,700 thousand Euros related to the concession for the use of the public hydric domain for the generation of hydroelectric energy and for the conception, construction, operation and maintenance in the Ocreza and Tâmega rivers, for a period of 65 years starting from the operation, of the hydroelectric power plants of Alvito and Fridão.

In the caption Acquisitions of CO2 Licenses, transfers totalling 25,917 thousand Euros, relate to CO2 licenses transferred from Inventories to Intangible assets, as a result of allocation of licenses initially held for trading by the Hidroantábrico Group, in order to cover the need for CO2 licenses arising from consumptions ("own use").

The movements in **Intangible assets in 2010**, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:						
Industrial property and other rights	67	8	-	-	1	76
	67	8	-	-	1	76

The movements in **Intangible assets in 2009**, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Accumulated amortisation:						
Industrial property and other rights	59	8	-	-	-	67
	59	8	-	-	-	67

18. Goodwill

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Electric business:		
Hidrocentrálbrico Group	952,387	969,050
EDPR EU Group	748,680	766,599
EDPR NA Group	592,915	550,868
Brazil Group	58,991	56,762
EDP Renováveis Brazil Group	1,699	1,501
Other (Portugal Group)	38,418	35,312
	2,393,090	2,380,092
Gas Distribution business:		
Naturgás Group	956,089	756,474
	3,349,179	3,136,566

During 2010, EDP Group performed the final allocation of the acquisition cost to the acquired assets, liabilities and contingent liabilities (PPA) of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Murcia Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. According to IFRS 3, any adjustment of the fair value of assets, liabilities and contingent liabilities that occurred in the subsequent period of 12 months, should be adjusted to the purchase date. As a consequence, the Group restated the goodwill value of EDPR Renewables Europe Group, as at 31 December 2009, in the amount of 1,324 thousand Euros (increase) and 24,590 thousands Euros (decrease) for the goodwill value of Naturgás group.

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The movements in **Goodwill** during the year ended 31 December 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 December Euro'000
Electric business:							
Hidrocontábrico Group	969,050	-	-16,663	-	-	-	952,387
EDPR EU Group	766,599	58,234	-72,170	-	-3,983	-	748,680
EDPR NA Group	550,868	-	-	-	42,047	-	592,915
Brazil Group	56,762	-	-	-	2,229	-	58,991
EDP Renováveis Brazil Group	1,501	-	-	-	198	-	1,699
Other (Portugal Group)	35,312	3,130	-24	-	-	-	38,418
	2,380,092	61,364	-88,857	-	40,491	-	2,393,090
Gas Distribution business:							
Naturgás Group	756,474	201,799	-2,184	-	-	-	956,089
	3,136,566	263,163	-91,041	-	40,491	-	3,349,179

The movements in **Goodwill** during the year ended 31 December 2009, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
Electric business:							
Hidrocontábrico Group	954,196	14,854	-	-	-	-	969,050
EDPR EU Group	735,229	39,383	-8,013	-	-	-	766,599
EDPR NA Group	569,777	-	-	-	-18,909	-	550,868
Brazil Group	57,288	-	-	-4,328	3,802	-	56,762
EDP Renováveis Brazil Group	-	1,225	-	-	276	-	1,501
Other (Portugal Group)	34,137	1,175	-	-	-	-	35,312
	2,350,627	56,637	-8,013	-4,328	-14,831	-	2,380,092
Gas Distribution business							
Naturgás Group	754,352	33,321	-31,199	-	-	-	756,474
	3,104,979	89,958	-39,212	-4,328	-14,831	-	3,136,566

Hidrocontabrico Group

During 2010, the goodwill from Hidrocontabrico Group decreased by 16,663 thousand Euros (31 December 2009: increase of 14,854 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renewables Europe Group

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

	EDP Renewables Europe Group	
	Dec 2010	Dec 2009
	Euro'000	Euro'000
Genesa subgroup	408,554	477,522
Ceasa subgroup	117,637	117,513
EDPR Poland	23,266	25,410
Neo Galia subgroup	79,958	83,160
Romania subgroup	9,421	10,931
Neo Catalunya subgroup	7,013	7,013
EDPR Portugal subgroup	41,876	41,876
Italia subgroup	57,781	-
Other	3,174	3,174
	748,680	766,599

Genesa subgroup

The decrease in Genesa subgroup goodwill is related with the revaluation (in proportion of 20% of full equity valuation) of the put option of Caja Madrid over Genesa amounting to 68,968 thousand Euros (31 December 2009: increase of 36,139 thousand Euros).

In 2010, EDP Group increase its interest in share capital of Parque Eólico Altos del Voltoya, S.A. from 49% to 61% (see note 5) and concluded the purchase price allocation that led to the recognition of an operating income of 3,170 thousand Euros (see note 7).

Ceasa Subgroup

In 2010, the increase in Ceasa Group is related with an adjustment to the contingent price (124 thousand Euros) of Aprofitement D'Energies Renovables de la Terra Alta, S.A.

EDPR Poland subgroup

In 2010, the reduction of EDPR Polska subgroup goodwill (2,144 thousand Euros) results from the negative effect of exchange differences PLN/EUR (2,473 thousand Euros), which was compensated with the increase related with the acquisition of the 100% of share capital of Karpacka Mala Energetyka SP ZOO (329 thousand Euros). During 2010, the subgroup EDPR Poland acquired 100% of share capital of subsidiaries Farma Wiatrowa Bodzanow SP ZOO, Farma Wiatrowa Starozreby SP ZOO and Farma Wiatrowa Wyszogrod SP ZOO and carried out the final PPA, that led to a recognition of an operating income of 15,000 thousand Euros, booked against operating income.

Neo Galia subgroup

The decrease in Neo Galia subgroup goodwill results from the reduction of the success fees payable estimation for the acquisition of the company EOLE 76 (3,202 thousand Euros).

Romania subgroup

In 2010, the reduction of goodwill of Romania subgroup (1,510 thousand Euros) results of the effect of exchange differences EUR/LEI.

EDPR Italy group

In 2010, EDP Group acquired, through its subsidiary EDP Renewables Europe (EDPR EU), 85% of the share capital of EDP Renewables Italy, S.r.l. Additionally, EDPR EU has a call option and Energia in Natura, S.r.l. has a put option over the remaining 15% of the company's share capital (see note 41). As a consequence, as at 31 December 2010, the EDP Group has consolidated 100% of EDP Renewables Italy, S.r.l., considering the put option as an anticipated acquisition of minority interests.

The goodwill of EDPR Italia subgroup (57,781 thousand Euros) results from the acquisition of the companies Italian Wind, S.r.l. (42,444 thousand Euros after the conclusion of the purchase price allocation), Repano, S.r.l. (46 thousand Euros) and Re Plus, S.r.l. (142 thousand Euros) and from the goodwill included in the financial statements of Italian Wind, S.r.l. (15,149 thousand Euros).

EDPR NA Group

Goodwill arising from the acquisition of the EDPR NA Group was determinated in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 592,915 thousand Euros as at 31 December 2010 (31 December 2009: 550,868 thousand Euros), including transaction costs of 12,723 thousand Euros. The increase in this caption is related with the effect of exchange differences EUR/USD, which amounts to 42,047 thousand Euros (31 December 2009: decrease of 18,909 thousand Euros).

Brazil Group

The increase in Brazil Group goodwill of 2,229 thousand Euros results from the revaluation of the Brazilian Real against the Euro.

EDP Renováveis Brazil Group

The increase in EDP Renováveis Brazil Group goodwill of 198 thousand Euros results from the revaluation of the Brazilian Real against the Euro.

Other (Portugal group)

The variation of goodwill of the caption Other (Portugal Group) results essentially from the acquisition of an additional interest of 42% of the share capital of the company Greenvouga - Sociedade Gestora do Aproveitamento Hidroelétrico de Ribeiradio-Ermida, S.A. (2,626 thousand Euros) and from an anticipated acquisition of minority interests of the remaining 3% held by Martifer, as a result of the existence of a written put option held by this entity over EDP - Gestão da Produção, S.A. Additionally, it includes the effect of the acquisitions of 40% of Arquiled-Projetos de Iluminação, S.A. which generated a goodwill of 504 thousand Euros.

Naturgas Group

During 2010, the Naturgas goodwill increased 201,799 thousand Euros as a result of the revaluation of the liability related with the acquisition by Ente Vasco de la Energia (see note 37) of 29.43% of Naturgas Energia share capital.

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

In 2009, the Naturgas Group acquired the companies Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. In 2010, the purchase price allocation related with these acquisitions was concluded , with the following impacts with reference to the date of acquisition:

	Book Value	PPA	Assets and liabilities at fair value
Property, plant and equipment	177.664	24.443	202.107
Other assets	41.657	23.495	65.152
Total Assets	219.321	47.938	267.259
Minority interests	3.831	-3.818	13
Deferred tax liabilities	5.554	11.499	17.053
Other liabilities	163.645	15.667	179.312
Total liabilities and minority interests	173.030	23.348	196.378
Net assets acquired	46.291	24.590	70.881
Acquisition cost	104.202		104.202
Goodwill	57.911		33.321

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Restatement related with Purchase Price Allocation (PPA):

During 2010, EDP Group restated the final allocation of the acquisition cost of the assets, liabilities and contingent liabilities acquired (PPA) from Bon Vent de L'Ébre, Kresy, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. Consequently, the Group restated the balance sheet captions as at 31 December 2009, as follows:

	31 Dec 2009 Before PPA	PPA reclassifica- tions	31 Dec 2009 After PPA
Property, plant and equipment	200,218	25,258	225,476
Intangible assets	42,757	22,542	65,299
Goodwill	-	-23,266	-23,266
Total Non-current Assets	242,975	24,534	267,509
Trade receivables	-	-508	-508
Debtors and other assets	-	1,461	1,461
Total Current Assets	-	953	953
Total Assets	242,975	25,487	268,462
Reserves and retained earnings	-	2,421	2,421
Minority interests	3,831	-3,096	735
Total Equity	3,831	-675	3,156
Provisions	-	1,628	1,628
Deferred tax liabilities	9,078	13,003	22,081
Trade and other payables	169,167	-2,508	166,659
Total Non-current liabilities	178,245	12,123	190,368
Trade and other payables	-	14,039	14,039
Total Non-current liabilities	-	14,039	14,039
Total Equity and Liabilities	182,076	25,487	207,563

Goodwill impairment tests

The recoverable amount of the goodwill of subsidiaries is assessed annually, independently of the existence of any indicators of impairment. 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.

The recoverable amount calculation is made for each cash flow generating unit, identified in each country where EDP Group performs its activities, namely:

- EDP Brasil Group - Generation, Distribution and Supply;
- HC Energia Group (including Naturgás Group) - Generation, Distribution and Supply;
- EDPR EU Group - Wind generation;
- EDPR NA Group - Wind generation.

Therefore, for the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments of the Group.

The cash flows were determined based on the production and consumption volume and estimated tariffs (EDP Brasil and Hidrocarbónico Groups) and installed capacity and tariff evolution prospects in the different markets / power purchase agreements (EDPR Group).

The period of considered cash flows corresponds to the useful life of the equipments (HC Energia, EDPR EU and EDPR NA Groups) or until the end of the concession (EDP Brasil Groups), if lower than the useful life.

The discount rates used (after tax) reflect the specific risks of each cash generating unit and are between 5.6% and 6.4% in HC Energia Group, 5.25% and 9.21% in EDPR Group and 8.68% and 9.1% in EDP Brasil Group.

19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Historical acquisition cost	10,813,169	10,812,363
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,647,373	9,646,567
Impairment losses on equity investments in subsidiaries	-140,063	-110,724
	9,507,310	9,535,843

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

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2010	Dec 2009
	Net amount Euro'000	Net amount Euro'000
Investments in subsidiaries:		
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Comercial, S.A.	188,463	188,463
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47,796	47,796
Energia RE	2,005	2,005
EDP Produção Bioelétrica, S.A.	6,595	6,595
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	4,550
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brasil, S.A.	432,238	432,238
Hidroelétrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance B.V.	2,001	2,001
Sávida, S.A.	4,452	4,452
EDP Investimentos, S.G.P.S., S.A.	46,592	46,592
EDP Imobiliária e Participações, S.A.	-	28,109
Balwerk, S.A.	1,686	1,686
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Inovação, S.A.	1,625	2,098
Other	1,956	1,907
	<u>9,507,310</u>	<u>9,535,843</u>

The decrease in Investments in subsidiaries (28,533 thousand Euros) results mainly from the impairment charge for the year in the investment in EDP Imobiliária e Participações, S.A. (28,109 thousand Euros).

20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Associated companies:				
Investments in associates	147,008	175,409	137	45,535
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	<u>146,871</u>	<u>175,272</u>	<u>-</u>	<u>45,398</u>

As of 31 December 2010, for the Group, Investments in associates include goodwill of 33,454 thousand Euros (31 December 2009: 36,767 thousand Euros).

Investments in associates , for the Group , are analysed as follows:

	Group			
	Dec 2010		Dec 2009	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies:				
CEM - Companhia de Electricidade de Macau, S.A.	64,294	-	57,132	-
DECA - Distribucion Eléctrica Centroamerica, S.A.	-	-	34,797	-
Selgás-Soc.de Prod.e Distrib.de Gás, S.A.	26,789	-	23,909	-
D. E. de Canárias, S.A.	11,566	-	11,235	-
Parque Eólico Altos del Voltoya, S.A.	-	-	8,995	-
Portsines - Terminal de Multipurpose de Sines, S.A.	6,236	-	7,489	-
ENEOP - Eólicas de Portugal, S.A.	12,869	-	6,907	-
Parque Eólico Sierra del Madero, S.A.	6,788	-	5,485	-
Subgroup Veinco Energia Limpia SL	4,790	-	4,792	-
Parque Eólico de Belmonte, S.A.	3,033	-	3,073	-
Hidroastur, S.A.	1,725	-	1,937	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	1,365	-	1,365	-
Carriço Cogeração, S.A.	607	-	1,102	-
Other	6,946	-137	7,191	-137
	<u>147,008</u>	<u>-137</u>	<u>175,409</u>	<u>-137</u>

EDP Group sold its 21% share capital of Distribuidora Electrica de Centro America Das (Deca II), together with the other shareholders of the company, Iberdrola and TECO (see note 13). Following this transaction, EDP, S.A. recognised in the company and consolidated accounts gains of 45,782 thousand Euros and 56,965 thousand Euros, respectively.

The participation in EDP's share capital in Parque Eólico Altos del Voltoya, SA increased 12% (from 49% to 61%) so this company in 2010 began to be consolidated by the full method.



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The movement in Investments in associates , for the Group , is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance as at 1 January	175,409	172,891
Acquisitions / Perimeter entries	3,904	7,248
Disposals	-33,229	-
Share of profit of associates	23,470	25,151
Dividends received	-20,074	-20,254
Exchange differences	6,523	-7,264
Transfers / Regularisations	-8,995	-2,363
Balance as at 31 December	147,008	175,409

Investments in associates , for the Company , are analysed as follows:

	Company			
	Dec 2010		Dec 2009	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
Associated companies				
DECA - Distribuição Eléctrica Centroamerica, S.A.	-	-	45,398	-
Other	137	-137	137	-137
	137	-137	45,535	-137

During 2010, there were no movements in the impairment of Investments in associates.

21. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	181,221	163,644	181,221	163,644
Ampla Investimentos e Serviços, S.A.	23,191	15,038	23,191	15,038
Banco Comercial Português, S.A.	72,901	104,118	-	-
Denerge - Desenvolvimento Energético, S.A.	18,398	15,563	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	8,213	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	48,220	55,883	48,220	55,883
Parque Eólico Montes de las Navas, S.L.	6,684	-	-	-
Sociedade Eólica de Andalucía, S.A.	10,832	11,766	-	-
Tagusparque, S.A.	2,062	2,062	-	-
Tejo Energia, S.A.	25,253	25,636	-	-
Other	46,990	41,194	4,440	3,836
	443,965	443,117	257,072	238,401

At 31 December 2010, the investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., increased by 17,577 thousand Euros and 8,153 thousand Euros, respectively, as a consequence of the positive evolution in the listed market price of these shares. This increase in the fair value was booked against fair value reserves (see note 31).

At 31 December 2010, the investment held in BCP decreased by 32,243 thousand Euros, booked against fair value reserves in the amount of 28,036 thousand Euros and against impairment losses in the amount of 4,207 thousand Euros. During 2010, EDP acquired 1,750,000 shares of BCP at a price of 0.586 Euros per share for a total investment of 1,026 thousand Euros.

During 2010, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 7,663 thousand Euros and were booked against fair value reserves (see note 31).

In 2010, the movements in Available for sale investments are analysed as follows:

	Dec 2010					
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Balance at 31 December Euro'000
Ampla Energia e Serviços, S.A.	163,644	-	-	-	17,577	181,221
Ampla Investimentos e Serviços, S.A.	15,038	-	-	-	8,153	23,191
Banco Comercial Português, S.A.	104,118	1,026	-	-4,207	-28,036	72,901
Denerge - Desenvolvimento Energético, S.A.	15,563	-	-	-	478	18,398
EDA - Electricidade dos Açores, S.A.	8,213	-	-	-	-	8,213
Parque Eólico Montes de las Navas, S.L.	-	-	-	-	2,524	6,684
REN - Redes Energéticas Nacionais, SGPS, S.A.	55,883	-	-	-	-7,663	48,220
Sociedade Eólica de Andalucía, S.A.	11,766	-	-	-	-724	10,832
Tagusparque, S.A.	2,062	-	-	-	-	2,062
Tejo Energia, S.A.	25,636	-	-	-	-383	25,253
Other	41,194	38,464	-32,083	-	-1,290	46,990
	443,117	39,490	-32,083	-4,207	-9,364	443,965

In 2009, the movements in **Available for sale investments** are analysed as follows:

	Dec 2009						Balance at 31 December Euro'000
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Other variations Euro'000	
Ampla Energia e Serviços, S.A.	68,939	-	-	-	94,705	-	163,644
Ampla Investimentos e Serviços, S.A.	9,073	-	-	-	5,965	-	15,038
Banco Comercial Português, S.A.	122,707	-	-17,351	-29,274	28,036	-	104,118
Denerge - Desenvolvimento Energético, S.A.	-	-	-	-	370	15,193	15,563
EDA - Electricidade dos Açores, S.A.	6,006	-	-	-	2,207	-	8,213
REN - Redes Energéticas Nacionais, SGPS, S.A.	52,332	-	-	-	3,551	-	55,883
Sociedade Eólica de Andalucia, S.A.	10,854	-	-	-	703	209	11,766
Sonaecom, S.A.	28,946	-	-28,946	-	-	-	-
Tagusparque, S.A.	1,097	-	-	-	965	-	2,062
Tejo Energia, S.A.	18,200	-	-	-	7,436	-	25,636
Other	32,733	17,869	-7,368	-15	991	-3,016	41,194
	<u>350,887</u>	<u>17,869</u>	<u>-53,665</u>	<u>-29,289</u>	<u>144,929</u>	<u>12,386</u>	<u>443,117</u>

In 2009, Other variations includes the transfer of 3.16% of the investment in Denerge - Desenvolvimento Energético, S.A. of 14,995 thousand Euros previously included under Assets held for sale.

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

	Dec 2010 Euro'000	Dec 2009 Euro'000
Ampla Energia e Serviços, S.A.	112,282	94,705
Ampla Investimentos e Serviços, S.A.	17,616	9,463
Banco Comercial Português, S.A.	-	28,036
Denerge - Desenvolvimento Energético, S.A.	848	370
EDA - Electricidade dos Açores, S.A.	1,322	1,322
Parque Eólico Montes de las Navas, S.L.	2,524	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	22,400	30,063
Sociedade Eólica de Andalucia, S.A.	5,947	6,671
Tagusparque, S.A.	965	965
Tejo Energia, S.A.	18,898	19,281
Other	-273	1,017
	<u>182,529</u>	<u>191,893</u>

22. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Tax credits	96,546	110,310	-	-	96,546	110,310
Provisions	599,601	506,148	-	-	599,601	506,148
Financial instruments	150,575	77,900	65,674	69,043	84,901	8,857
Tangible and intangible fixed assets	263,221	251,212	47,528	10,807	215,693	240,405
Reinvested gains	-	-	8,258	8,083	-8,258	-8,083
Financial and available for sale investments	35,312	25,059	86,555	70,030	16,380	-44,971
Tariff adjustments and tariff deficit	65,081	303,349	113,038	168,501	-47,957	134,848
Reversal of regulatory assets and liabilities	10,540	18,196	-	-	10,540	18,196
Allocation of fair value to assets and liabilities acquired	22,030	30,944	758,015	703,215	-735,985	-672,271
Accounting revaluations	9,670	48,260	230,396	211,508	-220,726	-163,248
Deferred income relating to CMEC	-	-	245,274	222,871	-245,274	-222,871
Other temporary differences	5,795	39,773	44,373	57,654	-106,201	-17,881
Assets/liabilities compensation of deferred	-743,039	-749,816	-743,039	-749,816	-	-
	<u>515,332</u>	<u>661,335</u>	<u>856,072</u>	<u>771,896</u>	<u>-340,740</u>	<u>-110,561</u>

As referred under accounting policies - note 2 r), the compensation between deferred tax assets and liabilities is performed at each subsidiary, and therefore the consolidated financial statements reflect in its assets the total of the deferred tax of subsidiaries that have deferred tax assets and in its liabilities the total of the deferred tax of subsidiaries that have deferred tax liabilities.



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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provisions	9,042	6,327	-	-	9,042	6,327
Financial instruments	28,442	33,123	31,218	47,736	-2,776	-14,613
Financial and available for sale investments	1,608	441	78,364	68,870	-76,756	-68,429
Accounting revaluations	10,691	9,043	13,132	12,023	-2,441	-2,980
Other temporary differences	5,005	4,193	-	4,987	5,005	-794
	54,788	53,127	122,714	133,616	-67,926	-80,489

The deferred tax movement, for the Group and for the Company, in 2010 and 2009 is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
	Dec 2010 Euro '000	Dec 2009 Euro '000	Dec 2010 Euro '000	Dec 2009 Euro '000
Balance at 1 January	-110,561	-135,859	-80,489	60,716
Charges to the profit and loss account	-240,928	131,272	6,354	-54,519
Charges against reserves	37,433	-48,740	6,210	-26,632
Exchange differences and other variations	-26,684	-57,234	-1	-60,054
Balance at 31 December	-340,740	-110,561	-67,926	-80,489

As referred under accounting policies - note 2 a), in accordance with IFRS 3, in the period of 12 months following a business combination, the acquiring company may adjust the fair value of assets, liabilities or contingent liabilities, being those adjustments performed with effect from the date of acquisition.

The allocation of the fair value of assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Bon Vent de L'Ébre, S.L., Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. e GEM Suministro Sur, S.L., that occurred in 2009, implied an allocation of 13,003 thousand Euros to deferred tax liabilities, as at 31 December 2009 (see note 18).

Taxes recorded against reserves are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Current tax				
Changes in fair value of derivative financial instruments	-1,782	-968	-1,782	-968
Gains/losses on the sale of treasury stock	-64	-366	-64	-366
	-1,846	-1,334	-1,846	-1,334
Deferred tax				
Financial instruments and fair value	10,419	-35,620	9,330	-17,014
Actuarial gains and losses	27,238	1,744	-	-
Changes in fair value of financial assets held for sale	-224	-14,864	-3,120	-9,618
	37,433	-48,740	6,210	-26,632
	35,587	-50,074	4,364	-27,966

The Group tax losses and tax credits carried forward are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Expiry date:		
2010	-	93
2011	344	348
2012	540	525
2013	1,659	2,132
2014	9,232	8,543
2015	28,971	32,415
2016 to 2029	1,338,613	831,430
Without expiry date	155,987	149,304
Without expiry date but limited to 30% of taxable income of each year	584,539	491,942
	2,119,885	1,516,732

23. Inventories

This caption is analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Merchandise	49,836	24,937	-	-
Advances on account of purchases	4,849	4,650	-	-
Finished and intermediate products	21,209	10,384	-	-
Sub-products, waste, residues and scrap	20,097	13,159	-	-
Raw and subsidiary materials and consumables:				
Coal	106,327	94,780	-	-
Fuel	27,991	41,041	-	-
Nuclear fuel	14,090	13,594	-	-
Other consumables				
CO2 licenses	51,745	11,351	51,745	11,351
Other	60,834	59,480	-	-
	<u>356,978</u>	<u>273,376</u>	<u>51,745</u>	<u>11,351</u>

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

24. Trade receivables

Trade receivables are analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Short-term trade receivables - Current:				
Corporate sector and individuals :				
Portugal	790,442	772,701	46 357	97,432
Spain	727,241	648,922	-	-
Brazil	354,640	332,441	-	-
U.S.A.	27,945	27,434	-	-
Poland	8,967	-	-	-
Other	11,106	12,429	-	-
Public Sector:				
Portugal				
State and official entities	16,360	16,674	-	-
Local government	37,455	33,769	-	-
Brazil				
State and official entities	9,004	8,306	-	-
Local government	23,475	20,132	-	-
Spain				
State and official entities	12,302	9 375	-	-
Local government	50,739	10 622	-	-
	<u>2,069,676</u>	<u>1,892,805</u>	<u>46,357</u>	<u>97,432</u>
Doubtful debts	276,312	231,359	9,960	9,941
Impairment losses	-276,312	-231,359	-9,960	-9,941
	<u>2,069,676</u>	<u>1,892,805</u>	<u>46,357</u>	<u>97,432</u>
	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
	Euro'000	Euro'000	Euro'000	Euro'000
Medium and long-term trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	32,553	38,386	-	-
Public Sector:				
Portugal - Local government	137,437	142,521	-	-
Brazil - Local government	8,831	-	-	-
	<u>178,821</u>	<u>180,907</u>	<u>-</u>	<u>-</u>
Impairment losses	-61,379	-66,086	-	-
	<u>117,442</u>	<u>114,821</u>	<u>-</u>	<u>-</u>
	<u>2,187,118</u>	<u>2,007,626</u>	<u>46,357</u>	<u>97,432</u>

As referred under accounting policies - note 2 a) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2010, regarding the acquisition of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009 determined the allocation of 508 thousand Euros, with reference to 31 December 2009.

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The movement in **Impairment losses** , in 2010, for the **Group** is analysed as follows:

	Balance at 1 January Euro'000	Exchange differences Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals :							
Portugal	127,514	-	47,800	-24,384	-20,897	-	130,033
Brazil	52,939	7,605	10,337	-218	-	1,521	72,184
Spain	24,651	-	22,343	-220	-	-753	46,021
Other	6	-	-	-6	-	-	-
Public sector :							
Portugal	90,068	-	1,261	-5,109	-	-	86,220
Brazil	609	70	253	-464	-	-	468
Spain	1,658	-	1,616	-	-	-509	2,765
	<u>297,445</u>	<u>7,675</u>	<u>83,610</u>	<u>-30,401</u>	<u>-20,897</u>	<u>259</u>	<u>337,691</u>

The movement in **Impairment losses** , in 2009, for the **Group** is analysed as follows:

	Balance at 1 January Euro'000	Exchange differences Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Perimeter Variations / Regularisations Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals :							
Portugal	127,587	-	35,214	-14,275	-856	-20,156	127,514
Brazil	50,263	13,467	28,858	-740	-14,693	-24,216	52,939
Spain	15,667	-	6,827	98	-48	2,107	24,651
Other	-	-	-	-	-	6	6
Public sector :							
Portugal	94,969	-	314	-5,215	-	-	90,068
Brazil	624	182	-	-	-197	-	609
Spain	1 604	-	114	-568	-	508	1,658
	<u>290,714</u>	<u>13,649</u>	<u>71,327</u>	<u>-20,700</u>	<u>-15,794</u>	<u>-41,751</u>	<u>297,445</u>

The movement in **Impairment losses** , in 2010, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9,941	19	-	-	9,960
	<u>9,941</u>	<u>19</u>	<u>-</u>	<u>-</u>	<u>9,960</u>

The movement in **Impairment losses** , in 2009, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9,941	-	-	-	9,941
	<u>9,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,941</u>

25. Debtors and other assets

Debtors and other assets are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Short term debtors - Current:				
Loans to subsidiaries	-	-	1,442,620	811,279
Dividends	-	-	368,859	-
Loans to related companies	150,936	142,976	19,074	7,492
Other debtors:				
- Advances to pensioners on account of the Social Security	2,063	13,717	-	-
- Amounts receivable from staff	2,883	3,520	-	-
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	814,086	117,915	-	-
- Amounts receivable from Portuguese tariff adjustments	394,057	559,724	-	-
- Receivables from the State and concessors	14,652	13,040	-	-
- Amounts with RTP - broadcasting charge	23,170	32,125	-	-
- Receivables relating to other goods and services	123,032	66,831	45,019	84,651
- Derivative financial instruments	195,865	230,195	164,419	216,534
- Subsidiary companies	-	-	249,154	524,888
- Amounts receivable relating to gas sales operations	7,278	1,402	-	-
- Amounts receivable relating to insurance and reinsurance operations	3,281	5,067	-	-
- Amounts receivable relating to the renewable operations	5,408	11,272	-	-
- Expenditure on concessions	12,683	14,284	-	-
- Insurance	11,445	10,130	60	6,269
- Other deferred costs	19,957	6,879	2,180	-
- Rents receivable of Energin lease	22,512	24,976	-	-
- Amounts receivable relating to CMEC	365,070	363,350	-	-
- Tied deposits (EDPR NA)	80,121	90,505	-	-
Accrued income relating to energy sales and purchase activity in the market	156,584	27,425	193,930	38,191
Sundry debtors and other operations	250,754	149,695	27,161	39,341
	<u>2,711,477</u>	<u>1,940,668</u>	<u>2,512,476</u>	<u>1,728,645</u>
Impairment losses on short-term debtors - Current	<u>-74,912</u>	<u>-74,191</u>	<u>-914</u>	<u>-908</u>
	<u>2,636,565</u>	<u>1,866,477</u>	<u>2,511,562</u>	<u>1,727,737</u>
	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Medium and long term debtors - Non Current:				
Loans to subsidiaries	-	-	5,231,320	4,480,386
Loans to related companies	19,315	25,672	6,106	18,874
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	29,726	76,127	-	-
- Amounts receivable from Spanish tariff expenses	-	536,205	-	-
- Expenditure on concessors	14,861	16,199	-	-
- Guarantees and linked deposits	158,408	126,601	4,419	1,385
- Amounts receivable relating to CMEC	892,628	1,026,181	-	-
- Derivative financial instruments	27,188	46,116	151,457	37,271
- O&M contract valuation - Mapple Ridge I (EDPR NA)	6,317	7,405	-	-
- Amounts receivable from concessors - IFRIC 12 (see note 45)	468,071	370,257	-	-
Sundry debtors and other operations	83,061	85,303	126	-
	<u>1,699,575</u>	<u>2,316,066</u>	<u>5,393,428</u>	<u>4,537,916</u>
Impairment losses on medium and long term debtors - Non current	<u>-2,858</u>	<u>-2,839</u>	<u>-</u>	<u>-</u>
	<u>1,696,717</u>	<u>2,313,227</u>	<u>5,393,428</u>	<u>4,537,916</u>
	<u>4,333,282</u>	<u>4,179,704</u>	<u>7,904,990</u>	<u>6,265,653</u>

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities following the PPA's of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group restated Debtors and other assets 1,461 thousand Euro as at 31 December 2009 (see note 18).

Tied deposits (EDPR NA) - Current includes 80,121 thousand Euros (90,505 thousand Euros in 2009) related to the financing agreement for wind farms, which establishes that the amount of these deposits should be sufficient to cover all costs which are expected to incur in the construction.

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

The amounts receivable relating to CMEC totalize 1,257,698 thousand Euros, which include 892,628 thousand Euros as medium and long term debts and 365,070 thousand Euros as short term debts. The amount receivable relating to the initial CMEC includes 744,071 thousand Euros as medium and long term debts and 25,456 thousand Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the receivable annuity for 2007 to 2010. The remaining 148,557 thousand Euros in the medium and long term and 339,614 thousand Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2008 to 2010.

The Derivative financial instruments portfolio current and non current, with an amount of 195,865 thousand Euros and 27,188 thousand Euros respectively, corresponds to the fair value of trading and hedge portfolios as at 31 December 2010 (see note 40).



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The caption Amounts receivable for concessions - IFRIC 12 in the amount of 468,071 thousand 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) and note 45).

The amounts receivable from Portuguese current and non-current tariff adjustments by 394,057 thousand Euros and 29,726 thousand Euros respectively (31 December 2009: 559,724 thousand Euros and 76,127 thousand Euros in current and non-current respectively), relate to the tariff adjustment (see note 3) from the Portuguese electric system (SEP) in 2010 and 2009 of regulated companies in Portugal.

The amount included in Dividends on a company basis is related with dividends granted by subsidiaries EDP - Gestão da Produção, S.A., EDP Distribuição, S.A. and Hidrocontábrico of 185,000 thousand Euros, as well as reserves distribution of EDP - Gestão da Produção, S.A. and EDP Distribuição, S.A. (183,859 thousand Euros), which as at 31 December 2010 are outstanding.

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

	Current Euro'000	Non Current Euro'000
Balance as at 1 January 2009	10,444	1,435,033
Receipts through the electric energy tariff	-11,015	-
Securitisation of the non regular tariff adjustments of 2007 and 2008	-	-1,672,845
Tariff adjustment of 2008	-	49,435
Tariff adjustment for the exercise	-	748,172
Interest expense	571	76,056
Transfer from Non-Current to Current	559,724	-559,724
Balance as at 31 December 2009	559,724	76,127
Receipts through the electric energy tariff	-571,337	-
Tariff adjustment of 2009	20,147	-
Tariff adjustment for the exercise	295,821	29,726
Interest expense	13,575	-
Transfer from Non-Current to Current	76,127	-76,127
Balance as at 31 December 2010	394,057	29,726

On 5 March 2009 and 3 December 2009, EDP - Serviço Universal, S.A. entered into an agreement for the assignment, by means of a true sale without recourse, to Tagus - Sociedade de Titularização de Créditos, S.A. ("Tagus"), of the rights to receive the full amount of the positive adjustments to the electricity tariffs, as endorsed by Decree-Law n.º 165/2008 of 21 August.

In the first operation, EDP - Serviço Universal, S.A. granted the rights to receive the non regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousand Euros. With the sale of those rights, EDP Group has received 1,204,422 thousand Euros, generating a loss of 22,969 thousand Euros including financial expenses incurred (see note 14).

In the second operation, was granted the right to receive the non regular tariff adjustments (tariff deficit) related to the estimated over cost concerning to generation in special regime related to 2009 of 447,469 thousand Euros. The transaction totalised 434,720 thousand Euros, net of expenses, and generated a loss of 12,749 thousand Euros (see note 14).

The movements in **Impairment losses on short-term debtors - Current** in 2010, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	74,191	2,280	-2,666	1,099	8	74,912
	74,191	2,280	-2,666	1,099	8	74,912

As at 31 December 2010 the balance mainly includes the impairment losses booked for the receivable of telecommunications business (ONI Multimédia) of 55,640 thousand Euros as detailed in the caption Short term debtors - Current.

The movements in **Impairment losses on short-term debtors - Current** in 2009, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	67,481	7,297	-831	166	78	74,191
	67,481	7,297	-831	166	78	74,191

The movements in **Impairment losses on short-term debtors - Current** in 2010, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	908	6	-	-	-	914
	908	6	-	-	-	914

The movements in **Impairment losses on short-term debtors - Current** in 2009, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	897	11	-	-	-	908
	897	11	-	-	-	908

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2010, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,839	-	19	-	2,858
	2,839	-	19	-	2,858

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2009, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,782	72	-15	-	2,839
	2,782	72	-15	-	2,839

26. Tax receivable

Tax receivable is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	253,331	144,016	34,854	14,077
- Value added tax (VAT)	280,816	334,110	54,221	30,468
- Turnover tax (Brazil)	92,556	72,786	-	-
- Social tax (Brazil)	406	288	-	-
- Other taxes	13,376	6,441	3,255	-
	640,485	557,641	92,330	44,545

27. Financial assets at fair value through profit or loss

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

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Fixed income securities:				
Listed funds	35,335	33,012	-	-
Bonds and other listed fixed income securities	1	47,749	-	-
	35,336	80,761	-	-
Variable income securities:				
Listed funds	409	4,091	-	-
	409	4,091	-	-
	35,745	84,852	-	-

28. Cash and cash equivalents

Cash and cash equivalents are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Cash:				
- Cash in hand	72	124	-	-
Bank deposits:				
- Current deposits	413,831	333,102	28,475	13,856
- Term deposits	1,038,821	613,506	114,200	-
- Other deposits	19,682	505	-	-
	1,472,334	947,113	142,675	13,856
Other short term investments:				
- Banks - Euros	5,893	915,156	-	877,500
- Banks - Other currencies	32,925	327,167	-	-
	38,818	1,242,323	-	877,500
Cash and cash equivalents	1,511,224	2,189,560	142,675	891,356

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

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29. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have minority interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.69% 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 Euro'000	Share premium Euro'000
Balance as at 31 December 2009	3,656,538	501,992
Movements during the year	-	1,931
Balance as at 31 December 2010	3,656,538	503,923

The movement for the year in Share premium is related with the reimbursement of capital tax paid incorrectly in 2004, net of tax effect, when the share capital was increased, through a public offer reserved for EDP shareholders with preference rights, of 656,537,715 nominative shares.

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

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Net profit attributable to the equity holders of EDP (in Euros)	1,078,924,845	1,023,844,684	725,135,695	630,020,903
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,078,924,845	1,023,844,684		
Weighted average number of ordinary shares outstanding	3,622,918,528	3,621,419,392	3,624,431,528	3,622,932,392
Weighted average number of diluted ordinary shares outstanding	3,623,608,780	3,622,458,061	3,625,121,780	3,623,971,061
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.30	0.28		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.30	0.28		
Basic earnings per share from continuing operations (in Euros)	0.30	0.28		
Diluted earnings per share from continuing operations (in Euros)	0.30	0.28		

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

The average number of shares was determined as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-33,619, 187	-35,118, 323	-32,106, 187	-33,605, 323
Average number of shares during the year	3,622,918,528	3,621,419,392	3,624,431,528	3,622,932,392
Effect of stock options	690,252	1,038,669	690,252	1,038,669
Diluted average number of shares during the year	3,623,608,780	3,622,458,061	3,625,121,780	3,623,971,061

30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Dec 2010	Dec 2009	Dec 2010	Dec 2009
Book value of EDP, S.A. treasury stock (thousand Euros)	115,731	119,784	109,636	113,689
Number of shares	33,324,941	34,212,975	31,811,941	32,699,975
Market value per share (in Euros)	2.491	3.108	2.491	3.108
Market value of EDP, S.A.'s treasury stock (thousand Euros)	83,012	106,334	79,244	101,632
Operations performed from 1 January 2010 to 31 December 2010:	EDP, S.A.	Energia RE		
Volume acquired (number of shares)	918,738	-		
Purchased price average (in Euros)	2.67	-		
Purchase total value (thousand Euros)	2,454	-		
Volume sold (number of shares)	-1,806,772	-		
Selling price average (in Euros)	2.66	-		
Sold total value (thousand Euros)	4,802	-		
Final position (number of shares)	31,811,941	1,513,000		
Highest market price (in Euros)	3.18	-		
Lowest market price (in Euros)	2.21	-		
Average market price (in Euros)	2.70	-		

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

31. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Legal reserve	502,888	471,387	502,888	471,387
Fair value reserve (cash flow hedge)	45,180	80,444	25,722	56,561
Tax effect of fair value reserve (cash flow hedge)	-10,069	-18,650	-7,909	-15,457
Fair value reserve (available-for-sale investments)	182,529	191,893	147,843	129,809
Tax effect of fair value reserve (available-for-sale investments)	-17,845	-17,790	-15,197	-12,077
Exchange differences arising on consolidation	312,823	165,859	-	-
Treasury stock reserve (EDP, S.A.)	109,636	113,689	109,636	113,689
Other reserves and retained earnings	1,605,761	1,244,149	1,163,205	1,124,095
	2,730,903	2,230,981	1,926,188	1,868,007

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

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



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

	Group	
	Increases Euro'000	Decreases Euro'000
Balance as at 31 December 2008	322,565	-275,601
Changes in fair value	179,756	-29,841
Transfer of impairment to profit or loss	-	29,289
Transfer to the income statement relating to assets sold	-34,275	-
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	28,899	-41,397
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	495,872	-313,343

Changes in fair value reserve attributable to the EDP Group during the year ended 31 December 2010 are analysed as follows:

	Increases Euro'000	Decreases Euro'000
Ampla Energia e Serviços, S.A.	17,577	-
Ampla Investimentos e Serviços, S.A.	8,153	-
BCP	-	-32,243
Denerge - Desenvolvimento Energético, S.A.	478	-
Parque Eólico Montes de las Navas, S.L.	2,524	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-7,663
Sociedade Eólica de Andalucía, S.A.	-	-724
Tejo Energia, S.A.	-	-383
Other	167	-384
	28,899	-41,397

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 Dec 2010		Exchange rates at Dec 2009	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.336	1.326	1.441	1.390
Brazilian Real	BRL	2.218	2.331	2.511	2.783
Macao Pataca	MOP	10.697	10.611	11.506	11.088
Quetzal	GTQ	10.708	10.708	12.003	11.332
Zloty	PLN	3.975	3.995	4.105	4.362
Lei	RON	4.262	4.212	4.236	4.245
Pound Sterling	GBP	0.861	0.858	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 amont equal to the booking amount of treasury stock held.

Dividends

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

Proposal for the appropriation of statutory net profits of EDP, S.A. with reference to 2009 and 2008 - Donations to Fundação EDP

In accordance with article 30, n.º 1 f) of EDP - Energias de Portugal, S.A. Articles, the General Assembly of Shareholders approved on 16 April 2010 and 15 April 2009, the proposals for the appropriation of statutory net profits of EDP, S.A. with reference to 2009 and 2008, attributing for 2009 and 2008 annual donations to Fundação EDP of 6,000,000 Euros, in each year. The referred donations for IFRS accounting purposes were recognised as Donations in Other operating expenses (see note 10) in 2010 and 2009, respectively.

32. Minority interests

This caption is analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Minority interests in income statement	155,676	144,102
Minority interests in reserves	2,774,725	2,540,339
	<u>2,930,401</u>	<u>2,684,441</u>

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
EDP Renováveis Group	1,306,194	1,282,394
Energias do Brasil Group	1,570,666	1,346,792
Hidrocentrífico Group	22,428	31,716
Other	31,113	23,539
	<u>2,930,401</u>	<u>2,684,441</u>

During 2010, EDP Group generated profits of 155,676 thousand Euros attributable to minority interests (31 December 2009: 144,102 thousand Euros).

The movement in minority interests of EDP Renováveis Group is mainly related to profits attributable to minority interests of 16,876 thousand Euros, negative exchange differences of 4,772 thousand Euros and variations resulting from acquisitions and share capital increases attributable to minority interests totalling 12,316 thousand Euros.

The movement booked in minority interests of Energias do Brasil Group includes 132,329 thousand Euros of profits attributable to minority interests, 156,927 thousand Euros from the positive exchange difference and a decrease of 56,272 thousand Euros related to dividends paid. Additionally, during the year ended at 31 December 2010, the variation of fair value reserve associated to available for sale financial assets, has originated an increase in the minority interests of 258 thousand Euros and the effect of changes in actuarial losses net of taxes has originated a decrease in the minority interests of 9,190 thousand Euros.

The movement in minority interests of the Hidrocentrífico Group includes, mainly, a decrease of 4,019 thousand Euros related to dividends paid.

The caption Other minority interests includes 30,120 thousand Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2009: 22,287 thousand Euros).

33. Hydrological account

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

	Group and Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	112,631	237,822
Amounts received / (paid) during the year	-41,272	-135,069
Financial charges	3,739	9,878
Balance at the end of the year	<u>75,098</u>	<u>112,631</u>

The hydrological account was established by Decree-law 338/91 and consists of a legal mechanism for compensating the variable costs of generating electricity. The hydrological account was set up in 1994 when the actual EDP Group was owned by the State, through a charge against the income statement. In 2000, through a spin-off of EDP, REN was set up, and new regulations were issued (through Decree-law 98/2000) which reinforced and maintained the requirement to keep the hydrological account in EDP's balance sheet.

As explained above, REN was part of the EDP Group until 2000. Thus, the entries in the hydrological correction account were made within the EDP Group. Since the split of REN in June 2000, EDP, S.A. (the Group parent company) has paid to or received cash from REN, which is booked against the hydrological correction account in the balance sheet and the related financial charges are booked in the income statement. REN uses the amounts received or paid to compensate the operators in the liberalised market, in accordance with the objectives of the hydrological correction account as explained above. Therefore, REN is effectively a pass-through entity for the purposes of the hydrological correction account.

In 2004, Decree-law 240/2004 was issued which establishes that, in respect to the free electricity market, the government must publish specific regulations applicable to the hydrological correction account. Based on these regulations and due to the government announcement mentioned above, the EDP Group's Executive Board of Directors expects with a high probability that the recorded liability, including the balance relating to pre-1994 activity, will be payable to a third party to be nominated by the regulator.

In October 2010 it was issued the Decree-Law 110/210, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP — Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements. At extinction date, and for purpose of extinction movement, until 31 December 2016, the government will incorporate a team/workforce composed by representatives of ERSE, of National Electricity Distribution Network (RND), of National Electricity High Tension Transport (RNT) and National Council of Consumption, to determine such final movements.

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34. Financial debt

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Short term debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	27,284	51,277	27,284	51,277
- EDP Finance B.V.	150,000	-	-	-
- EDP Energias do Brasil Group	145,789	119,661	-	-
- HC Energia Group	907	1,488	-	-
- Renewables Group	197,893	103,039	-	-
- Generation - Portugal	11,699	8,991	-	-
- Portgás	12,820	33,999	-	-
	<u>546,392</u>	<u>318,455</u>	<u>27,284</u>	<u>51,277</u>
Non convertible bond loans:				
- EDP, S.A.	747,352	-	747,352	-
- EDP Finance B.V.	499,697	499,861	-	-
- EDP Energias do Brasil Group	92,304	81,077	-	-
	<u>1,339,353</u>	<u>580,938</u>	<u>747,352</u>	<u>-</u>
Commercial paper:				
- EDP, S.A.	766,900	1,218,500	4,963,900	4,107,500
- EDP Energias do Brasil Group	-	91,586	-	-
- HC Energia Group	70,104	329,322	-	-
	<u>837,004</u>	<u>1,639,408</u>	<u>4,963,900</u>	<u>4,107,500</u>
Other loans:				
- EDP Energias do Brasil Group	7,705	5,402	-	-
- Renewables Group	4,569	4,096	-	-
- Generation - Portugal	1,228	701	-	-
	<u>13,502</u>	<u>10,199</u>	<u>-</u>	<u>-</u>
Accrued interest	265,079	245,481	38,079	36,063
Other liabilities:				
- Fair value of the issued debt hedged risk	3,121	-	3,121	-
	<u>3,004,451</u>	<u>2,794,481</u>	<u>5,779,736</u>	<u>4,194,840</u>
	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Medium and long term debts and borrowings - Non current				
Bank loans:				
- EDP, S.A.	870,993	759,024	870,993	759,024
- EDP Finance B.V.	3,590,027	3,206,321	-	-
- EDP Energias do Brasil Group	847,051	707,426	-	-
- HC Energia Group	4,014	4,991	-	-
- Renewable Group	499,639	402,599	-	-
- Generation - Portugal	171,436	185,046	-	-
- Portgás	55,142	66,862	-	-
	<u>6,038,302</u>	<u>5,332,269</u>	<u>870,993</u>	<u>759,024</u>
Non convertible bond loans:				
- EDP, S.A.	428,838	1,174,742	428,838	1,174,742
- EDP Finance B.V.	8,080,229	6,795,215	-	-
- EDP Energias do Brasil Group	288,587	180,639	-	-
	<u>8,797,654</u>	<u>8,150,596</u>	<u>428,838</u>	<u>1,174,742</u>
Other loans:				
- Preference shares of Investco	22,651	22,494	-	-
- EDP Energias do Brasil Group	47,886	37,349	-	-
- Renewable Group	26,755	29,530	-	-
- Generation - Portugal	5,116	6,151	-	-
	<u>102,408</u>	<u>95,524</u>	<u>-</u>	<u>-</u>
	<u>14,938,364</u>	<u>13,578,389</u>	<u>1,299,831</u>	<u>1,933,766</u>
Other liabilities:				
- Fair value of the issued debt hedged risk	-51,169	-91,890	11,544	28,627
	<u>14,887,195</u>	<u>13,486,499</u>	<u>1,311,375</u>	<u>1,962,393</u>
	<u>17,891,646</u>	<u>16,280,980</u>	<u>7,091,111</u>	<u>6,157,233</u>

EDP Group, at EDP, S.A. level, has short-term credit facilities of 257,410 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 242,410 thousand Euros have a firm underwriting commitment, being available 242,410 thousand Euros; as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, being totally available as at 31 December 2010. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousand Euros, with a firm underwriting commitment, totally available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousand USD with a firm underwriting commitment, which as at 31 December 2010 is totally drawn.

The Group has "project finance" loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2010 and 2009 these loans amounted to 862,625 thousand Euros and 716,429 thousand Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of **Bond loans issued and outstanding** , as at 31 December 2010, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
Issued by EDP S.A.						
EDP, S.A.	Mar/03	Euribor 6 months + 0.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
					450,000	450,000
Issued under the Euro Medium Term Notes program						
EDP, S.A.	Mar/01	Fixed rate EUR 5.875%	Fair Value	Mar/11	747,352	747,352
EDP Finance B.V. (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	748,391	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	748,391	-
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	78,259	-
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	748,391	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,839	-
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	-
					9,429,294	747,352
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Investco	Nov/01	IGPM + 10.5%	n.a.	Nov/11	15,047	-
Bandeirante	Apr/06	104.4% do CDI	n.a.	Mar/11	37,576	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	175,858	-
Escelsa	Jun/06	104.4% do CDI	n.a.	Jun/11	39,681	-
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	112,729	-
					380,891	-
					10,260,185	1,197,352

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

Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Bank loans and overdrafts:				
Up to 1 year	562,399	324,586	28,853	52,513
From 1 to 5 years	4,644,826	4,012,942	170,592	131,155
More than 5 years	1,393,476	1,319,327	700,401	627,869
	6,600,701	5,656,855	899,846	811,537
Bond loans:				
Up to 1 year	1,590,549	820,699	786,380	34,726
From 1 to 5 years	4,232,741	3,232,718	140,382	891,685
More than 5 years	4,513,744	4,825,988	300,000	311,684
	10,337,034	8,879,405	1,226,762	1,238,095
Commercial paper:				
Up to 1 year	837,607	1,638,513	4,964,503	4,107,601
Other loans:				
Up to 1 year	13,896	10,683	-	-
From 1 to 5 years	50,866	42,921	-	-
More than 5 years	51,542	52,603	-	-
	116,304	106,207	-	-
	17,891,646	16,280,980	7,091,111	6,157,233

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

	Dec 2010		Dec 2009	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	3,004,451	2,764,591	2,794,481	2,547,504
Medium/Long term debt and borrowings - Non current	14,887,195	14,634,186	13,486,499	14,110,568
	17,891,646	17,398,777	16,280,980	16,658,072

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

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As at 31 December 2010, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	2,013,432	2,550,417	2,480,825	1,883,759	5,958,762	14,887,195
Short term debt and borrowings	3,004,451	-	-	-	-	-	3,004,451
	<u>3,004,451</u>	<u>2,013,432</u>	<u>2,550,417</u>	<u>2,480,825</u>	<u>1,883,759</u>	<u>5,958,762</u>	<u>17,891,646</u>

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

Future debt and borrowings payments and interest for type of loan and currency are analysed as follows:

	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	2015 Euro'000	Following years Euro'000	Total Euro'000
Bank loans:							
Euro	305,174	460,527	2,228,270	112,530	99,334	1,042,082	4,247,917
Brazilian Real	218,274	251,884	118,524	104,743	128,093	251,859	1,073,377
US Dollar	-	-	-	1,122,586	-	-	1,122,586
Others	38,951	2,855	4,008	4,855	6,617	99,535	156,821
	<u>562,399</u>	<u>715,266</u>	<u>2,350,802</u>	<u>1,344,714</u>	<u>234,044</u>	<u>1,393,476</u>	<u>6,600,701</u>
Bond loans:							
Euro	1,498,245	500,000	150,000	1,008,995	1,497,100	2,903,532	7,557,872
Brazilian Real	92,304	37,576	37,576	107,920	70,343	35,172	380,891
US Dollar	-	748,391	-	-	74,839	1,575,041	2,398,271
	<u>1,590,549</u>	<u>1,285,967</u>	<u>187,576</u>	<u>1,116,915</u>	<u>1,642,282</u>	<u>4,513,745</u>	<u>10,337,034</u>
Commercial paper:							
Euro	837,607	-	-	-	-	-	837,607
	<u>837,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>837,607</u>
Other loans:							
Euro	5,256	3,292	2,994	10,694	1,052	10,504	33,792
Brazilian Real	7,705	7,890	7,937	7,295	6,381	41,037	78,245
US Dollar	935	1,017	1,108	1,207	-	-	4,267
	<u>13,896</u>	<u>12,199</u>	<u>12,039</u>	<u>19,196</u>	<u>7,433</u>	<u>51,541</u>	<u>116,304</u>
	<u>3,004,451</u>	<u>2,013,432</u>	<u>2,550,417</u>	<u>2,480,825</u>	<u>1,883,759</u>	<u>5,958,762</u>	<u>17,891,646</u>

35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provisions for social liabilities and benefits	1,104,406	1,109,347	-	-
Provisions for medical liabilities and other benefits	800,473	770,357	-	-
	<u>1,904,879</u>	<u>1,879,704</u>	<u>-</u>	<u>-</u>

Provisions for social liabilities and benefits as at 31 December 2010 include 1,093,075 thousand Euros relating to retirement pension defined benefit plans (31 December 2009: 1,095,981 thousand Euros) and 11,331 thousand Euros (31 December 2009: 13,366 thousand Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	1,109,347	1,082,905	-	-
Charge for the year	56,705	62,274	-	-
Pre-retirements (curtailments)	31,248	32,757	-	-
Actuarial (gains)/losses	88,582	84,005	-	-
Charge-off	-186,690	-150,267	-	-
Transfers, reclassifications and exchange differences	5,214	-2,327	-	-
Balance at the end of the year	<u>1,104,406</u>	<u>1,109,347</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	770,357	750,982	-	-
Charge for the year	49,201	49,955	-	-
Pre-retirements (curtailments)	1,916	1,736	-	-
Benefits Reduction	-4,805	-	-	-
Actuarial (gains)/losses	19,333	2,479	-	-
Charge-off	-42,851	-42,905	-	-
Transfers, exchange differences and "mútua"	7,322	8,110	-	-
Balance at the end of the year	800,473	770,357	-	-

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2010 and 2009, losses of 107,915 thousand Euros and of 86,484 thousand Euros, respectively.

Employee benefit plans

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 retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

The following is a summary of the nature of the plans and the companies covered, as well as financial and economic data of the plans:

I. Defined benefit pension plans

The EDP Group companies in Portugal resulting from the spin-off of EDP in 1994 have a social benefits plan funded by a closed Pension Fund, complemented by a specific provision. The EDP Pension Fund is managed by Pensõesgere being the management of the assets subcontracted to external asset management entities.

This Pension Fund covers the liability for retirement pension complements (age, disability and survivor pension) as well as the liability for early retirement. The responsibilities with early retirement are not covered by the fund's assets, being adequately provisioned through a specific provision.

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program that has been in place during the period from 2008 to 2012.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, a closed supplementary welfare entity with its own assets, segregated from those of its Sponsors (Bandeirante and other Brazilian electricity companies) and with no common contributions or funding between these funds:

- BD Plan in force up to 31 March 1998, a Benefit Plan that grants Balanced Proportional Supplementary Benefits (BSPS) in the form of an annuity payable to participants enrolled until 31 March 1998, of an amount defined in proportion to accumulated past service up to that date, based on compliance with the regulatory granting requirements. The company is fully liable to fund this plan.

- the BD plan in force after 31 March 1998, grants an annuity in proportion to the accumulated past services after 31 March 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by a labour accident, the benefits incorporate all the past service (including that accumulated up to 31 March 1998), and not only past service accumulated after 31 March 1998. The Company and the participants are equally responsible for funding the Plan.

Escelsa, Bandeirante and Energest have Defined Benefit Plans that grant complementary pensions for retirement due to age, disability, and survivor pensions. Escelsa also has a special complementary retirement pension plan for war veterans.

As at 31 December 2010 and 2009 the number of participants covered by the pension plans was as follows:

	Portugal 2010	Spain 2010	Brazil 2010	Portugal 2009	Spain 2009	Brazil 2009
Number of participants						
Retirees and pensioners	18,205	1,644	1,507	18,309	1,631	1,610
Active workers	6,384	1,294	1,975	6,608	1,263	1,951
	24,589	2,938	3,482	24,917	2,894	3,561

The following financial and actuarial assumptions were used to calculate the liability of the EDP Group pension plans and similar obligations:

Assumptions	Dec 2010				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Expected return of plan assets	5.60%	not applicable	11.63%	11.63%	11.63%
Discount rate	5.00%	3.40%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	2,75% (CPI + 0,5%); In 2011 - 3% (CPI + 0,75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age >60 -- TV88/90 // Age<=60 years -- TV99/01	PERM/F-2000P	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	40.00%	not applicable	not applicable	not applicable	not applicable



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	Portugal	Spain	Dec 2009		
			Bandeirante	Brazil Escelsa	Energest
Assumptions					
Expected return of plan assets	6.00%	not applicable	11.49%	11.49%	11.49%
Discount rate	5.20%	5% / 4,5%	11.20%	11.20%	11.20%
Salary increase rate	3.70%	2.75% (CPI+0.5%); In 2011 - 3% (CPI+0.75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	PERM/F-2000P	RP-2000 Geracional	RP-2000 Geracional	RP-2000 Geracional
Disability table	50% EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2010.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2010 and 2009 is analysed as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207
Fair value of plan assets at the end of the year	-1,013,829	-	-277,036	-1,290,865
Asset ceiling	-	-	43,733	43,733
Provision at the end of the year	947,589	92,936	52,550	1,093,075

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Provision for Pension Plans				
Liability at the end of the year	1,984,765	91,679	225,863	2,302,307
Fair value of plan assets at the end of the year	-1,011,986	-	-221,776	-1,233,762
Asset ceiling	-	-	27,436	27,436
Provision at the end of the year	972,779	91,679	31,523	1,095,981

The caption Asset ceiling refers to the unrecognised assets in the respective accounting periods.

The evolution of the present value of the plan liability and fair value of the plan assets of the related Funds is analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for Pension Plans					
Liability at the end of the year	2,340,207	2,302,307	2,192,985	2,217,351	2,247,023
Fair value of plan assets at the end of the year	-1,290,865	-1,233,762	-1,146,273	-1,389,997	-1,316,748
Asset ceiling	43,733	27,436	20,841	-	-
Provision at the end of the year	1,093,075	1,095,981	1,067,553	827,354	930,275

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	11,939	-9,112	-33,781	7,315	-9,987
Experience adjustments for the Plan assets	-33,724	13,676	-136,929	-12,027	12,538

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Plan liabilities	-3,238	2,701	4,693	4,907	-8,654
Experience adjustments for the Plan assets	4,244	5,160	-18,938	16,401	7,694

The past service liability of the pension plans for the Group, as at 31 December 2010 and 2009 is as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,984,765	91,679	225,863	2,302,307
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Benefits paid	-189,374	-10,689	-15,562	-215,625
Curtailments / Settlements	31,248	-	-	31,248
Actuarial losses and gains	23,178	6,582	17,254	47,014
Currency fluctuation	-	-	31,370	31,370
Other	-	24	975	999
Liability at the end of the year	1,961,418	92,936	285,853	2,340,207

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability				
Liability at the beginning of the year	1,930,534	93,990	168,461	2,192,985
Current service cost	11,716	493	491	12,700
Interest cost	105,103	4,883	21,550	131,536
Benefits paid	-187,949	-7,984	-12,297	-208,230
Curtailments / Settlements	32,757	-	-	32,757
Actuarial losses and gains	101,453	2,559	-2,438	101,574
Currency fluctuation	-	-	49,955	49,955
Other	-8,849	-2,262	141	-10,970
Liability at the end of the year	1,984,765	91,679	225,863	2,302,307

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

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	13,357	710	-572	13,495
Interest cost	98,244	4,630	26,525	129,399
Expected return on plan assets	-59,053	-	-27,136	-86,189
Curtailments / Settlements	31,248	-	-	31,248
Plan participants contributions	-	-	-	-
Net cost for the year	83,796	5,340	-1,183	87,953

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year				
Current service cost	11,716	493	491	12,700
Interest cost	105,103	4,883	21,550	131,536
Expected return on plan assets	-61,085	-	-19,940	-81,025
Curtailments / Settlements	32,757	-	-	32,757
Plan participants contributions	-	-	-937	-937
Net cost for the year	88,491	5,376	1,164	95,031

The evolution of the consolidated assets of the Pension Funds is analysed as follows:

	Dec 2010			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Pension funds				
Fair value of plan assets at the beginning of the year	1,011,986	-	221,776	1,233,762
Group contribution	31,043	-	7,888	38,931
Plan participants contributions	-	-	948	948
Benefits paid	-54,529	-	-15,372	-69,901
Actual return on plan assets	59,053	-	27,136	86,189
Actuarial gains/(losses)	-33,724	-	4,037	-29,687
Currency fluctuation	-	-	30,623	30,623
Assets value at the end of the year	1,013,829	-	277,036	1,290,865

The actuarial gains/losses in Brazil include the amount of 11,881 thousand Euros (28,087 thousand BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2009: 674 thousand Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 43,733 thousand Euros, converted at closing rate of BRL (96,987 thousand BRL). As at 31 December 2009 the value of the asset ceiling was 27,436 thousand Euros.



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	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
Pension funds				
Fair value of plan assets at the beginning of the year	991,453	-	154,820	1,146,273
Group contribution	-	-	6,086	6,086
Plan participants contributions	-	-	805	805
Benefits paid	-54,228	-	-11,806	-66,034
Actual return on plan assets	61,085	-	19,940	81,025
Actuarial gains/(losses)	13,676	-	4,567	18,243
Currency fluctuation	-	-	47,364	47,364
Assets value at the end of the year	1,011,986	-	221,776	1,233,762

As at 31 December 2010 and 2009, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2010	19,256	548,353	233,230	165,430	47,560	1,013,829
31 December 2009	26,818	541,817	230,227	165,460	47,664	1,011,986

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2010	1.90%	54.09%	23.00%	16.32%	4.69%	100.00%
31 December 2009	2.65%	53.54%	22.75%	16.35%	4.71%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousand Euros at 31 December 2010 (124,722 thousand Euros at 31 December 2009). Bonds include the amount of 4,046 thousand Euros (2,227 thousand Euros as at 31 December 2009) relating to bonds issued by EDP Finance B.V.

Shares include securities issued by Group companies that are analysed as follows:

	2010	2009
	Euro'000	Euro'000
Shares:		
EDP Renováveis	4,554	2,815
	<u>4,554</u>	<u>2,815</u>

Pension fund assets in Brazil as at 31 December 2010 and 2009 are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2010	-	226,577	42,779	1,255	6,425	277,036
31 December 2009	-	182,637	32,362	1,071	5,706	221,776

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2010	-	81.79%	15.44%	0.45%	2.32%	100.00%
31 December 2009	-	82.35%	14.59%	0.48%	2.58%	100.00%

Assumptions regarding the discount rate and expected return rate of the assets

The discount rates used for the EDP Group pension plan were selected based on an analysis of the rates of return available at the date for the bonds considered the most appropriate. Bonds with maturities and ratings considered appropriate were selected considering the amount and the periods the benefits are expected to be paid.

The expected return rate of assets for 2011 and subsequent years, in accordance with expectations in January 2011, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

	2010		Expected return rate for 2011 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Portugal				
Bonds	54.00%	4.40%	52.50%	4.10%
European shares	14.00%	7.90%	14.00%	8.00%
Global shares	9.00%	8.00%	10.00%	8.10%
Hedge Funds	3.00%	5.80%	3.00%	5.70%
Property	16.00%	6.90%	18.50%	6.40%
Other	4.00%	8.40%	2.00%	8.30%
Total	<u>100.00%</u>	<u>6.00%</u>	<u>100.00%</u>	<u>5.60%</u>

The real return rate of assets in 2010 was 2.55% (2009: 7.47%).

Brazil	2010		Expected return rate for 2011 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Bonds	82.40%	11.20%	82.40%	10.84%
European shares	-	-	-	-
Global shares	14.40%	13.29%	14.40%	16.31%
Hedge Funds	-	-	-	-
Property	0.60%	11.20%	0.60%	10.77%
Other	2.60%	10.77%	2.60%	10.77%
Total	100.00%	11.49%	100.00%	11.63%

As at 31 December 2010 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

Portugal	Expected future benefits to be paid			
	Pensions	Medical plans	Other benefits	Total
2011	187,280	20,411	15,916	223,607
2012	182,578	20,816	16,326	219,720
2013	176,410	21,276	16,685	214,371
2014	170,434	21,752	17,074	209,260
2015	161,908	22,286	17,667	201,861
2016	154,279	22,869	18,162	195,310
2017	148,862	23,564	18,954	191,380
2018	141,434	24,321	19,501	185,256
2019	136,882	25,117	20,021	182,020
2020	131,389	25,981	20,551	177,921

The contributions made in Portugal to the pension Funds in 2010 amounted to 31,043 thousand Euros (December 2009: were not made contributions to the pension Funds) and were fully paid in cash.

In 2010, the pensions paid by the Funds in Portugal totalled 54,529 thousand Euros (54,228 thousand Euros in December 2009).

Spain	Expected future benefits to be paid
	Other Benefits
2011	12,176
2012	13,065
2013	13,308
2014	7,632
2015	5,854
2016	5,121
2017	4,338
2018	3,557
2019	2,777
2020	2,000

In 2010, the pensions paid by the Funds in Spain totalled 10,689 thousand Euros (7,984 thousand Euros in December 2009).

The amount of 92,912 thousand Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 40,478 thousand Euros (31 December 2009: 37,801 thousand Euros) relating to provisions for revision of the collective labour agreement. The provision includes 52,434 thousand Euros (31 December 2009: 53,878 thousand Euros) related to responsibilities with pre-retirement before 31 December 2007.

Brazil	Expected future benefits to be paid			
	Pensions	Medical Plans	Other Benefits	Total
2011	36,941	3,509	262	40,712
2012	40,710	3,769	153	44,632
2013	44,257	4,044	393	48,694
2014	48,797	4,305	153	53,255
2015	52,671	4,596	197	57,464
2016	57,450	4,877	343	62,670
2017	62,782	5,130	195	68,107
2018	68,209	5,430	281	73,920
2019	73,500	5,738	157	79,395
2020	79,312	6,062	156	85,530

The contributions made to the pension Funds in 2010 amounted to 7,888 thousand Euros (6,086 thousand Euros in 2009) and were fully paid in cash.

The pensions paid by the Funds in 2010 totalled 15,372 thousand Euros (11,806 thousand Euros in 2009).

II. Defined contribution pension plan

Subsidiaries of EDP Group from Spain, Brazil and Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

III. Liability for Medical Care and Other Benefits Plans - Defined Benefit Type

The Group companies in Portugal resulting from the spin-off of EDP in 1994 have a Medical Care Plan which is fully covered by a provision.

Escelsa and Energest in Brazil also have Medical and other benefits plans for retired employees which are also fully covered by provisions.

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The actuarial assumptions used to calculate the liability for Medical Care Plans are as follows:

	Dec 2010		Dec 2009	
	Portugal	Brazil	Portugal	Brazil
Assumptions				
Discount rate	5.00%	10.75%	5.20%	11.20%
Annual increase rate of medical service costs	4.00%	9,5% (b)	4.00%	9,5% (b)
Estimated administrative expenses per beneficiary per year (Euros)	175	not applicable	150	not applicable
Mortality table	Age >60 -- TV88/90 //	RP-2000	Age > 60 -- TV 88/90; Age	RP-2000
	Age<=60 years - - TV99/01	Geracional	<= 60 years -- TV99/01	Geracional
Disability table	50%EKV 80	Wyatt 85 Class 1	50% EKV 80	Wyatt 85 Class 1
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

- (a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).
- (b) 9.5% in the first year, decreasing to 5.5% in 8 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2010 and 2009 is as follows:

	Portugal 2010	Brazil 2010	Portugal 2009	Brazil 2009
Number of participants				
Retirees and pensioners	18,205	1,918	18,300	856
Current employees	6,384	1,068	6,608	656
	<u>24,589</u>	<u>2,986</u>	<u>24,908</u>	<u>1,512</u>

The evolution of the present value of the liability for Medical and other benefits for the Group is as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Provision for medical care					
Liability at the end of the year	800,473	770,357	750,982	779,784	760,460
Provision at the end of the year	<u>800,473</u>	<u>770,357</u>	<u>750,982</u>	<u>779,784</u>	<u>760,460</u>

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Medical Care Plans are analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	15,249	57,164	-4,160	-69,385	-9,693
	<u>15,249</u>	<u>57,164</u>	<u>-4,160</u>	<u>-69,385</u>	<u>-9,693</u>

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Medical Care Plans is analysed as follows:

	2010	2009	2008	2007	2006
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	-7,931	-9,771	2,717	1,542	-2,853
	<u>-7,931</u>	<u>-9,771</u>	<u>2,717</u>	<u>1,542</u>	<u>-2,853</u>

The change of the consolidated past service liability for medical and other benefits for the Group is as follows:

	Dec 2010			Dec 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Evolution of the liability						
Liability at the beginning of the year	741,722	28,635	770,357	734,934	16,048	750,982
Current service cost	6,965	144	7,109	6,622	166	6,788
Current interest cost	37,629	4,463	42,092	41,141	2,026	43,167
Benefits reduction	-	-4,805	-4,805	-	-	-
Benefits paid	-37,885	-4,966	-42,851	-39,034	-3,871	-42,905
Curtailments / Settlements	1,916	-	1,916	1,736	-	1,736
Actuarial gains and losses	4,911	14,422	19,333	-6,338	8,817	2,479
Currency fluctuation	-	4,266	4,266	-	5,449	5,449
Other and "mútua"	3,056	-	3,056	2,661	-	2,661
Liability at end of the year	<u>758,314</u>	<u>42,159</u>	<u>800,473</u>	<u>741,722</u>	<u>28,635</u>	<u>770,357</u>
Provision at end of the year	<u>758,314</u>	<u>42,159</u>	<u>800,473</u>	<u>741,722</u>	<u>28,635</u>	<u>770,357</u>

The Medical Plan liability is recognised in the Group's accounts through provisions that fully cover the liability.

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

	Dec 2010			Dec 2009		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
Cost for the year						
Current service cost	6,965	145	7,110	6,622	166	6,788
Interest cost	37,629	4,463	42,092	41,141	2,026	43,167
Curtailment	1,916	-	1,916	1,736	-	1,736
Net cost for the year	46,510	4,608	51,118	49,499	2,192	51,691

The sensitivity analysis for the Medical Care Plan in Portugal is analysed as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation +1% -1%	
Liabilities at the end of the year	758,314	811,605	714,388
2011 cost for the year			
Current service cost	7,130	8,075	6,405
Interest cost	37,008	39,673	34,812
	44,138	47,748	41,217

Medical Care Plan and Other Benefits in Brazil includes liabilities of 53,321 thousand Euros relating to medical care, which sensitivity analysis is as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation +1% -1%	
Liabilities at the end of the year	53,231	59,527	47,908
2011 cost for the year			
Current service cost	-	-	-
Interest cost	2,860	3,118	2,633
	2,860	3,118	2,633

36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Provision for legal and labour matters and other contingencies	92,406	94,520	-	-
Provision for customer guarantees under current operations	108,480	28,561	-	-
Provision for other liabilities and charges	230,308	221,302	21,867	18,637
	431,194	344,383	21,867	18,637

The changes in the **Provisions for legal and labour matters and other contingencies** are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	94,520	116,528	-	-
Charge for the year	19,423	26,502	-	-
Reversals	-16,676	-10,354	-	-
Charge-off for the year	-10,005	-65,551	-	-
Other and exchange differences	5,144	27,395	-	-
Balance at the end of the year	92,406	94,520	-	-

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities under the PPA's of Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group has reexpressed the comparative figures as at 31 December 2009 of the value of the Provisions for liabilities and charges in 1,628 thousand Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists in investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2010, the amount of this Tax contingency totals 200.5 million Euros.

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

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

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Provision for legal and labour matters and other contingencies of 92,406 thousand Euros, includes provisions for litigation in progress and other labour contingencies of 76,392 thousand Euros.

The provisions for legal litigations in process against subsidiaries of the EDP Group amounting to 76,392 thousand Euros (2009: 78,693 thousand Euros), relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 18,207 thousand Euros (2009: 15,607 thousand Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;
- ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of approximately 11,200 thousand Euros;
- iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the public thoroughfare for the years 2004 and 2005 of 3,172 thousand Euros each year, in a total amount of 6,344 thousand Euros;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

The opening balance as at 31 December 2010 relating to tax litigation includes 9,564 thousand Euros relating to taxes to be returned to the Spanish State by the subsidiary Naturgás Distribucion for specific deductions made in the Basque Country under Norma Foral 7/1996 of 4 July, which establishes that 45% of the amounts invested in new fixed assets by residents in the Basque Country could be considered as tax deductible. The subsidiary applied the referred deductions, however, following a process brought by the European Community Authorities, a court decision was issued under which the entities making such deductions should return them to the State. The company awaits for the final court decision.

The movement in **Provision for customer guarantees under current operations** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	28,561	14,993	-	-
Charge for the year	85,698	30,992	-	-
Reversals	-680	-	-	-
Charge-off for the year	-14,366	-17,457	-	-
Other and exchange differences	9,267	33	-	-
Balance at the end of the year	108,480	28,561	-	-

Provisions for customer guarantees under current operations of 108,480 thousand Euros (2009: 28,561 thousand Euros) includes essentially provisions for commercial losses.

The movement in **Provision for other liabilities and charges** is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	221,302	192,198	18,637	79,014
Changes in the consolidation perimeter	723	184	-	-
Charge for the year	29,024	34,828	7,927	187
Reversals	-13,211	-7,283	-2,509	-57,190
Charge-off for the year	-7,218	-36,211	-1,425	-7,500
Other and exchange differences	-312	37,586	-763	4,126
Balance at the end of the year	230,308	221,302	21,867	18,637

As at 31 December 2010, Provision for other liabilities and charges on a consolidated basis of 230,308 thousand Euros (31 December 2009: 221,302 thousand Euros) mainly includes the following situations:

- i) The Group holds a provision of 22,136 thousand Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it.
- ii) Provisions for dismantling of wind farms of 53,156 thousand Euros (2008: 63,956 thousand Euros) to cover the costs of returning the locations and land to their original state, from which 28,813 thousand Euros referring to the wind farms of the EDPR NA Group, 23,703 thousand Euros to the wind farms of the EDPR EU Group and 640 thousand Euros to the wind farms of the EDPR Brasil Group.
- iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of lands where the electric power plants are located, of 11,392 thousand Euros and 7,386 thousand Euros as at 31 December 2010, to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 (o), these provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Current:				
Suppliers	1,182,508	804,718	119,507	110,501
Property, plant and equipment suppliers	805,531	901,417	2,414	7,217
Advances from customers	86,935	29,500	43	43
Other payables:				
- Employees	32,579	56,949	8,023	6,901
- Supply of other goods and services	150,703	193,914	20,354	9,777
- Concession rents	16,729	15,822	-	-
- Amount payable to the regulatory entity in Brazil	26,710	11,988	-	-
- Amount to be invested in research and development - Brazil	26,573	16,449	-	-
- Amounts payable for electricity transactions in MIBEL	68,257	-	68,257	-
Payables - related companies	90,258	30,481	-	-
Payables from the Regulated Activity	87,517	40,159	-	-
Energetic efficiency program - Brazil	33,588	21,056	-	-
Holiday pay, bonus and other charges	97,246	96,606	510	587
Derivative financial instruments	27,310	88,745	87,216	132,349
Government grants and co-participation in investment in fixed assets	1,407	1,322	-	-
Accrued costs - Energy management business	53,812	17,132	179,481	102,176
Accrued costs - Energy purchase (PRE)	134,118	143,280	-	-
Accrued income - supply energy	24,572	20,395	-	-
Accrued costs relating to the fix network utilization tariff	30,464	72,140	-	-
CO2 emission licenses	170,919	341,446	-	-
Accrued costs - Subcontracts (EDPR NA)	52,775	22,841	-	-
Deferred income - CMEC	3,769	92,446	-	-
Amounts payable for tariff adjustments - Portugal	173,831	1,056,236	-	-
Amounts payable for tariff adjustments - Spain	55,009	65,231	-	-
Tariff adjustment payable	14,317	14,317	-	-
Creditors - Group companies	-	-	467,188	621,941
Put options over minority interests liabilities	234,754	710,113	-	-
Amounts payable for the acquisition of companies	210,852	-	-	-
Other creditors and sundry operations	279,789	320,843	32,562	40,888
	<u>4,172,832</u>	<u>5,185,546</u>	<u>985,555</u>	<u>1,032,380</u>

In 2010, the EDP Group conducted the final allocation of the acquisition cost to assets, liabilities and contingent liabilities under the PPA's of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. acquired in 2009. In accordance with IFRS 3, any adjustment to the fair value of assets, liabilities and contingent liabilities occurred in the 12 months following an acquisition should be reflected with effect from the date of the transaction. Consequently, the Group has restated the value of the Creditors and other liabilities - Medium / Long term and Short-term by -2,508 thousand Euros and 14,039 thousand Euros, respectively, as at 31 December 2009.

The caption Group companies on a Company basis includes 99,506 thousand Euros (2009: 558,061 thousand Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 170,387 thousand Euros, 55,398 thousand Euros and 84,492 thousand Euros, relating to debt financing obtained near EDP Renováveis, EDP Renewables Europe e Naturgás Energia Grupo, S.A., respectively (see note 43).

In the caption Put options over minority interests liabilities — current, as referred in accounting policy 2 b), the Group accounts for its put options regarding interests held by minority interests in group subsidiaries, at the acquisition date or in a subsequent date as an anticipated acquisition of those minority interests, booking a financial liability by the present value of the best estimate of the amount payable, regardless the exercise probability of the options. As at 31 December 2010 the liabilities with options over minority interests include a put option of Caja Madrid to EDPR EU regarding 20% of its interests in Genesa of 234,754 thousand Euros (31 December 2009: 303,722 thousand Euros). The option was exercised by Caja Madrid during the option exercise period.

- The timeframe is from 1 January 2010 to 2011, inclusive.
- The contract is for the total shares held by Caja Madrid in the Genesa Group (20%).
- The strike price will be reflected to the market value determined according to the shareholders agreement.

As at 31 December 2010, the assessment process that under the contract terms will serve as the basis for determining the put option exercise price was still in progress.

In 31 December 2009, the caption Put options over minority interests liabilities — current also includes a put option from Ente Vasco de la Energia to HC Energia of 30.4% of its interests in Naturgas totalling 406,391 thousand Euros.

The caption CO2 emission licenses includes 89,398 thousand Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 81,521 thousand Euros related to the HC Energia Group in Spain, regarding the CO2 consumptions made during the year.

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	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Trade and other payables - Non-Current				
State participation in Multipurpose hydroelectric power stations	11,062	10,893	11,062	10,893
Deposits received from customers and other debtors	32,859	37,670	3	3
Payables to associates	144,554	121,006	-	-
Suppliers of property, plant and equipment	10,056	6,789	1,791	1,888
Government grants for investment in fixed assets	563,477	413,897	-	-
Put options over minority interests liabilities	123,492	101,622	-	-
Amounts payable for tariff adjustments - Portugal	61,557	88,479	-	-
Energy sales contracts - EDPR NA	71,991	97,951	-	-
Deferred income - CMEC	377,508	381,278	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,644,048	1,353,612	-	-
Amounts payable for concessions	265,341	235,903	-	-
Derivative financial instruments	169,383	178,628	-	773
Payables - Group companies (EDP Finance BV)	-	-	3,207,855	2,809,277
Amounts payable for the acquisition of companies	210,859	21,230	-	-
Success fees payable related to companies acquisitions	76,621	53,034	-	-
Other creditors and sundry operations	57,009	50,753	2,003	1,907
	3,819,817	3,152,745	3,222,714	2,824,741

Deferred income - CMEC current and non current includes 381,277 thousand Euros (31 December 2009: 473,724 thousand Euros) which refers to the CMEC initial amount (833,467 thousand Euros) net of the amortisations of initial CMEC of the years 2007 to 2010 and including financial expenses (20,274 thousand Euros in 2010), as referred in note 14.

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 12).

In the caption Put options over minority interests liabilities medium / long term at 31 December 2010 the Group books the put options related to interests held by minority interests. This caption include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 84,149 thousand Euros (31 December 2009: 100,812 thousand Euros) and the put option of Energia in Natura to EDPR EU for 15% of EDPR Italia share capital of 36,494 thousand Euros.

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 December 2010 the captions amounts payable for the acquisition of companies - Current and Non current include the amounts of 210,852 thousand Euros and 210,859 thousand Euros, respectively.

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 7).

Amounts payable for concessions refers to the amounts payable, in the medium/long term, related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 168,049 thousand Euros as at 31 December 2010 (31 December 2009: 154,301 thousand Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 97,292 thousand Euros as at 31 December 2010 (31 December 2009: 81,602 thousand Euros).

The derivative financial instruments portfolio, booked as other Creditors and liabilities current and non current of 27,310 thousand Euros and 169,383 thousand Euros, respectively, includes the trading and hedge portfolios (see note 40).

Success fees payable related to companies acquisitions refers to the contingent price to be paid for the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy and Elebrás.

The caption Payables - Group companies (EDP Finance B.V.) non current on a company basis, of 3,207,855 thousand Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Amounts payable for tariff adjustments - Portugal current and non-current of 173,831 thousand Euros and 61,557 thousand Euros, respectively (2009: 1,056,236 thousand Euros in current and 88,479 thousand Euros in non current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2009 and 2010 for the regulated companies in Portugal.

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

	Current Euro'000	Non-Current Euro'000
Balance as at 1 January 2009	300,073	-
Payment through the electricity tariff	-315,995	-
Tariff adjustment of 2008	-	34,144
Tariff adjustment of the year	-	1,109,252
Interest expense	15,922	1,319
Transfer from Non-Current to Current	1,056,236	-1,056,236
Balance as at 31 December 2009	1,056,236	88,479
Payments through the electric energy tariff	-1,080,476	-
Tariff adjustment of 2009	14,378	-
Tariff adjustment for the year	69,480	61,557
Interest expense	25,734	-
Transfer from Non-Current to Current	88,479	-88,479
Balance as at 31 December 2010	173,831	61,557

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Deferred income related to benefits provided	635,271	433,763
Liabilities arising from institutional partnerships in US wind farms	1,008,777	919,849
	<u>1,644,048</u>	<u>1,353,612</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 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 14).

During 2010 EDP Group, through its subsidiary EDPR NA, has secured 141 million of USD (approximately 106 million Euros) institutional equity financing from Wells Fargo Wind Holdings LLC ("Wells Fargo") in exchange for an interest in the Vento III portfolio, 99 million of USD (approximately 75 million Euros) in exchange for an interest in the Vento VIII portfolio and 85 million of USD (approximately 64 million Euros) for an interest in Vento VII portfolio.

38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
State and other public entities:				
- Income tax	149,183	599,032	-	483,912
- Withholding tax	59,045	40,186	234	277
- Social Security contributions	10,183	9,982	19	20
- Value added tax (VAT)	62,531	42,344	935	385
- Turnover tax (Brazil)	78,846	57,179	-	-
- Social tax (Brazil)	49,309	41,402	-	-
- Other taxes	143,259	137,881	-	-
	<u>552,356</u>	<u>928,006</u>	<u>1,188</u>	<u>484,594</u>

As at 31 December 2010, Other taxes include foreign taxes regarding HC Energia Group of 51,196 thousand Euros, Naturgas Group of 35,140 thousand Euros (31 December 2009: HC Energia Group 44,225 thousand Euros and Naturgás Group of 31,671 thousand Euros) and Energia do Brazil Group of 51,364 thousand Euros (31 December 2009: 55,347 thousand Euros).

39. Assets and liabilities classified as held for sale

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

This caption is analysed as follows:

	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Assets classified as held for sale				
Electricity transport equipment - Hidroantábrico	30,952	-	-	-
	<u>30,952</u>	<u>-</u>	<u>-</u>	<u>-</u>

In 2010, EDP Group has reclassified to held for sale the electricity lines and substations belonging to Hidroantabrico which results from the legal obligation to sell these electricity transport assets of Rede Eléctrica de España ("REE"). During 2010, EDP Group celebrated a sell contract related with those assets with REE in the amount of 57,8 million Euros, being the sale recognition pending of the Comisión Nacional de la Competencia approvals.

40. Derivative financial instruments

In accordance with IAS 39, the Group classifies the derivative financial instruments as a fair value hedge of an asset or liability recognised, as a cash flow hedge of recorded liabilities and forecast transactions considered highly probable or net investment hedged in foreign operations.

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In 2010 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Net Investment hedge						
Cross currency rate swaps	-	-1,074	-	59,627	-	59,627
	-	-1,074	-	59,627	-	59,627
Fair value hedge						
Interest rate swaps	86,470	-	750,000	1,250,000	-	2,000,000
Cross-currency interest rate swaps	-	-64,492	-	-	730,313	730,313
	86,470	-64,492	750,000	1,250,000	730,313	2,730,313
Cash flow hedge						
Commodities swaps	48,337	-7,750	690,479	57,968	-	748,447
Interest rate swaps	328	-26,962	106,102	169,197	288,748	564,047
Foreign exchange forwards	2,143	-36,203	476,597	253,468	-	730,065
	50,808	-70,915	1,273,178	480,633	288,748	2,042,559
Trading						
Commodities swaps	30,431	-4,789	2,261,956	269	-	2,262,225
Interest rate swaps	28,188	-28,411	489,976	-	845,683	1,335,659
Cross-currency interest rate swaps	13,299	-5,335	-	23,450	92,039	115,489
Currency forwards	3,580	-10,787	228,834	48,100	-	276,934
Commodities forwards	9,847	-10,367	735,631	-	-	735,631
OMIP futures	430	-523	77,852	-	-	77,852
	85,775	-60,212	3,794,249	71,819	937,722	4,803,790
	223,053	-196,693	5,817,427	1,862,079	1,956,783	9,636,289

In 2009 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
Net Investment hedge						
Cross currency rate swaps	663	-94	-	-	75,098	75,098
	663	-94	-	-	75,098	75,098
Fair value hedge						
Interest rate swaps	82,347	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	34,388	-143,821	-	-	730,313	730,313
	116,735	-143,821	-	1,000,000	730,313	1,730,313
Cash flow hedge						
Commodities swaps	85,261	-465	566,141	56,018	-	622,159
Interest rate swaps	96	-23,721	35,355	215,156	216,988	467,499
Currency forwards	1,805	-23,236	319,364	442,444	-	761,808
	87,162	-47,422	920,860	713,618	216,988	1,851,466
Trading						
Commodities swaps	30,317	-1,634	1,009,027	8,372	-	1,017,399
Interest rate swaps	29,495	-23,240	9,082	-	837,532	846,614
Cross-currency interest rate swaps	-	-8,603	-	27,003	-	27,003
Currency forwards	2,672	-27,191	480,337	132,959	-	613,296
Commodities forwards	8,755	-10,989	82,926	-	-	82,926
Options purchased and sold	-	-1,157	-	-	-	-
OMIP futures	512	-3,222	487,695	34,374	-	522,069
	71,751	-76,036	2,069,067	202,708	837,532	3,109,307
	276,311	-267,373	2,989,927	1,916,326	1,859,931	6,766,184

The fair value of the derivative financial instruments is booked in Debtors and other assets (see note 25) and Creditors and other liabilities (see note 37), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use discount cash flows techniques usually accepted and data from public markets.

Derivative financial instruments classified as trading are financial hedging instruments contracted for economic hedging at EDP Group level (see note 4), however such instruments are not eligible for hedge accounting under IFRS.

The changes in the fair value of hedging instruments and risks being hedged are as follows:

Type of hedge	Hedging instrument	Hedged risk	2010		2009	
			Changes in fair value		Changes in fair value	
			Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	-17,553	17,553	-2,286	2,286
- Fair value	Cross-currency interest rate swaps	Exchange and interest rate	49,210	-49,210	26,547	-26,547
- Cash flow hedge	Interest rate swap	Interest rate	-3,009	-	-3,242	-
- Cash flow hedge	Currency forwards	Exchange rate	-12,629	-	-29,177	-
- Cash flow hedge	Commodities swaps	Commodity prices	-44,209	-	79,498	-
			-28,190	-31,657	71,340	-24,261

The changes in the fair value reserve related to cash flow hedges in 2010 and 2009 were as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Balance at the beginning of the year	80,444	-54,653
Fair value changes	-59,847	47,079
Transfers to results	24,583	88,018
Balance at the end of the year	45,180	80,444

The gains and losses on the financial instruments portfolio booked in the income statement in 2010 and 2009 are as follows:

	Group		Company	
	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000	31 Dec 2010 Euro'000	31 Dec 2009 Euro'000
Derivatives held for trading	-20,614	34,123	113,201	-10,474
Fair value hedges				
- Derivatives	31,657	24,261	-28,596	-2,852
- Hedged liabilities	-31,657	-24,261	28,596	2,852
Cash flow hedges				
- Transfer to results	-24,583	-88,018	27,094	-42,505
- Ineffectiveness	44	977	44	977
	-45,153	-52,918	140,339	-52,002

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2010 are as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,054,878	EUR	[5.01% - 0.49%]	[5.88% - 0.49%]
Interest rate swaps	735,658	USD	[5.82% - 2.09%]	0.46%
Interest rate swaps	109,170	PLN	5.41%	1.00%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.88% - 2.53%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	6,069	USD / BRL	[12.66% - 11.14%]	4.68%
CIRS (currency interest rate swaps)	92,039	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR/PLN	[2.96% - 2.86%]	1.01%
Exchange rate contracts				
Currency forwards	244,724	BRL / USD		

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2009 were as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,314,113	EUR	[5.01% - 0.19%]	[5.88% - 0.71%]
Interest rate swaps	246,614	USD	[5.82% - 2.09%]	0.43%
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[4.74% - 2.51%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	27,004	USD / BRL	[10.25% - 9.44%]	4.86%
CIRS (currency interest rate swaps)	75,098	USD / JPY	6.84%	3.11%
Exchange rate contracts				
Currency forwards	226,989	BRL / USD		



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41. Commitments

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

Type	Group		Company	
	Dec 2010 Euro'000	Dec 2009 Euro'000	Dec 2010 Euro'000	Dec 2009 Euro'000
Guarantees of a financial nature				
EDP, S.A.	381,332	396,175	381,332	396,175
Hidrocontábrico Group	36,271	36,858	-	-
Brazil Group	13,244	46,587	-	-
EDP Renováveis Group	24,999	9,465	-	-
Other	3,711	3,720	-	-
	459,557	492,805	381,332	396,175
Guarantees of an operating nature				
EDP, S.A.	911,218	829,891	911,218	829,891
Hidrocontábrico Group	348,543	324,839	-	-
Brazil Group	120,663	102,732	-	-
EDP Renováveis Group	1,893,862	1,613,885	-	-
Other (Portugal)	32,280	25,191	-	-
	3,306,566	2,896,538	911,218	829,891
Total	3,766,123	3,389,343	1,292,550	1,226,066
Real guarantees	13,335	12,504	-	-

The financial guarantees contracted include, at 31 December 2010 and 2009, 358,631 thousand Euros and 452,063 thousand Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 320,287 thousand Euros at 31 December 2010 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 120,404 thousand Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2010 and 2009, 553,274 thousand Euros and 439,030 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2010 and 2009 these loans amounted to 862,625 thousand Euros and 716,429 thousand Euros, respectively, and are included in the Group's consolidated debt.

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

	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
	71,793,576	9,514,638	15,957,600	12,852,301	33,469,037
	Dec 2009				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	19,905,950	3,145,007	3,679,269	5,477,719	7,603,955
Finance lease commitments	7,178	2,957	3,862	359	-
Operating lease commitments	476,479	36,143	61,991	54,383	323,962
Purchase obligations	40,463,940	4,762,822	7,578,651	5,990,735	22,131,732
Other long term commitments	2,510,646	243,036	498,702	485,940	1,282,968
	63,364,193	8,189,965	11,822,475	12,009,136	31,342,617

The Group's contractual commitments shown above relate essentially to agreements and commitments required for regular business activities. Specifically, the majority of the commitments are established to guarantee adequate supply of fuel and energy required for the Group to comply with its medium and long term investment objectives as well as to guarantee the supply of energy to its customers in the 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 balance sheet (note 35).

As at 31 December 2010, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- Put option of Caja Madrid over EDP Renewables Europe, S.A. for 20% of its investment in Genesa. The option can be exercised between 1 January 2010 and 2011, being the price of exercising the option determined by shareholders agreement. This options was exercised during 2010;
- 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 Italy 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 Gant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousand 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 thousand 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 2,67% of the share capital of Greenvougá and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousand Euros.

42. Share based payments

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

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

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

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

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

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

Information regarding stock options as at 31 December 2010:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options Euro'000
605,477	2.22	2.94	605,477	438,389

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

During the year ended at 31 December 2010, EDP Group granted treasury stocks to employees (744,935 shares) totalling 2,118 thousand Euros.

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43. Related parties

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2010 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%
Senhora, 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%
EDP Group (Treasury stock)	33,324,941	0.91%	
Remaining shareholders	1,526,025,916	41.75%	
	3,656,537,715	100.0%	

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

	2010	2009
	Nr. of shares	Nr. of shares
General and Supervisory Board		
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,745	57,745
Executive Board of Directors		
António Luís Guerra Nunes Mexia	31,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	62,497	12,497
Nuno Maria Pestana de Almeida Alves	80,000	50,000
	222,613	112,613

Remuneration of company officers

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remuneration Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remuneration Committee appointed by the General and Supervisory Board.

The remuneration cost of the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2010 was as follows:

	EBD	GSC
	Euro'000	Euro'000
President	1,055	639
Members	5,287	870
	6,342	1,509

The remuneration of the members of the Executive Board of Directors includes a variable component of 2,007 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

During 2010 the costs incurred with the fees of the Statutory Auditor was 180,000 Euros.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the normal course of its activity, EDP performs business transactions and operations based on normal market conditions for similar operations with several entities, particularly financial institutions, including holders of qualifying holdings in EDP Share capital and other group companies and subsidiaries, which are not considered relevant due to their nature or to the fact that they are insignificant in economic terms.

Balances and transactions with subsidiaries and associates

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
Electrica Ribera del Ebro	-	-	813	813
Sávida	-	-	715	715
Energin	-	-	911	911
Hidrocontábrico 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 Energia 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	-	7,364	7,389
	325,149	6,242,157	1,394,625	7,961,931

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

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



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As at 31 December 2010, the **debts** 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
Natargas 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
	122,241	3,585,252	571,238	4,278,731

As at 31 December 2009, the **debts** 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	-	-	102,718	102,718
EDP Distribuição	-	-	16,041	16,041
EDP Comercial	-	-	6,354	6,354
EDP Estudos e Consultoria	3,284	-	6,562	9,846
EDP Finance BV	-	3,337,359	36,740	3,374,099
EDP Imobiliária e Participações	-	-	6,402	6,402
EDP Inovação	-	-	4,599	4,599
EDP Soluções Comerciais	38,123	-	-	38,123
EDP Renováveis	-	37,690	-	37,690
EDP Serviner	1,304	-	24	1,328
EDP Valor	31,308	-	792	32,100
Electrica Ribera del Ebro	-	-	28,933	28,933
Energín	-	-	2,446	2,446
Hidrocantábrico Energia	-	-	1,219	1,219
Hidroeléctrica do Guadiana	-	-	1,143	1,143
Hidroeléctrica del Cantábrico	4,604	-	16,545	21,149
Labelec	3,707	-	286	3,993
Naturgás	-	4,636	-	4,636
EDP Renewables Europe	-	21,554	11,377	32,931
EDP Gás III SGPS	62,147	-	381	62,528
EDP Investimentos	1,919	-	-	1,919
Sávida	12,163	-	2	12,165
Soporgen	-	-	1,507	1,507
Other	-	-	704	704
	158,559	3,401,239	244,775	3,804,573

Expenses related to intra-Group transactions as at 31 December 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	-	902,490	902,533
EDP Distribuição	-	-	10,465	10,465
EDP Estudos e Consultoria	22	-	20,248	20,270
EDP Finance BV	-	183,957	12,066	196,023
EDP Gás.Com	-	-	8,476	8,476
EDP Inovação	-	-	4,081	4,081
EDP Renováveis	-	440	3,324	3,764
EDP Renewables Europe	-	-	12,518	12,518
EDP Valor	102	-	4,454	4,556
Electrica Ribera del Ebro	-	-	27,013	27,013
Hidrocantábrico Energia	-	-	7,124	7,124
Hidrocantábrico Serviços	-	-	1,021	1,021
Hidroeléctrica do Guadiana	-	-	32,360	32,360
Hidroeléctrica del Cantábrico	-	-	62,375	62,375
Naturgas Comercializadora, S.A.	-	-	2,513	2,513
Other	236	552	2,669	3,457
	403	184,949	1,113,197	1,298,549

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

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
Companies				
EDP Gestão da Produção	52	-	924,086	924,138
EDP Distribuição	1,398	-	8,642	10,040
EDP Estudos e Consultoria	22	-	20,098	20,120
EDP Finance BV	-	168,347	99,216	267,563
EDP Gás.Com	-	-	1,700	1,700
EDP Imobiliária e Participações	-	-	922	922
EDP Inovação	19	-	3,447	3,466
EDP Soluções Comerciais	781	-	180	961
EDP Renováveis	-	257	77,813	78,070
EDP Valor	217	-	5,405	5,622
Electrica Ribera del Ebro	-	-	44,890	44,890
Hidrocantábrico Energia	-	-	13,806	13,806
Hidroeléctrica do Guadiana	-	-	7,130	7,130
Hidroeléctrica del Cantábrico	-	-	47,934	47,934
Naturgás	-	850	-	850
EDP Renewables Europe	-	-	24,857	24,857
Other	109	131	1,446	1,686
	2,598	169,585	1,281,572	1,453,755

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Income related to intra-Group transactions as at 31 December 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	135	7,375	71	7,581
EDP Gestão da Produção	2,007	206,868	44,975	253,850
EDP Energias do Brasil	-	-	5,595	5,595
EDP Distribuição	7,245	39,861	37,810	84,916
EDP Comercial	677	1,410	390,304	392,391
EDP Gás.Com	-	-	63,070	63,070
EDP Imobiliária e Participações	21	4,950	323	5,294
EDP Inovação	17	312	392	721
EDP Soluções Comerciais	134	-	26,588	26,722
EDP Renováveis	-	-	155,083	155,083
EDP Renewables Europe	-	-	18,233	18,233
EDP Serviço Universal	-	-	11,165	11,165
EDP Gás - SGPS	295	3,840	1,887	6,022
EDP Valor	-	-	8,167	8,167
EDP Finance BV	-	149	643	792
Electrica Ribera del Ebro	-	-	19,946	19,946
Hidrocantábrico Distribución Eléctrica S.A.U.	-	-	2,123	2,123
Hidrocantábrico Energia	-	-	2,395	2,395
HC Soluciones Comerciales	-	-	2,000	2,000
HDC Gestión de Energia	-	3,317	291	3,608
Hidroeléctrica do Guadiana	-	-	1,060	1,060
Hidroeléctrica del Cantábrico	-	-	43,429	43,429
Naturgas Energía Servicios	-	-	3,344	3,344
Naturgas Comercializadora	-	-	4,221	4,221
Other	43	861	8,359	9,263
	10,574	268,943	851,474	1,130,991

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

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
Companies				
2007 Vento I LLC	-	-	743	743
Balwerk	54	9,646	144	9,844
EDP Produção Bioelétrica	-	466	1	467
EDP Gestão da Produção	1,863	194,523	128,129	324,515
EDP Distribuição	6,097	70,299	39,554	115,950
EDP Comercial	682	-	253,211	253,893
EDP Finance BV	-	113	91,265	91,378
EDP Imobiliária e Participações	161	11,657	489	12,307
EDP Ásia - Investimento e Consultadoria	-	-	712	712
EDP Soluções Comerciais	1,106	-	29,757	30,863
EDP Renováveis	-	34,311	13,827	48,138
EDP Serviço Universal	-	-	16,049	16,049
EDP Gás SGPS	284	1,712	1,786	3,782
EDP Valor	-	-	9,298	9,298
Electrica Ribera del Ebro	-	-	16,602	16,602
Hidrocantábrico Distribuição Eléctrica S.A.U.	-	-	1,000	1,000
Hidroeléctrica do Guadiana	-	-	1,577	1,577
Hidroeléctrica del Cantábrico	-	17	66,031	66,048
EDP Investimentos	-	797	-	797
Sávida	-	-	721	721
Other	75	577	4,632	5,284
	10,322	324,118	675,528	1,009,968

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	30,696	12,822	17,874
	175,490	16,422	159,068

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

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

Transactions with related companies at 31 December 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	9,502	3,334	-887	-9
Jointly controlled entities	53,821	5,432	-23,638	-7,835
	<u>63,323</u>	<u>8,766</u>	<u>-24,525</u>	<u>-7,844</u>

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

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	8,762	2,641	-1,871	-14
Jointly controlled entities	29,251	852	-20,002	-546
	<u>38,013</u>	<u>3,493</u>	<u>-21,873</u>	<u>-560</u>

44. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2010 and 2009, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December 2010			31 December 2009		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	1.01%	0.30%	10.90%	0.70%	0.25%	8.74%
6 months	1.23%	0.46%	11.61%	0.99%	0.43%	9.22%
1 year	1.51%	0.78%	12.04%	1.25%	0.98%	10.50%
2 years	1.56%	0.79%	12.27%	1.89%	1.42%	11.86%
3 years	1.89%	1.26%	12.15%	2.25%	2.06%	12.43%
4 years	2.20%	1.74%	12.04%	2.56%	2.58%	12.65%
5 years	2.49%	2.17%	11.95%	2.80%	2.98%	12.79%
6 years	2.74%	2.53%	11.89%	3.03%	3.29%	12.90%
7 years	2.93%	2.83%	11.85%	3.22%	3.54%	13.10%
8 years	3.09%	3.06%	11.87%	3.36%	3.70%	13.30%
9 years	3.21%	3.25%	11.88%	3.49%	3.85%	13.31%
10 years	3.32%	3.41%	11.90%	3.58%	3.97%	13.31%

Fair value of assets and liabilities as at 31 December 2010 and 2009 is analysed as follows:

	Group Dec 2010			Group Dec 2009		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	443,965	443,965	-	443,117	443,117	-
Trade receivables	2,187,118	2,187,118	-	2,007,626	2,007,626	-
Derivative financial instruments	223,053	223,053	-	276,311	276,311	-
Financial assets at fair value through profit or loss	35,745	35,745	-	84,852	84,852	-
Cash and cash equivalents (assets)	1,511,224	1,511,224	-	2,189,560	2,189,560	-
	<u>4,401,105</u>	<u>4,401,105</u>	<u>-</u>	<u>5,001,466</u>	<u>5,001,466</u>	<u>-</u>
Financial liabilities						
Loans	17,891,646	17,398,777	-492,869	16,280,980	16,658,072	377,092
Trade payables	1,988,039	1,988,039	-	1,706,135	1,706,135	-
Derivative financial instruments	196,693	196,693	-	267,373	267,373	-
	<u>20,076,378</u>	<u>19,583,509</u>	<u>-492,869</u>	<u>18,254,488</u>	<u>18,631,580</u>	<u>377,092</u>

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

The market value of 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.

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

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	31 December 2010			31 December 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	302,342	49,725	91,898	323,645	47,570	71,902
Derivative financial instruments	-	223,053	-	-	276,311	-
Financial assets at fair value through profit or loss	35,745	-	-	84,852	-	-
	<u>338,087</u>	<u>272,778</u>	<u>91,898</u>	<u>408,497</u>	<u>323,881</u>	<u>71,902</u>
Financial liabilities						
Derivative financial instruments	-	196,693	-	-	267,373	-
	<u>-</u>	<u>196,693</u>	<u>-</u>	<u>-</u>	<u>267,373</u>	<u>-</u>

As at 31 December 2010 and 2009, the movement in assets and liabilities included in Level 3 is analysed as follows:

	Financial assets available for sale	
	Dec 2010	Dec 2009
Balance at beginning of year	<u>71,902</u>	<u>55,584</u>
Change in fair value reserve	7,964	17,277
Disposals	-	-1,168
Transfers and other changes	12,032	209
Balance at year end	<u>91,898</u>	<u>71,902</u>

45. Adoption of IFRIC 12 - Service concession arrangements

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

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

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

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

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

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

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

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

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

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

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 2aa) and 6).

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

Balance Sheet	31.12.2009 *	Adjustments IFRIC 12	31.12.2009 Adjusted	01.01.2009	Adjustments IFRIC 12	01.01.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Assets						
Property, plant and equipment	24,118,996	-5,684,190	18,434,806	21,249,965	-5,359,898	15,890,067
Intangible assets	2,829,256	3,660,793	6,490,049	2,648,792	3,501,674	6,150,466
Goodwill	3,136,566	-	3,136,566	3,104,979	-	3,104,979
Investments in associates	175,272	-	175,272	172,754	-	172,754
Available for sale investments	443,117	-	443,117	350,887	-	350,887
Deferred tax assets	661,335	-	661,335	539,878	-	539,878
Trade receivables	114,821	-	114,821	112,044	-	112,044
Debtors and other assets	1,942,970	370,257	2,313,227	2,637,703	273,420	2,911,123
Total Non-Current Assets	33,422,333	-1,653,140	31,769,193	30,817,002	-1,584,804	29,232,198
Inventories	273,376	-	273,376	276,800	-	276,800
Trade receivables	1,892,805	-	1,892,805	1,646,613	-	1,646,613
Debtors and other assets	1,866,477	-	1,866,477	1,632,172	-	1,632,172
Tax receivable	557,641	-	557,641	544,740	-	544,740
Financial assets at fair value through profit or loss	84,852	-	84,852	83,227	-	83,227
Cash and cash equivalents	2,189,560	-	2,189,560	713,587	-	713,587
Assets classified as held for sale	-	-	-	30,828	-	30,828
Total Current Assets	6,864,711	-	6,864,711	4,927,967	-	4,927,967
Total Assets	40,287,044	-1,653,140	38,633,904	35,744,969	-1,584,804	34,160,165
Equity						
Share capital	3,656,538	-	3,656,538	3,656,538	-	3,656,538
Treasury stock	-119,784	-	-119,784	-126,532	-	-126,532
Share premium	501,992	-	501,992	501,992	-	501,992
Reserves and retained earnings	2,230,981	-	2,230,981	1,243,293	-	1,243,293
Consolidated net profit attributable to equity holders of EDP	1,023,845	-	1,023,845	1,091,529	-	1,091,529
Total Equity attributable to equity holders of EDP	7,293,572	-	7,293,572	6,366,820	-	6,366,820
Minority interests	2,684,441	-	2,684,441	2,200,605	-	2,200,605
Total Equity	9,978,013	-	9,978,013	8,567,425	-	8,567,425
Liabilities						
Financial debt	13,486,499	-	13,486,499	10,874,311	-	10,874,311
Employee benefits	1,879,704	-	1,879,704	1,833,887	-	1,833,887
Provisions	344,383	-	344,383	323,719	-	323,719
Hydrological correction account	112,631	-	112,631	237,822	-	237,822
Deferred tax liabilities	771,896	-	771,896	675,737	-	675,737
Trade and other payables	4,671,761	-1,519,016	3,152,745	4,862,651	-1,493,431	3,369,220
Total Non-Current Liabilities	21,266,874	-1,519,016	19,747,858	18,808,127	-1,493,431	17,314,696
Financial debt	2,794,481	-	2,794,481	3,812,014	-	3,812,014
Trade and other payables	5,319,670	-134,124	5,185,546	4,153,100	-91,373	4,061,727
Tax payable	928,006	-	928,006	388,462	-	388,462
Liabilities classified as held for sale	-	-	-	15,841	-	15,841
Total Current Liabilities	9,042,157	-134,124	8,908,033	8,369,417	-91,373	8,278,044
Total Liabilities	30,309,031	-1,653,140	28,655,891	27,177,544	-1,584,804	25,592,740
Total Equity and Liabilities	40,287,044	-1,653,140	38,633,904	35,744,969	-1,584,804	34,160,165

* This column includes, under the terms of IFRS 3, the effect of the adjustments resulting from the final purchase price allocation of Bon Vent de L'Ébre, Elektrownia Wiatrowa Kresy I SP ZOO, Gas Natural Cantabria, S.A., Gas Natural Murcia, S.A., Gas Natural Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L., which led to a reclassification of comparative financial information as of 31 December 2009, increasing the value of property plant and equipment by 25,258 thousand Euros, increasing the value of intangible assets of 22,542 thousand Euros, decreasing the goodwill by 23,266 thousand Euros, decreasing the value of trade and receivables (current) of 508 thousand Euros, increasing the value of trade and other payables of 1,461 thousand Euros, increasing reserves and retained earnings by 2,421 thousand Euros, decreasing noncontrolling interests by 3,096 thousand Euros, increasing provisions for liabilities and charges of 1,628 thousand Euros, increasing deferred tax liabilities by 13,003 thousand Euros, decreasing Trade and other payables (current) by 2,508 thousand Euros and increasing Trade and other payables (non current) by 14,039 thousand Euros.

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

	31.12.2009	Adjustments IFRIC 12	31.12.2009 Adjusted
	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Income Statement			
Turnover	12,198,183	-174	12,198,009
Cost of consumed electricity	-5,340,458	-	-5,340,458
Cost of consumed gas	-641,183	-	-641,183
Changes in inventories and cost of raw materials and consumables used	-1,111,229	-	-1,111,229
	<u>5,105,313</u>	<u>-174</u>	<u>5,105,139</u>
Other operating income / (expenses)			
Other operating income	224,790	-	224,790
Supplies and services	-768,202	-	-768,202
Personnel costs	-540,036	-	-540,036
Employee benefits	-158,353	-	-158,353
Other operating expenses	-500,564	-	-500,564
	<u>-1,742,365</u>	<u>-</u>	<u>-1,742,365</u>
Provisions	-74,685	-	-74,685
Depreciation and amortisation expense	-1,429,711	95,658	-1,334,053
Compensation of amortisation and depreciation	111,015	-95,484	15,531
	<u>-1,393,381</u>	<u>174</u>	<u>-1,393,207</u>
	1,969,567	-	1,969,567
Gains / (losses) on the sale of financial assets	59,703	-	59,703
Other financial income	1,036,374	-	1,036,374
Other financial expenses	-1,523,083	-	-1,523,083
Share of profit in associates	25,151	-	25,151
	<u>1,567,712</u>	<u>-</u>	<u>1,567,712</u>
Profit before income tax	-399,765	-	-399,765
Income tax expense			
Net profit for the period	<u>1,167,947</u>	<u>-</u>	<u>1,167,947</u>
Attributable to:			
Equity holders of EDP	1,023,845	-	1,023,845
Minority interests	144,102	-	144,102
	<u>1,167,947</u>	<u>-</u>	<u>1,167,947</u>
Earnings per share (Basic and Diluted) - Euros	0.28	-	0.28

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Intangible assets		
Concession rights		
Portugal		
Electricity		
Distribution	2,397,876	2,424,483
Generation	121,911	122,970
Gas	287,423	263,979
Brazil		
Electricity		
Distribution and transport	1,060,151	849,361
Tangible and intangible fixed assets not related to concessions	-6,067,419	-5,684,190
Receivables from concessions - IFRIC 12 - Non current	468,071	370,257
Total impact on assets	<u>-1,731,987</u>	<u>-1,653,140</u>
Allowances and asset investment - non current	-2,855,676	-2,672,251
Allowances and investment assets - current	1,123,689	1,019,111
Total impact on liabilities	<u>-1,731,987</u>	<u>-1,653,140</u>

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

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Amortisation of concession rights	353,706	309,977
Depreciation of tangible fixed assets	-458,637	-405,635
Compensation for depreciation	104,578	95,484
Other	353	174
Total impact on results	<u>-</u>	<u>-</u>

46. CO₂ licenses

The movements in the portfolio of CO₂ licenses are analysed as follows:

	Group Dec 2010	Group Dec 2009
	CO ₂ (Ton)	CO ₂ (Ton)
CO ₂ licenses as at 1 January	415,685	1,373,457
Licenses granted free of charge	15,877,527	15,713,069
Licenses purchased	6,740,686	6,390,760
Licenses transferred (from own consumption to trading)	-8,094,155	-3,105,000
	14,939,743	20,372,286
Licenses to be returned (consumed)	14,699,504	19,956,601
Excess/(Lack) of licenses	240,239	415,685

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 17 and 23).

The movements in the portfolio of CO₂ licenses held for trading and classified as inventories are analysed as follows:

	Group Dec 2010	Group Dec 2009
	CO ₂ (Ton)	CO ₂ (Ton)
CO ₂ licenses held for trading on 1 January	954,739	1,830,009
Licenses acquired in the market	6,280,700	5,860,583
Emission licenses transferred to the trading portfolio	8,094,155	3,105,000
Licenses sold	-11,398,266	-9,840,853
CO ₂ licenses held for trading on 31 December	3,931,328	954,739
CO ₂ Licenses for trading on 31 December 2010 (in thousand Euros)	51,745	11,351

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 I).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

47. Subsequent events

EDP receives the first part of Spanish tariff adjustments

On 13 January 2011, EDP Group announced that should receive through subsidiary Hidroeléctrica del Cantábrico, S.A, 102,5 million euros related with the first part of the amounts payable for tariff adjustments of Spain.

EDP issues a 5 years bond of 750.000.000 Euros

On 25 January 2011, EDP Finance BV issued and priced a Eurobond in the total amount of 750 million euros maturing in January 2016 with a coupon of 5,875%. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of extending the average term of its debt portfolio and reinforcing its financial flexibility.

EDP contracts a 15 years loan of 300.000.000 Euros

On 10 February 2011, the EDP Group has contracted a loan of 300.000.000 Euros for a period of 15 years with the European Bank of Investment.

EDP issues a 3 years bond of 230.000.000 CHF

On 4 February 2011, EDP Finance BV issued and priced a Swiss Franc bond in the total amount of 230 million swiss franc maturing in February 2014 with a coupon of 3,5%. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of reinforcing its financial flexibility.

48. Recent accounting standards and interpretations issued

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements can be analysed as follows:

IAS 39 (Amended) — Financial Instruments: Recognition and measurement — Eligible hedged items

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 - Financial Instruments: Recognition and measurement — Eligible hedged items, which is of mandatory application from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows are eligible for inclusion on a hedged operation.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 1 (Amended) — First time adoption of the International Financial Reporting Standards and IAS 27 — Consolidated and Separate Financial Statements

The changes to IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective for periods beginning on or after 1 July 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

No significant impact in the Group resulted from the adoption of this amendment.

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IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards

The changes to IFRS 1 — First time adoption of the International Financial Reporting Standards are as follows:

- According to the amendments issued on 23 July 2009, entities with oil and gas activities transitioning to IFRSs are allowed to use carrying amounts for oil and gas assets determined under their previous accounting rules. Those entities that decide to use that exception should measure decommissioning, restoration and similar liabilities relating to oil and gas assets in accordance with IAS 37 — Provisions, contingent liabilities and contingent assets against retained earnings, with effective date of mandatory application of annual periods beginning on or after 1 January 2010, being allowed its early adoption.

- Realising that the relief regarding restatement of comparative disclosures in IFRS 7 concerning fair value measurements and liquidity risk if those comparative periods end before 31 December 2009 is not available to entities that apply IFRS for the first time, the aim of the amendment to IFRS 1 is to provide for an optional relief for those entities. Thus, to avoid the potential use of hindsight and to ensure that the first-time adopters should be permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with IFRS that are included in Improving Disclosures about financial Instruments. This amendment occurred in January 2010 with effective date of mandatory application on the first financial year starting after 30 June 2010.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 2 (Amended) - Group Cash-settled Share-based Payment Transactions

The International Accounting Standards Board (IASB) issued in March 2010, the amended IFRS 2 - Group Cash-Settled Share-based Payment Transactions, with effective date of mandatory application of 31 December 2009.

This change to IFRS 2 clarifies how an individual subsidiary in a group should account the share-based payments in its financial statements.

The amendments make clear that:

- An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash;
- The expression "group" has the same meaning as in IAS 27 Consolidated and Separate Financial Statements, that is, it includes only a parent and its subsidiaries.

No significant impact in the Group resulted from the adoption of this amendment.

IFRS 3 (Revised) - Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial statements

The International Accounting Standards Board (IASB) issued in January 2008 the reviewed IFRS 3 - Business Combinations, with effective date of mandatory application of 1 July 2009, being allowed its early adoption.

The main impacts of the changes to these standards are: (i) the treatment of partial acquisitions where the non-controlling interests (previously defined as minority interests) will be measured at fair value (which implies also the recognition of goodwill attributable to non-controlling interests) or as component attributable to non-controlling interest on the fair value of the net assets acquired (as currently required); (ii) the step acquisition that require, at the time when the goodwill is determined, the revaluation against profit and loss, of the fair value of any non-controlling interest held previously to the acquisition; (iii) the costs directly related with the acquisition of a subsidiary will be directly accounted in profit and loss; (iv) the changes in the estimates of the contingent prices are accounted in profit and loss and do not affect goodwill; (v) the changes in percentages of subsidiaries held that do not result in a loss in control are accounted as equity changes.

Additionally, following the changes to IAS 27, the accumulated losses of a subsidiary will be attributed to the non-controlling interests (recognition of negative non-controlling interests) and when a subsidiary is sold with a subsequent loss of control, the remaining non-controlling interests are measured at the fair value determined at the date of the transaction.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 12 — Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007 IFRIC 12 — Service Concession Arrangement. The EU endorsement of this interpretation was on 25 March 2009, which is mandatory for annual periods beginning on or after 29 March 2009. The IFRIC 12 applies to public-to-private service concession arrangements. Therefore IFRIC 12 shall be applied to EDP Group consolidated financial statements, from 1 January 2010, including the comparative amounts disclosed for 2009.

The IFRIC 12 applies to public-to-private service concession arrangements and establishes the accounting framework to the activity made by infrastructure operators under service concession arrangements, whose objective is to render a public service.

This interpretation is applicable when the grantor maintains the control of the services rendered by the operator, in what concerns its nature and type, maintains the control over the prices and controls any significant residual interest in the infrastructure comprised by the arrangement.

The Group EDP is evaluating the impact in its subsidiaries in Portugal and in other locations of adopting this interpretation. Following this assessment, the main activities which fall under the scope of IFRIC 12 are analysed as follows:

Portugal

In the distribution activity in Portugal, the concessions with the municipalities for the low-tension electricity, the State concession for the distribution of high and medium tension (EDP Distribuição), as well as the State concession for the distribution of low and medium pressure gas (EDP Gás) were identified. In the production of electricity were also identified exploration licenses of mini-hydric in EDP Produção and in Pebble Hydro Group, where the IFRIC 12 is applicable, and that will be reclassified under the application of this standard.

Brazil

It was identified that the distribution activity rendered under concessions falls under IFRIC 12, namely the concessions of Bandeirante and Escelsa.

The group presents the impact from the adoption of this interpretation in note 45.

IFRIC 17 — Distributions of Non-cash Assets to Owners

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 17 — Distributions of Non-cash Assets to Owners, with effective application date to years started after 1 July 2009, early adopting being allowed.

This interpretation intends to clarify the accounting treatment of non-cash assets distribution to owners. It establishes that non-cash assets distributions must be accounted at fair value and the difference to the distributed assets carrying amount recognised in profit and loss in the period of the distribution.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 18 — Transfers of Assets from Customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 18 — Transfers of Assets from Customers, with effective application date to years started after 1 July 2009, early adoption being allowed.

As such, IFRIC 18 shall be applied to the Group's financial statements starting after 1 January 2010.

This interpretation intends to clarify the accounting treatment of agreements through which an entity receives assets from customers for its own use and with the intent of establishing a future connection of the clients to a network or of granting continued access to the supply of services and goods to customers.

The interpretation clarifies:

- The conditions in which an asset is within the scope of this interpretation;
- The assets recognition and initial measurement;
- The identification of the identifiable services (one or more services in exchange for the transferred asset);
- Revenue recognition and;
- Accounting of money transfers from customers.

The Group presents the impact from the adoption of this interpretation in note 7.

Annual Improvement Project

In May, 2008, as referred previously IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 5 — Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2009. This change clarifies that all the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if a plan for the partial sale of the subsidiary, that will imply losing the subsidiary's control, exists.

This standard will be adopted prospectively by the Group.

In May, 2009, the IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 2 - Share-based Payment, which is applicable from 1 Janeiro de 2010. The change clarified that an entity shall not apply this IFRS to transactions in which the entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 (Revised) - Business Combinations.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 5 - Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2010. This change clarifies (i) the specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations; (ii) disclosures about measurement of assets and liabilities within a disposal groups that are not within the scope of the measurement requirement of the IFRS 5 and such disclosures are not already provided in the other notes to the financial statements.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 8 - Operating Segments, which is applicable from 1 January 2010. The change established that the revenues from external customers should be reportable by segment. Segment information for prior years that is reported as comparative information for the initial year of application shall be restated to confront to the requirements if this IFRS, unless the necessary information is no available and the cost to develop it would be excessive.

No significant impact in the Group resulted from the adoption of this change.

- Change to IAS 1 - Presentation of Financial Statements, which is effective from 1 January 2010. The change establishes the conditions to account a current liability.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 7 - Statement of Cash Flows, which is effective from 1 January 2010. The change establishes that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 17 - Leases, which is effective from 1 January 2010. The change establish when a lease includes both land and building elements, an entity assesses the classification of each element as a finance or an operating lease. Regarding the transitional provisions an entity shall reassess the classification of land elements of unexpired leases at the date it adopts this amendments. Additionally, shall be recognised a lease newly classified as a finance lease retrospectively in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 36 - Impairment of Assets, which is applicable from 1 January 2010. The change clarifies that each unit or group of units to which the goodwill is so allocated shall (i) represent the lowest level within the entity at which the goodwill is monitored for internal management purpose and (ii) not be larger than an operating segment as defined by paragraph 5 of IFRS 8-Operating Segments before aggregation.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 38 - Intangible Assets, which is applicable from 1 January 2010. The changes clarifies that can be developed techniques for estimating their initial measurement of an intangible asset acquired in a business combination if their objective is to estimate fair value and if they reflect current transactions and practices in the industry to which the asset belongs.

No significant impact in the Group resulted from the adoption of this change.



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- Changes to IAS 39 - Financial Instruments : Recognition and Measurement, which is effective from January 2010. The change establishes that this standard is not applicable to a forward contract between an acquirer and a selling shareholder to buy or sell an acquire that will result in a business combination at a future acquisition date and the term of the forward contract should not exceed a reasonable period normally necessary to obtain any approvals to complete the transaction. The changes also clarify that a call, put, or prepayment option embedded in a host debt contract insurance is not closely related to the host contract unless (i) the option's exercise price is approximately equal on each exercise date to the amortised cost of the host debt instrument or the carrying amount of the host insurance contract or (ii) the exercise price of a prepayment option reimburses the lender for an amount up to approximate present value of lost interest for the remaining term of host contract.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRIC 9 - Reassessment of Embedded Derivatives, which is effective from 1 January 2010. The change establishes that this interpretation does not apply to embedded derivatives in contracts acquired in (i) a business combination, (ii) a combination of entities or businesses under common control as described in paragraphs B1-B4 of IFRS 3 (revised in 2008), or (iii) the formation of a joint venture as defined in IAS 31 — Interests in Joint Venture.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRIC 16 - Hedges of a Net Investment in a Foreign Operation, which is effective from 1 January 2010. The changes establish that an hedging instrument(s) may be held by any entity or entities within the group, as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 relate to a net investment hedge are satisfied.

No significant impact in the Group resulted from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Group

IAS 24 (Revised) - Related Party Disclosures

The International Accounting Standards Board (IASB) issued in November 2009, the IAS 24 (Revised) - Related Party Disclosures, with effective date of mandatory application of 1 January 2011, being allowed its early adoption.

This revised version simplifies the disclosure requirements for government related parties and clarifies the definition of a related party. Therefore, this standard establishes that the companies disclose in its financial statements the information regarding the transactions with related parties. In broad terms, two parties are related to each other if one party controls, or significantly influences, the other party.

The principal changes are the following:

- Partial exemption of the requirements on the paragraph 18 for transactions with government related entities ;
- Simplification of "Related Party" definition.

No significant impact in the Group resulted from the adoption of this change is expected.

IFRS 9 - Financial Instruments

The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

- The financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;
- Debt instruments model can be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value; and
- Equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably elect equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year.

The Group is evaluating the impact of adopting this standard.

IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement

The International Accounting Standards Board (IASB), issued in November 2009, amendments to IFRIC 14 — Prepayments of a Minimum Funding Requirement, with effective date of mandatory application of 1 January 2011, being early adoption allowed. These amendments were adopted by European Union in July 2010.

The amendment to IFRIC 14, is itself an interpretation of IASB 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

The Group is evaluating the impact of adopting this standard.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The International Accounting Standard Board (IASB), issued in November 2009, the IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, with effective date of mandatory application for the exercises beginning after 30 June 2010, being early adoption allowed.

This interpretation clarifies how an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

This interpretation cannot be applied if:

- the creditor is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder;
- the creditor and the entity are controlled by the same party or parties before and after the transaction, and the substance of the transaction includes an equity distribution from, or contribution to the entity;
- extinguishing the financial liability by issuing equity shares is in accordance with the original terms of the financial liability.

This interpretation clarifies:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability;
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished ;
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the equity's profit or losses for the year.

The Group is evaluating the impact of adopting this standard.

IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, the IFRS 7 - Financial instruments: Disclosures for transfer transactions of financial assets, with effective application date to years started after 1 July 2011, early adoption being allowed. This amendment was not adopted by the European Europe.

The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets.

The adoption of this amendment will only have impact on the financial statements disclosures.

49. EDP Branch in Spain

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

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

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

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

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

		EDP Branch	
		Dec 2010	Dec 2009
		Euro'000	Euro'000
Assets			
Property, plant and equipment		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
Other debtors		144,462	1,478
Total Non-Current Assets		5,066,313	4,923,225
Trade receivables		15,253	16,157
Debtors and other assets		343,553	376,013
Tax receivable		20,211	10,442
Cash and cash equivalents		15,661	10,885
Total Current Assets		394,678	413,497
Total Assets		5,460,991	5,336,722

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	EDP Branch Dec 2010 Euro'000	Euro'000 Dec 2009 Euro'000
Equity	1,797,905	1,852,407
Financial debt	3,207,855	2,809,277
Total Non-Current Liabilities	3,207,855	2,809,277
Financial debt	33	22,771
Trade and other payables	454,192	651,760
Tax payable	1,006	507
Total Current Liabilities	455,231	675,038
Total Liabilities	3,663,086	3,484,315
Total Equity and Liabilities	5,460,991	5,336,722

50. Environmental matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2010 and 2009 are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Air and climate protection	47,108	59,062
Biodiversity and landscape protection	16,831	16,150
Waste management	2,250	1,485
Research and development in the environmental area	508	-
Soil, subterranean and superficial water protection	866	1,104
Residual water management	349	1,403
Noise and radiation reduction	107	27
Other environmental management and protection activities	6,923	7,439
	74,942	86,670

Investments recognised in Air and climate protection as Property, plant and equipment in 2010 include costs incurred by EDP Produção of 42,152 thousand Euros. The main assets correspond to gas desulphurisation and denitrification equipment of the Sines thermoelectric plant, which at 31 December 2010, had a net book value of 283 million Euros.

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2010 Euro'000	Dec 2009 Euro'000
Air and climate protection	8,624	9,582
Biodiversity and landscape protection	2,992	3,635
Waste management	2,433	3,477
Research and development in the environmental area	352	2,765
Soil, subterranean and superficial water protection	2,957	1,577
Residual water management	1,487	106
Noise and radiation reduction	138	296
Other environmental management and protection activities	4,452	10,747
Other expenses	99	43
	23,534	32,228

Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of land where the electric power plants are located, of 11,392 thousand Euros and 7,386 thousand Euros as at 31 December 2010, to the electric power plants located in Portugal and Spain, respectively. According to the accounting policy referred in note 2 o), these provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2010, the provisions amount to 53,156 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 22,136 thousand Euros (see note 36).

During the year 2010, EDP Group incurred in fines and other penalties for breaching environmental regulations of 36 thousand Euros.

Environmental income recognised in 2010 relates to the sale of environmental subproducts of 3,477 thousand Euros, the sale of environmental waste of 2,238 thousand Euros and public environmental protection incentives of 1,854 thousand Euros.

51. Segmental reporting

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

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

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

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

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

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

The segments defined by the Group are the following:

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

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

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

- EDP - Gestão da Produção de Energia, S.A.
- Eléctrica 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 Eléctricas Valencianas, S.A.
- Electra de Llobregat Energía, S.L.
- HDC Explotación Redes
- Hidrocantábrico Distribución 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 Energía, S.A.U.
- EDP Soluções Comerciais, S.A.

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

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

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

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

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

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

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52. Companies in the Consolidation perimeter

The companies included in the consolidation perimeter are presented in the Appendix I.

53. Explanation added for translation

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

52. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2010 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
Portugal									
Group Parent Company and Related Activities:									
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	289,251	279,805	9,446	18,327	7,404	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435 EUR	3,338	3,047	291	-	-679	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	15,625	10,920	4,705	37,972	1,683	100.00%	100.00%
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715 EUR	14,984,228	7,971,649	7,012,578	3,485,356	783,989	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	201,759	204,027	-2,268	7,069	-5,439	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	13,941	12,368	1,573	4,427	-718	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006 EUR	263,205	168,786	94,419	28,098	22,853	100.00%	-
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000 EUR	309,988	112,217	197,771	20,074	8,425	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	58,129	46,027	12,102	59,232	1,721	100.00%	100.00%
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000 EUR	4,327	3,421	906	-	-167	100.00%	-
EDP Internacional S.A.	Lisbon	50,000 EUR	11,315	8,736	2,579	6,130	1,574	100.00%	100.00%
Labeltec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	13,910	9,636	4,275	11,587	-304	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100 EUR	162,512	145,009	17,503	31,978	14,252	100.00%	-
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	19,397	14,369	5,028	34,680	1,172	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	168	107	61	337	-3	100.00%	-
Electricity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	7,534,253	5,369,147	2,165,106	1,604,530	375,614	100.00%	100.00%
Energim, S.A.	Lisbon	50,000 EUR	40,972	40,718	254	4,753	513	65.00%	-
FSIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	42,634	42,295	339	23,626	301	51.00%	-
Greenvauca - Soc. Gestora do Aproveitamento Hidroelétrico de Ribeiroira-Ermida,S.A.	Oliveira de Frades	1,000,000 EUR	17,642	15,059	2,583	-	-116	100.00%	-
Empresa Hidroelétrica da Guadiana, S.A.	Lisbon	48,750,000 EUR	473,731	453,555	20,176	44,324	2,377	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000 EUR	6,145	4,904	1,241	11,754	17	100.00%	-
Sopargen, S.A.	Lisbon	50,000 EUR	28,804	21,075	7,729	38,783	1,277	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoeletricas, S.A.	Carregado	250,000 EUR	2,714	1,504	1,210	3,534	115	100.00%	-
Renewable Energies:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	755,714	683,702	72,013	135,201	33,908	77.53%	-
Edíca da Alagooa, S.A.	Arcos Valdevez	50,000 EUR	11,885	9,080	2,805	3,195	1,026	46.51%	-
Edíca de Montenegrelo, Lda	Vila Paucua de Aguiar	50,000 EUR	25,844	20,749	5,095	4,889	1,513	38.84%	-
Edíca da Serra das Alturas, S.A.	Botlicas	50,000 EUR	14,566	12,008	2,558	2,556	664	38.84%	-
Malhadizes, S.A	Oporto	50,000 EUR	24,727	24,178	549	4,883	399	77.53%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000 EUR	4,182,977	3,696,619	486,357	3,422,051	242,384	100.00%	100.00%
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695 EUR	220,031	204,914	15,118	750,694	-8,246	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	132	98	35	-	-15	100.00%	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Massama	50,000 EUR	6,456	8,452	-1,997	2,332	-2,337	100.00%	-
EDP Seminer - Serviços de Energia, S.A.	Lisbon	50,000 EUR	2,539	2,077	462	4,894	43	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	1,446,518	1,412,613	33,905	4,142,670	931	100.00%	-
Gas Supply and Distribution:									
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	92,444	73,651	18,793	441,039	16,706	100.00%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998 EUR	7,046	3,921	3,125	3,741	730	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	27,522	21,901	5,621	101,166	2,072	71.97%	-
BNAGÁS - S.G.P.S., S.A.	Lisbon	299,400 EUR	14,537	13,790	748	372	86	60.00%	-
EDP Gás III S.G.P.S, S.A.	Lisbon	5,500,000 EUR	63,286	34,877	28,409	2	-738	100.00%	-
EDP Gás II S.G.P.S, S.A.	Lisbon	5,000,000 EUR	53,635	18,940	34,695	893	154	100.00%	-
EDP Investimentos, S.G.P.S, S.A.	Lisbon	5,489,000 EUR	62,311	16,683	45,628	938	344	100.00%	100.00%
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150 EUR	348,437	260,650	87,787	72,179	20,913	71.97%	-
Related Activities:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	93,386	93,389	-3	166,688	5,603	100.00%	100.00%
Other Activities:									
EDP - Projectos S.G.P.S., S.A.	Lisbon	50,000 EUR	257	784	-527	-	-577	100.00%	100.00%
FCITE - Forum do Comércio, Transacções Electrónicas e Serviços Empresariais On-line, S.A.	Lisbon	500,000 EUR	7	516	-509	1	-8	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000 EUR	1,858	64,654	-62,797	16	-104	100.00%	-
OPTEP S.G.P.S., S.A.	Lisbon	5,500,000 EUR	22,428	880	21,547	1,831	-137	100.00%	-
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	81	180	-100	-	-150	100.00%	-
Spain									
Parent Company and Related Activities:									
EDP Renováveis, S.A.	Oviedo	4,361,540,810 EUR	8,173,091	3,072,575	5,100,517	518,282	44,091	77.53%	62.02%
EDP Renewables Europe, S.L.	Oviedo	30,000,000 EUR	4,704,748	4,550,885	153,863	240,783	-20,674	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790 EUR	6,165,312	4,047,273	2,118,039	1,652,717	47,783	100.00%	96.60%
Electricity - Spain:									
Electricity Generation:									
Ceprastur, AIE	Oviedo	360,607 EUR	417	6	411	-	-4	44.01%	-
Cogeneración Bergara, A.I.E.	Bergara	450,000 EUR	1,349	442	907	1,807	144	50.00%	-
Cogeneración Montjuic, S.L.U.	Bilbao	1,250,000 EUR	4,311	1,701	2,609	544	340	100.00%	-
Cogeneración Serantes, S.L.U.	Bilbao	2,750,000 EUR	12,084	7,390	4,694	360	117	70.00%	-
Electrico de la Ribera del Ebro, S.A.	Pamplona	5,000,000 EUR	351,802	313,269	38,532	177,814	-15,196	100.00%	-
Energia e Industria de Toledo, S.A.	Madrid	2,139,603 EUR	2,998	6,407	-3,410	5,239	340	90.00%	-
Fuerzas Eléctricas de Valencia, SA	Sagunto	1,021,700 EUR	9,302	10,959	-1,657	526	-936	100.00%	-
Central Termica Ciclo Combinado Grupo 4	Oviedo	2,117,000 EUR	195,996	222,897	-26,902	86,993	-22,069	75.00%	-
H/C Soluciones Comerciales, S.A.	Oviedo	60,300 EUR	20,296	13,764	6,532	46,024	6,460	100.00%	-
HDC Explotacion Centrales, S.A.U.	Oviedo	60,150 EUR	36,789	55,534	-18,745	1,184	-1,423	100.00%	-
HDC Explotacion Redes, S.A.U.	Oviedo	70,000 EUR	2,432	1,985	448	6,382	158	100.00%	-
HDC Gestion de Energia, S.A.U.	Oviedo	5,078,029 EUR	709,320	222,710	486,611	17,073	7,542	100.00%	-
Hidrocantábrico Servicios, S.A.	Oviedo	60,150 EUR	3,642	2,515	1,127	9,050	107	100.00%	-
Instalaciones Eléctricas Río Isabena, S.L.	Zaragoza	3,006 EUR	5,172	4,712	461	605	172	90.02%	-
Millenium Energy, S.L.	Bilbao	2,830,247 EUR	202,523	201,545	978	280	-367	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Pamplona	150,000,000 EUR	704,009	47,147	656,862	30,691	20,527	100.00%	-
Rasacal Cogeneración, S.A.	Madrid	60,200 EUR	7	423	-416	-	-	46.52%	-
Ciclo Combinado Soto S, S.L.	Oviedo	1,000,000 EUR	321,067	325,278	-4,211	15,433	-5,153	100.00%	-
H/C Tudela Cogeneración, S.L.	Carreno	306,030 EUR	7,838	7,538	300	42	4	50.10%	-
Renewable Energies:									
Acampo Arias,S.L.	Zaragoza	3,314,300 EUR	23,278	20,559	2,719	2,637	-270	76.12%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	22,622	21,406	1,216	692	-232	37.75%	-
Agrupación Eólica, S.L.U.	Zaragoza	649,836 EUR	81,002	46,417	34,585	2,351	1,209	77.53%	-
Parque Eólico Plano de Artajona, S.L.U.	Zaragoza	12,024 EUR	67	58	9	-	-	77.53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,532	369	1,163	514	162	58.79%	-
Cia. Eléctrica de Energías Renovables Alternativas, S.A.U.	Zaragoza	69,116 EUR	74	20	55	-	-	77.53%	-
Corporación Empresarial de Renovables Alternativas, S.L.U.	Zaragoza	86,480 EUR	85	1	84	-	-	77.53%	-
Hidrocantábrico Congeneración, S.L.	Oviedo	2,914,650 EUR	43,666	18,582	25,084	29,733	769	100.00%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	3,005 EUR	48,986	48,978	8	1,633	-	46.52%	-
Parc Eólic Coll de la Garganta, S.L.	Barcelona	1,693,010 EUR	42,415	40,722	1,693	1,008	-	77.53%	-
Eólica Curiscac Pumar, S.A.	Madrid	60,200 EUR	84,301	83,509	792	11,151	718	77.53%	-

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Spain									
Electricity - Spain:									
Renewable Energies:									
Desarrollo Eólico Almarchar, S.A.U.	Cadiz	2,061,190 EUR	19,481	15,465	4,015	3,444	686	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369 EUR	11,253	7,211	4,042	2,615	803	77.53%	-
Desarrollos Catalanes Del Viento, S.L	Barcelona	5,992,600 EUR	46,162	24,396	21,766	1,614	256	46.52%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100 EUR	9,826	1,048	8,779	3,871	1,329	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000 EUR	79,667	64,975	14,692	16,709	4,257	77.53%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200 EUR	13,374	2,592	10,782	4,161	1,044	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	67,646	51,275	16,371	15,641	4,834	77.53%	-
Desarrollos Eólicos Promocion, S.A.	Seville	8,061,000 EUR	69,064	2,422	66,643	11,895	11,688	77.53%	-
Desarrollo Eólico Rabosero, S.A.	Huesca	7,560,950 EUR	35,042	23,424	11,618	7,632	2,569	73.65%	-
Desarrollos Eolicos, S.A.	Seville	1,056,225 EUR	60,154	43,181	16,973	5,969	-1,152	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650 EUR	11,367	1,414	9,954	5,240	1,953	77.53%	-
Desarrollos Eólicos de Teruel, S.L	Zaragoza	60,100 EUR	268	208	60	58	79	39.54%	-
Eólica Don Quijote, S.L	Albacete	3,006 EUR	51,803	49,998	1,805	9,321	1,802	77.53%	-
Eólica Dulcinea, S.L	Albacete	10,000 EUR	32,077	31,204	873	5,510	691	77.53%	-
Eólica Alfaz, S.L	Madrid	10,000 EUR	181,015	182,190	-1,175	13,512	-1,185	65.88%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	29,573	20,078	9,495	6,540	1,878	60.08%	-
Eolica Campollano S.A.	Madrid	6,559,994 EUR	103,067	77,670	25,397	21,062	4,737	58.15%	-
Eneroliva, S.A.	Seville	75,120 EUR	209	141	68	-	-	77.53%	-
Fontesilva	La Coruna	470,000 EUR	51,666	52,841	-1,174	3,292	-1,643	77.53%	-
Hidroeléctrica Fuentemosa, S.L.	Oviedo	77,036 EUR	310	36	274	89	13	77.53%	-
Eólica Garcimuñoz, S.L	Madrid	10,000 EUR	362	352	10	3	-	77.53%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000 EUR	37,055	34,066	2,989	5,365	457	46.52%	-
Genesis I, S.L.	Madrid	28,562,170 EUR	529,320	331,494	197,826	60,901	740	77.53%	-
Ceasa Promociones Eólicas, S.L.U.	Zaragoza	1,205,029 EUR	103,330	97,448	5,882	68,583	812	77.53%	-
Subgrupo Veinco	Zaragoza	188,047 EUR	5,580	19	5,561	899	740	77.53%	-
Guadaleba	Seville	1,460,000 EUR	201,056	193,644	7,412	31,477	5,162	77.53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701 EUR	456	542	-86	27	-30	58.15%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	27,577	25,484	2,093	4,640	153	77.53%	-
Investigación y Desarrollo de Energías Renovables, S.L	Leon	15,717,845 EUR	161,237	152,932	8,305	15,962	-2,424	46.20%	-
Industrias Medioambientales Río Camión, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	69.78%	-
Eolica La Janda, S.L	Madrid	2,050,000 EUR	169,199	164,601	4,599	25,747	1,441	77.53%	-
Eolica La Navca, S.L	Madrid	10,000 EUR	37,852	35,535	2,318	6,616	996	77.53%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	25,095	20,417	4,678	6,082	1,585	77.53%	-
Energía Eólica La Manchuela, S.L.U.	Madrid	1,141,900 EUR	20,139	16,878	3,260	4,298	958	77.53%	-
Parc Eolic Molinars, S.L	Girona	3,006 EUR	217	214	3	2	-	41.87%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300 EUR	567	344	223	181	47	62.02%	-
Parque Eólico Montes de Castejón, S.L	Zaragoza	12,024 EUR	49	40	9	-	-	77.53%	-
Muxia I e II	La Coruna	10,000 EUR	71,100	71,093	7	4,506	-2	77.53%	-
Naturneo Energía, S.L	Bilbao	3,020 EUR	4	2	2	-	-	86.44%	-
NEO Energía Aragon, S.L	Madrid	10,000 EUR	10	2	8	-	-	77.53%	-
NEO Catalunya, S.L	Barcelona	10,000 EUR	73,975	75,281	-1,305	1,380	-406	77.53%	-
Neomal Inversiones SICAV, S.A.	Madrid	33,358,370 EUR	40,485	37	40,448	674	591	77.53%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	27,230	13,630	13,601	7,245	2,567	45.22%	-
Parque Eólico Belchite S.L	Zaragoza	3,600,000 EUR	42,694	33,646	9,048	8,910	2,228	77.53%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680 EUR	52,376	26,842	25,534	10,802	1,352	77.53%	-
Parque Eólico la Sotonera, S.L	Zaragoza	2,000,000 EUR	19,704	14,476	5,228	4,629	1,503	50.27%	-
Parque Eólico Altos del Volpaya, S.A.	Madrid	6,444,956 EUR	37,640	25,079	12,561	10,279	2,114	47.29%	-
Santa Quiteria Energía, S.L.U.	Zaragoza	3,043 EUR	4,954	4,298	656	163	91	77.53%	-
Eolica de Radona, S.L	Madrid	6,888,000 EUR	64,923	59,253	5,670	7,119	-1,114	77.53%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	1	1	-	-	-	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	34,887	32,937	1,949	5,959	726	69.78%	-
Hidroeléctrica del Rumbilar, S.L	Madrid	276,460 EUR	1,402	1,157	245	411	170	62.02%	-
Eólica Sierra de Avila, S.L.	Madrid	10,000 EUR	117,223	118,869	-1,646	7,296	-1,656	69.77%	-
Sierra de la Peña, S.A.	Madrid	3,294,000 EUR	65,188	57,406	7,782	11,057	1,726	65.82%	-
Sinae Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	130,646	88,902	41,744	12,401	10,193	77.53%	-
Sotomai, S.A.	Soria	112,880 EUR	30	206	-176	-	-	69.78%	-
Parc Eólic de Torre Madrina, S.L	Barcelona	3,005 EUR	70,404	70,397	7	2,269	-	46.52%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	67	51	16	-	-1	62.02%	-
Bon Vent de Corbera, S.L.	Barcelona	3,330,000 EUR	74,486	73,776	710	4,847	-2,617	77.53%	-
Bon Vent de L'Ebre, S.L	Barcelona	90,000 EUR	51,004	50,949	55	113	-	77.53%	-
Bon Vent de Vilalba, S.L	Barcelona	3,600,000 EUR	69,944	67,287	2,657	10,083	-224	77.53%	-
Parc Eólic de Vilalba dels Arcs, S.L	Barcelona	3,006 EUR	44,430	43,745	685	3,837	682	46.52%	-
Parc Eólic Serra Valtorera, S.L	Barcelona	1,283,010 EUR	34,393	33,644	749	2,960	-534	77.53%	-
Electricity Distribution:									
Electra de Llobregat Energía, S.L.	Llobregat	150,000 EUR	5,760	7,440	-1,681	219	-120	75.00%	-
Solanar Distribución Eléctrica, S.L	Zaragoza	421,000 EUR	7,196	6,697	499	574	72	90.00%	-
Gas Supply and Distribution:									
Naturgas Energía Distribución Cantabria, S.A.	Santander	2,857,388 EUR	100,476	68,579	31,897	29,036	7,925	95.00%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185 EUR	150,998	99,394	51,604	21,954	1,541	94.98%	-
Naturgas Energía Transporte, S.A.U.	Bilbao	12,880,200 EUR	174,816	108,981	65,835	25,475	8,629	95.00%	-
HC Energía Gas, S.L.	Oviedo	214,293,400 EUR	972,152	22,224	949,928	264	-	100.00%	-
HC Naturgas Último Recurso, S.A.	Oviedo	3,000,000 EUR	36,978	35,954	1,024	39,500	-1,970	97.50%	-
HC Naturgas Servicios Energéticos S.L	Oviedo	60,000 EUR	71	22	49	-	-11	97.50%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	17,990	17,234	756	23,162	684	95.00%	-
Naturgas Energía Grupo, S.A.	Bilbao	316,516,400 EUR	1,390,646	297,334	1,093,312	270,843	36,606	95.00%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,655,390	280,873	1,374,517	188,289	76,931	95.00%	-
Naturgas Energía Comercializadora, S.A.	Bilbao	8,255,306 EUR	428,661	452,969	-24,309	1,057,076	-34,425	95.00%	-
Naturgas Energía Participaciones, S.A.U.	Bilbao	300,500 EUR	9,200	8,177	1,024	1,155	663	95.00%	-
Naturgas Energía Comercializadoras Último Recurso,S.A.	Bilbao	2,000,000 EUR	2,033	21	2,012	14	8	95.00%	-
Naturgas Energía Servicios Comunes, S.A.	Bilbao	191,010 EUR	8,902	8,594	309	7,532	123	95.00%	-
Electricity Supply:									
EDP Energía Ibérica, S.A.	Madrid	60,200 EUR	17	13,376	-13,359	-	-	100.00%	-
Hidrocantabrico Energía, S.A.U.	Oviedo	500,000 EUR	499,451	645,616	-146,165	1,533,315	20,151	100.00%	-
Other Activities:									
Cerámica Técnica de Illescas Cogeneración S.A.	Madrid	62,247 EUR	763	1,978	-1,214	1,203	-150	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Madrid	2,996,022 EUR	11,298	9,233	2,065	14,796	2,035	100.00%	-
Renovamed, S.A.	Madrid	60,200 EUR	318	1,351	-1,033	864	62	75.00%	-
Sinova Medioambiental, SA	Soria	2,687,364 EUR	17,092	12,567	4,525	15,497	1,642	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Madrid	3,731,202 EUR	16,286	5,256	11,030	16,480	1,989	88.00%	-
Brazil									
Parent Company and Related Activities:									
EDP Energias do Brasil, S.A.	Sao Paulo	3,182,715,954 BRL	2,238,650	111,236	2,127,415	318,332	244,595	64.91%	25.02%
Elebras Projetos, Ltda	Sao Paulo	1,626,013 BRL	74,015	74,114	-99	2,544	-292	71.85%	-
Energest, S.A.	Sao Paulo	226,911,842 BRL	256,735	53,006	203,729	77,444	43,079	64.91%	-
Escelsapar	Espirito Santo	2,800,000 BRL	2,407	2,761	-354	1,073	720	64.91%	-
Envrecy Participações Ltda	Sao Paulo	21,512,267 BRL	13,274	825	12,449	2,731	2,050	64.91%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000 BRL	80,977	37,516	43,461	9,907	4,788	64.91%	-
Electricity - Brazil:									
Electricity Generation:									
CESA - Castelo Energética, S.A.	Sao Paulo	37,308,269 BRL	105,486	69,004	36,482	21,441	7,096	64.91%	-
Costa Rica Energética, Lda.	Mato Grosso Sul	14,318,185 BRL	11,544	1,084	10,460	7,452	6,094	33.11%	-
Enercoutho, S.A.	Sao Paulo	5,316,118 BRL	2,405	265	2,140	-	-46	64.91%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/Loss 31-Dec-10 Euro'000	% Group	% Company
Brazil									
Electricity - Brazil:									
Electricity Generation:									
Enerpexa, S.A.	Sao Paulo	882,627,748 BRL	938,523	396,272	542,251	147,363	51,863	38.95%	-
Investco, S.A.	Sao Paulo	804,458,842 BRL	636,137	179,294	456,843	84,973	31,190	26.47%	-
Ipueiras Energia S.A.	Sao Paulo	14,721,836 BRL	2	23	-21	-	-22	64.91%	-
Omega Engenharia e Assessoria, Ltda	Porto Alegre	131,000 BRL	282	235	47	-	-4	64.91%	-
Pantanal	Sao Paulo	23,390,369 BRL	35,360	9,106	26,254	18,662	10,783	64.91%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541 BRL	734,715	104,714	630,002	208,468	88,323	36.26%	-
Renewable Energies:									
Central Nacional de Energia Eólica, S.A.	Sao Paulo	14,035,000 BRL	16,532	9,464	7,068	3,633	803	71.85%	-
EDP Renovaveis Brasil, SA	Sao Paulo	62,219,027 BRL	30,824	5,576	25,248	222	-2,569	71.85%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100 BRL	4,728	7,058	-2,330	1	-1,641	59.72%	-
Electricity Distribution:									
Bandeirante Energia, S.A.	Sao Paulo	254,628,684 BRL	1,234,597	848,407	386,191	1,041,079	133,327	64.91%	-
Escelsa - Espirito Santo Centrais Elétricas, S.A.	Espirito Santo	376,021,630 BRL	1,058,042	686,867	371,176	706,586	72,887	64.91%	-
Electricity Supply:									
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758 BRL	60,841	40,790	20,051	316,483	7,546	64.91%	-
France									
Electricity - France:									
Renewable Energies:									
Parc Eolien D'Ardennes, S.A.S.	Elbeuf	1,000 EUR	34	174	-141	-	-19	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	37,001 EUR	11,557	12,843	-1,286	1,564	-92	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	17	44	-27	-	-	77.53%	-
Eolienne de Collangeville, S.A.S.	Elbeuf	37,004 EUR	34	22	12	-	-5	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000 EUR	16,047	16,256	-208	2,286	317	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000 EUR	81	151	-70	1	-2	77.53%	-
EDP Renewables France, S.A.S.	Paris	48,526,642 EUR	271,722	233,764	37,958	21,097	-4,507	77.53%	-
Eolienne D'Estandans, S.A.R.L.	Elbeuf	1,000 EUR	17	47	-31	-	-4	77.53%	-
C.E. Gueltas Noyal-Pontivy, S.A.S.	Paris	2,261,000 EUR	8,818	4,694	4,123	1,465	494	77.53%	-
Parc Eolien de La Hédroye, S.A.S.	Elbeuf	37,004 EUR	15	10	5	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000 EUR	15,447	15,466	-19	870	23	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000 EUR	17	58	-41	-	-2	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000 EUR	9,232	9,435	-203	778	-199	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000 EUR	16,099	12,731	3,368	2,708	770	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	140	301	-161	7	-	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000 EUR	4,120	4,228	-108	116	-33	77.53%	-
Plouven Breiz, S.A.S.	Carhaix	40,000 EUR	11,979	13,739	-1,761	1,345	-188	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000 EUR	19,491	19,838	-347	1,742	-330	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000 EUR	10,036	10,150	-114	114	-13	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000 EUR	15,343	13,149	2,194	2,359	534	77.53%	-
Eolienne de Saugeuse, S.A.R.L.	Elbeuf	1,000 EUR	11	44	-33	-	-7	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000 EUR	10,094	10,134	-40	1,143	-9	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000 EUR	15,058	12,660	2,398	2,507	658	77.53%	-
C.E. NEO Truc l'homme, S.A.S.	Paris	37,500 EUR	34	7	27	-	-1	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000 EUR	18,864	19,148	-284	1,832	-269	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003 EUR	14,197	15,775	-1,578	2,169	45	77.53%	-
Parc Eolien des Valines, S.A.S.	Elbeuf	37,004 EUR	13,799	15,579	-1,781	1,973	-36	77.53%	-
United Kingdom									
Electricity - United Kingdom:									
Renewable Energies:									
EDPR UK Limited	Cardiff	100,000 GBP	2,137	2,763	-627	1,822	-743	77.53%	-
Moray Offshore Renewables Limited	Cardiff	- GBP	6,081	5,923	158	1,316	158	58.15%	-
MacColl Offshore Windfarm Limited	Cardiff	- GBP	-	-	-	-	-	58.15%	-
Stevenson Offshore Windfarm Limited	Cardiff	- GBP	-	-	-	-	-	58.15%	-
Telford Offshore Windfarm Limited	Cardiff	- GBP	-	-	-	-	-	58.15%	-
Poland									
Electricity - Poland:									
Renewable Energies:									
Farma Wiatrowa Bodzanow SP ZOO	Warsaw	64,780 EUR	809	788	21	26	-40	77.53%	-
EDP Renewables Polska SP.ZOO	Warsaw	109,394,969 EUR	282,810	175,675	107,135	75,364	-4,168	77.53%	-
Elektrownia Wiatrowa Kresy I SP ZOO	Warsaw	17,610 EUR	5,767	5,813	-46	339	-52	77.53%	-
Relax Wind Park I, SP. ZOO	Warsaw	538,365 EUR	249,144	244,274	4,870	23,275	4,786	74.76%	-
Relax Wind Park II, SP. ZOO	Warsaw	110,692 EUR	505	451	54	32	-17	39.54%	-
Relax Wind Park III, SP. ZOO	Warsaw	105,660 EUR	56,114	56,152	-38	185	-66	77.53%	-
Relax Wind Park IV, SP. ZOO	Warsaw	98,113 EUR	718	734	-16	62	2	39.54%	-
Karpocka Mola Energetyka SP ZOO	Warsaw	12,579 EUR	184	186	-2	-	-7	77.53%	-
Farma Wiatrowa Storozeby SP ZOO	Warsaw	117,107 EUR	825	728	97	24	-15	77.53%	-
Farma Wiatrowa Wyszogrod SP ZOO	Warsaw	165,409 EUR	820	675	145	21	-16	77.53%	-
United States of America									
Parent Company:									
Horizon Wind Energy LLC	Houston, Texas	4,135,453,714 USD	3,023,081	51,024	2,972,057	34,138	-22,350	77.53%	-
Electricity - United States of America:									
Renewable Energies:									
Headwaters Wind Farm LLC	Indiana	- USD	-	-	-	-	-	77.53%	-
17th Star Wind Farm LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Rio Blanco Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Stone Wind Power LLC	New York	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm LLC	New York	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Cloud West Wind Project, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Five-Spot, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Brooklands Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Brooklands Wind Farm III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Brooklands Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
United States of America									
Electricity - United States of America:									
Renewable Energies:									
Dairy Hills Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
East Kicklat Wind Power Project LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind, Freepart Windpower I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII LLC	Oklahoma	- USD	-	-	-	-	-	77.53%	-
New Trail Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pacific Southwest Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Sardinia Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Western Trail Wind Project I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
AZ Solar LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection LLC	Texas	- USD	-	-	-	-	-	77.53%	-
The Nook Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whiskey Ridge Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Wilson Creek Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
WTP Management Company LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm III LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, LLC	New York	61,015,975 USD	45,658	-	45,658	-	-	77.53%	-
Wind Turbine Prometheus, LP	California	5,990 USD	-	-	-	-	-	77.53%	-
Lost Lakes Wind Farm, LLC	Minnesota	202,189,348 USD	148,131	3,542	144,589	4,652	-6,579	77.53%	-
Quilt Block Wind Farm, LLC	Minnesota	4,122,745 USD	3,077	6	3,072	-	-	77.53%	-
Whitestone Wind Purchasing, LLC	Texas	2,437,781 USD	1,357	348	1,008	-	-41	77.53%	-
Blue Canyon Windpower V, LLC	Oklahoma	185,153,528 USD	144,392	1,602	142,789	14,094	3,671	77.53%	-
Horizon Wind Energy International	Texas	5,966,523 USD	4,661	-	4,661	4	4	77.53%	-
Sagebrush Power Partners, LLC	Washington	203,868,999 USD	222,093	70,326	151,767	142	-779	77.53%	-
Marble River, LLC	New York	60,958,843 USD	46,166	679	45,487	-	-11	77.53%	-
Blackstone Wind Farm, LLC	Illinois	156,018,857 USD	156,932	44,241	112,691	9,295	-3,047	77.53%	-
Aroostook Wind Energy LLC	Maine	11,990,587 USD	9,029	138	8,891	-	-3	77.53%	-
Jericho Rise Wind Farm LLC	New York	5,422,195 USD	4,027	3	4,024	-	-2	77.53%	-
Martinsdale Wind Farm LLC	Colorado	4,351,425 USD	3,254	4	3,250	5	-2	77.53%	-
Signal Hill Wind Power Project LLC	Colorado	4,452 USD	2	-	2	-	-	77.53%	-
Tumbleweed Wind Power Project LLC	Colorado	3,953 USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, LLC	Colorado	3,061,885 USD	2,220	3	2,216	-	-2	77.53%	-
OPQ Property LLC	Illinois	- USD	104	-	104	7	5	77.53%	-
Meadow Lake Wind Farm, LLC	Indiana	295,414,573 USD	301,079	85,543	215,536	18,033	-4,072	77.53%	-
Wheatfield Wind Power Project, LLC	Oregon	101,881,926 USD	118,176	34,529	83,647	13,472	4,142	77.53%	-
High Trail Wind Farm, LLC	Illinois	390,988,575 USD	302,924	6,782	296,143	23,999	-2,602	77.53%	-
Madison Windpower LLC	New York	10,633,581 USD	6,211	498	5,713	646	-1,049	77.53%	-
Mesquite Wind, LLC	Texas	259,399,109 USD	238,070	26,737	211,333	24,270	2,298	77.53%	-
BC2 Maple Ridge Wind LLC	Texas	394,343,621 USD	305,882	5	305,877	4,041	1,024	77.53%	-
Blue Canyon Windpower II LLC	Oklahoma	167,170,955 USD	145,875	12,129	133,746	14,615	708	77.53%	-
Telocaset Wind Power Partners, LLC	Oregon	135,804,747 USD	133,314	17,861	115,453	16,226	4,188	77.53%	-
Post Oak Wind, LLC	Texas	293,550,188 USD	265,676	18,516	247,160	39,139	16,234	77.53%	-
High Prairie Wind Farm II, LLC	Minnesota	153,690,294 USD	123,778	9,518	114,261	9,896	-1,154	77.53%	-
Old Trail Wind Farm, LLC	Illinois	411,687,570 USD	305,997	4,092	301,905	22,949	-3,101	77.53%	-
Cloud County Wind Farm	Kansas	324,444,400 USD	246,405	2,703	243,702	18,767	-1,208	77.53%	-
Pioneer Prairie Wind Farm I, LLC	Iowa	597,578,067 USD	443,653	4,486	439,167	30,866	-5,133	77.53%	-
Arlington Wind Power Project LLC	Oregon	182,605,602 USD	140,680	1,804	138,876	11,912	-235	77.53%	-
Rail Splitter	Illinois	237,809,344 USD	174,735	4,401	170,333	7,839	-6,036	77.53%	-
Meadow Lake Wind Farm II LLC	Texas	203,587,242 USD	159,350	8,242	151,108	3,436	-1,254	77.53%	-
Black Prairie Wind Farm LLC	Texas	5,081,947 USD	3,803	-	3,803	-	-1	77.53%	-
Meadow Lake Wind Farm IV LLC	Indiana	53,368,850 USD	135,406	95,387	40,019	2,198	78	77.53%	-
Blackstone Wind Farm II LLC	Texas	116,789,390 USD	325,932	238,790	87,142	4,082	-261	77.53%	-
Saddleback Wind Power Project LLC	Texas	1,362,468 USD	1,017	1	1,016	-	-	77.53%	-
Meadow Lake Windfarm III LLC	Indiana	65,889,309 USD	160,967	111,696	49,271	2,909	-40	77.53%	-
Lexington Chenoa Wind Farm LLC	Texas	7,356,840 USD	5,631	125	5,506	-	-	77.53%	-
Lexington Chenoa Wind Farm II LLC	Illinois	280,355 USD	253	44	210	-	-	77.53%	-
Paulding Wind Farm LLC	Ohio	5,427,120 USD	4,073	11	4,061	-	-	77.53%	-
Paulding Wind Farm II LLC	Ohio	11,013,472 USD	10,843	2,605	8,237	-	-5	77.53%	-
Antelope Ridge Wind Power Project LLC	Texas	10,557,923 USD	8,158	258	7,901	-	-1	77.53%	-
Blackstone Wind Farm III LLC	Texas	3,682,918 USD	2,808	60	2,749	-	-7	77.53%	-
Meadow Lake Wind Farm V, LLC	Indiana	929,813 USD	696	-	696	-	-	77.53%	-
Waverly Wind Farm LLC	Kansas	1,690,746 USD	1,291	26	1,265	-	-	77.53%	-
Blue Canyon Windpower VI LLC	Texas	2,314,139 USD	1,955	223	1,732	-	-	77.53%	-
2007 Vento I LLC	Texas	1,147,652,609 USD	865,027	3,427	861,600	3,386	134	77.53%	-
2007 Vento II	Texas	1,008,427,726 USD	753,232	808	752,424	4	-806	77.53%	-
2008 Vento III	Texas	1,115,816,765 USD	834,271	444	833,827	5	-570	77.53%	-
2009 Vento IV, LLC	Texas	238,057,776 USD	178,006	-	178,006	-	-80	77.53%	-
2009 Vento V, LLC	Texas	185,267,562 USD	138,570	36	138,534	-	-113	77.53%	-
2009 Vento VI, LLC	Texas	202,302,814 USD	151,320	146	151,174	-	-152	77.53%	-
2010 Vento VII, LLC	Texas	203,615,853 USD	152,364	136	152,228	-	-156	77.53%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
United States of America									
Electricity - United States of America:									
Renewable Energies:									
2010 Vento VIII, LLC	Texas	204,868,999 USD	153,322	12	153,311	-	-12	77.53%	-
2010 Vento IX, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I LLC	Texas	1,459,281,035 USD	2,465,035	1,327,506	1,137,530	37,869	18,113	77.53%	-
Horizon Wind Ventures IB, LLC	Texas	12,829,982 USD	451,749	406,598	45,152	32,122	15,798	77.53%	-
Horizon Wind Ventures IC, LLC	Texas	6,702,543 USD	384,019	373,073	10,946	26,092	6,385	77.53%	-
Horizon Wind Ventures II LLC	Texas	141,509,304 USD	179,039	72,254	106,785	2,471	1,490	77.53%	-
Horizon Wind Ventures III, LLC	Texas	78,415,590 USD	140,611	82,492	58,119	5,926	-556	77.53%	-
Horizon Wind Ventures IV, LLC	Texas	113,432,330 USD	152,836	69,662	83,174	409	-1,716	77.53%	-
Horizon Wind Ventures VI, LLC	Texas	120,001,219 USD	153,792	64,545	89,247	144	-561	77.53%	-
Horizon Wind Ventures VIII, LLC	Texas	111,591,410 USD	157,821	74,681	83,141	-5	-373	77.53%	-
Horizon Wind Ventures IX, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Other Countries									
Related Activities:									
EDP Finance BV	Amsterdam	2,000,000 EUR	13,876,267	13,811,226	65,041	655,237	64,418	100.00%	100.00%
EDP Finance Company (Ireland), Ltd	Dublin	1,000,001 EUR	634	355	280	1	-42	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	2,000,000 EUR	58,196	40,137	18,059	13,643	2,430	100.00%	100.00%
EDP - Ásia Soluções Energéticas, Lda	Macao	1,500,000 MOP	140	-	140	-	-	60.00%	-
EDP ASIA - Investimento e Consultadoria , Lda	Macao	200,000 MOP	63,285	239	63,046	7,935	7,468	100.00%	100.00%
Electricity - Other Countries:									
Renewable Energies:									
EDP Renewables Canada	Ontario	- CAD	3,777	3,879	-101	-	-101	77.53%	-
EDP Renewables Italia, S.R.L.	Varese	19,555,320 EUR	25,576	7,201	18,375	3,463	-1,180	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	85,267	58,478	26,790	12,942	1,947	54.27%	-
Repaso Wind S.R.L.	Varese	161,675 EUR	296	151	144	-	-9	77.53%	-
Re Plus - S.R.L.	Varese	100,000 EUR	2,488	1,375	1,113	-	-60	62.02%	-
Tarcan, BV	Amsterdam	20,000 EUR	19,480	12,822	6,658	2,668	2,008	77.53%	-
Cernavoda Power SRL	Bucharest	40,317,400 LEI	186,404	179,936	6,468	11,642	-2,193	65.90%	-
EDP Renewables Romania, S.R.L.	Bucharest	28,650,270 LEI	143,069	138,339	4,730	11,810	-1,088	65.90%	-

The EDP Group holds, through EDP Renováveis a number of subsidiaries legally constituted, without share capital, and that at the year end do not have any assets, liabilities, or any operational activity.

When applicable, the interest held by EDP Group include the effect of the acquisition of minority interests by means of written put options as described under the accounting policy 2 b).

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2010 are as follows:

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-10 Euro'000	Current Assets 31-Dec-10 Euro'000	Non-current Liabilities 31-Dec-10 Euro'000	Current Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Total Costs 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Arquiled - Proj. Iluminação, S.A.	Lisbon	166,700 EUR	217	965	85	608	488	788	-908	-120	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000 EUR	159	71	167	72	-9	34	-45	-11	35.21%	-
Bioastur, AIE	Gijón	60,101 EUR	43	896	-	730	209	1,829	-1,898	-69	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	211	3,856	-	2,353	1,713	3,642	-3,575	67	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	49,736	8,604	26,168	6,993	25,180	16,808	-10,103	6,705	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025 EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	82,759	7,210	81,804	4,777	3,387	18,107	-17,005	1,102	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	24,435	7,102	20,293	4,073	7,172	4,988	-3,490	1,498	38.11%	-
Futurcompact, Lda	Lisbon	5,000 EUR	9	1	-	-	11	-	-	-	40.01%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	2,241	2,164	168	1,743	2,494	836	-467	369	47.50%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	16,135	5,398	14,611	1,900	5,022	4,044	-3,433	611	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	3,201	-	3,201	-	1,392	-1,392	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Ródão	50,000 EUR	8,027	1,722	22	9,538	190	4,134	-3,906	228	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	610,473,962 BRL	561,039	31,334	438,098	47,802	106,473	12,935	-30,748	-17,813	32.46%	-
Flat Rock Windpower II LLC	Portland	207,447,187 USD	64,868	1,026	437	55	65,402	2,908	-5,132	-2,224	38.76%	-
Flat Rock Windpower LLC	Portland	522,818,885 USD	162,186	3,686	1,146	43	164,682	11,813	-15,578	-3,765	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	144	21,480	-	21,349	275	119,135	-119,224	-89	50.00%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	2,635	-	2,635	-	853	-853	-	55.00%	-
WINDPLUS, S.A.	Lisbon	85,750 EUR	2,332	261	1,418	1,061	114	-	-10	-10	41.63%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2009 are as follows:

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-09 Euro'000	Current Assets 31-Dec-09 Euro'000	Non-current Liabilities 31-Dec-09 Euro'000	Current Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Total Costs 31-Dec-09 Euro'000	Net Profit/(Loss) 31-Dec-09 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60,101 EUR	23	997	-	572	447	1,652	-1,376	276	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	50	2,463	-	1,106	1,407	3,647	-3,050	597	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	105,014	9,088	44,313	13,357	56,433	14,805	-11,946	2,859	38.76%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025 EUR	-8	4	-	9	-13	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	68,776	3,379	69,887	6,559	-4,291	10,192	-10,402	-210	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	22,690	5,694	23,366	3,895	1,124	5,273	-3,955	1,318	38.11%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	571	1,822	194	735	1,464	544	-234	309	47.99%	-
Murciasol I Sola Térmica, S.L.	Almería	3,340 EUR	84	16	-	100	-	-	-	-	38.76%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	15,436	4,992	14,981	2,845	2,601	4,054	-3,449	606	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	1,082	-	1,082	-	645	-645	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Ródão	50,000 EUR	8,219	376	2	9,359	-766	6,572	-7,084	-512	50.00%	-
Porto do Pecém Geração de Energia S.A.	Ceara	507,594,744 BRL	183,315	81,966	242,064	36,409	-12,832	24,828	-28,264	-3,436	32.46%	-
Flat Rock Windpower II LLC	Portland	207,447,187 USD	-7,899	849	387	43	-7,479	2,743	-4,387	-1,644	38.76%	-
Flat Rock Windpower LLC	Portland	525,479,601 USD	-19,659	3,694	1,049	66	-17,081	11,353	-13,386	-2,033	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	-166	37,002	-	36,722	114	52,664	-52,550	114	50.00%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	266	-	266	-	362	-362	-	55.00%	-

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The associated companies included in the consolidation under the equity method as at 31 December 2010 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	26,420	22,917	3,503	-	-	14.71%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000 EUR	15,932	14,199	1,733	22,786	-1,416	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	475,796	215,486	260,310	421,066	48,216	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	137	-115	252	-	-	23.26%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140 EUR	12,190	820	11,369	4,041	1,242	34.69%	-
Ederg-Produção Hidroelétrica, Lda.	Lisbon	1,000,000 EUR	917	-	917	-	-34	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525 EUR	917,038	881,252	35,786	43,998	5,917	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	28,797	24,344	4,454	1,413	1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	6,899	-	6,899	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101 EUR	298	138	160	472	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosarkuntza, A.I.E.	Bilbao	1,502,500 EUR	8,680	5,235	3,445	9,490	907	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	31,893	27,520	4,373	5,174	-69	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	27,089	10,926	16,163	10,989	-	32.56%	-
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	18,988	3,241	15,747	14,908	3,535	39.60%	-
SETGÁS - Sociedade de Produção e Distribuição de Gás, S.A.	Chameca da Caparica	9,000,000 EUR	177,690	132,899	44,791	27,953	8,712	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,706	409	2,297	1,460	699	38.00%	-

The associated companies included in the consolidation under the equity method as at 31 December 2009 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/(Loss) 31-Dec-09 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.S.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Vila Rei	50,000 EUR	17,308	14,158	3,149	23,763	2,113	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	429,127	199,585	229,543	388,150	46,918	21.19%	-
Central E - Informação e Comércio Eletrónico, S.A.	Lisbon	227,275 EUR	879	315	564	971	-14	34.00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	252	-	252	-	-	23.26%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140 EUR	11,435	807	10,628	4,108	1,115	34.69%	-
DECA - Distribucion Eléctrica Centroamericana Dos Ill, S.A.	Guatemala	1,141,092,000 GTQ	476,890	275,631	201,259	450,449	24,794	21.00%	21.00%
Ederg-Produção Hidroelétrica, Lda.	Lisbon	1,000,000 EUR	951	-	951	-	-19	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	5,000,000 EUR	440,141	404,900	35,241	12,462	2,151	15.20%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	27,598	26,605	992	2,002	-1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	7,749	-	7,749	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101 EUR	247	133	114	372	-	41.13%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosarkuntza, A.I.E.	Bilbao	1,502,500 EUR	9,158	5,692	3,466	10,180	1,031	23.99%	-
Parque Eólico Altos del Voltoy, S.A.	Madrid	6,444,956 EUR	39,395	28,398	10,997	7,343	1,066	37.99%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	4,506	-	4,506	-	576	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	13,059	-	13,059	-	3,843	32.56%	-
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	21,180	2,201	18,979	15,759	1,708	39.60%	-
SETGÁS - Sociedade de Produção e Distribuição de Gás, S.A.	Chameca da Caparica	9,000,000 EUR	126,578	90,499	36,078	26,197	8,079	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,617	364	2,253	1,369	655	38.39%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	24,547	21,044	3,503	-	-366	14.71%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2010, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tejo Energia, S.A.	Abrantes - Portugal	11.11%	-
EDA, S.A.	Azores - Portugal	10.00%	-
Sociedad Eólica de Andalucía, S.A.	Sevilla - Spain	16.67%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-



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EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2010

(Amounts in thousand Euros)

	Iberian Generation				Iberian Distribution *			Iberian Supply			Electricity			EDP Renováveis
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations	
Turnover	2,378,934	1,765,913	-13,166	4,131,681	5,099,338	183,595	5,282,933	887,766	1,887,596	2,775,362	565,203	276,494		4,222
Revenues from external customers	1,776,377	565,893	4,965	2,347,235	4,806,553	-	4,806,553	737,579	1,771,488	2,509,067	476,529	276,494		3,359
Revenues from transactions with other operating segments	602,557	1,200,020	-18,131	1,784,446	292,785	183,595	476,380	150,187	116,108	266,295	88,674	-		863
Cost of consumed electricity	-519,041	-1,037,238	-	-1,556,279	-3,751,449	115	-3,751,334	-694,126	-1,770,244	-2,464,370	-1,262	-1,525		-130
Cost of consumed gas	-	-255	-	-255	-	-	-	-752	-5,776	-6,528	-	-		-
Change in inventories and cost of raw materials and consumables used	-641,252	-405,864	22,454	-1,024,662	-6,833	91	-6,742	-5,051	-26,229	-31,280	-1,709	-		-
	1,218,641	322,556	9,288	1,550,485	1,341,056	183,801	1,524,857	187,837	85,347	273,184	562,232	274,969		4,092
Other operating income / (expenses)														
Other operating income	8,937	3,504	-	12,441	61,719	33,312	95,031	7,755	32,201	39,956	26,882	153,027		1,197
Supplies and services	-97,355	-58,618	1,902	-154,071	-322,136	-53,820	-375,956	-118,215	-43,899	-162,114	-87,409	-93,026		-17,684
Personnel costs	-74,418	-31,669	1,582	-104,505	-128,705	-19,646	-148,351	-35,917	-8,907	-44,824	-19,824	-22,735		-10,047
Employee benefits	-26,433	-1,599	-	-28,032	-102,406	-3,567	-105,973	-5,309	-440	-5,749	-302	-1,598		-340
Other operating expenses	-18,126	-23,314	220	-41,220	-286,800	-5,050	-291,850	-10,748	-31,525	-42,273	-19,913	-22,303		-14,681
	-207,395	-111,696	3,704	-315,387	-778,328	-48,771	-827,099	-162,434	-52,570	-215,004	-100,566	13,365		-41,555
	1,011,246	210,860	12,992	1,235,098	562,728	135,030	697,758	25,403	32,777	58,180	461,666	288,334		-37,463
Provisions	-433	-29,132	-	-29,565	-4,804	-1,004	-5,808	-11,549	-12,961	-24,510	155	-		-
Depreciation and amortisation expense	-295,030	-134,132	-	-429,162	-243,217	-34,329	-277,546	-16,898	-3,731	-20,629	-209,185	-222,146		-1,883
Tangible and intangible assets impairment	416	26	-	442	-	-	-	-	-	-	-	-117		-
Compensation of amortisation and depreciation	7,905	452	-	8,357	-	1,112	1,112	19	-	19	1,536	9,869		-
	724,104	48,074	12,992	785,170	314,707	100,809	415,516	-3,025	16,085	13,060	254,172	75,940		-39,346
Gain/(losses) from the sale of financial assets	-	7	-	7	-	-	-	-	-	-	-	-		-
Other financial income	458,363	29,360	-50,312	437,411	470	-	470	15	346	361	18,123	6,131		126,875
Interest revenue	830	7,269	-	8,099	29,777	194	29,971	184	234	418	8,268	308		246,828
Other financial expenses	-413,422	-33,271	74,650	-372,043	-311	-94	-405	-70	-412	-482	-28,524	-73,355		-127,773
Interest expense	-171,690	-33,618	-	-205,308	-66,275	-2,518	-68,793	-2,237	-4,394	-6,631	-227,435	3,400		-144,171
Share of profit of associates	-504	227	-	-277	-	-	-	-	-	-	5,036	-		-
Profit / (loss) before tax	597,681	18,048	37,330	653,059	278,368	98,391	376,759	-5,133	11,859	6,726	29,640	12,424		62,413
Income tax expense	-168,329	-13,272	-13,724	-195,325	-35,170	-30,344	-65,514	281	-4,290	-4,009	-12,785	-		-21,002
Net profit / (loss) for the year	429,352	4,776	23,606	457,734	243,198	68,047	311,245	-4,852	7,569	2,717	16,855	12,424		41,411
Attributable to:														
Equity holders of EDP	428,565	8,182	23,606	460,353	243,198	65,934	309,132	-4,081	7,396	3,315	12,920	12,424		42,511
Minority interest	787	-3,406	-	-2,619	-	2,113	2,113	-771	173	-598	3,935	-		-1,100
Net profit / (loss) for the year	429,352	4,776	23,606	457,734	243,198	68,047	311,245	-4,852	7,569	2,717	16,855	12,424		41,411
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
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
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817		-
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
Equity and Liabilities														
Equity and minority 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
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
Other information:														
Increase of the period														
Property, plant and equipment	345,534	89,359	-	434,893	13,388	59,281	72,669	7,862	4,938	12,800	607,287	765,650		79,504
Intangible assets + Goodwill	222,216	17,589	-	239,805	234,595	329	234,924	-	1	1	58,233	2,185		314
Material non-cash items:														
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-		-

* Include Last Resource Supply in Portugal
** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 695,814 thousand Euros in Portugal, 132,686 thousand Euros out of Portugal and -9,694 thousand Euros related with adjustments between segments

EDP Energias do Brasil								Gas				Iberian Activity						EDP Group
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations**	Adjustments					
-863	845,056	429,749	1,609,529	311,441	2,651	-205,740	2,147,630	551,088	1,333,598	-197,900	1,686,786	222,040	-2,920,746	14,170,742				
-	756,382	236,515	1,605,820	303,523	1,772	-	2,147,630	282,207	1,242,658	-	1,524,865	14,453	31,458	14,137,643				
-863	88,674	193,234	3,709	7,918	879	-205,740	-	268,881	90,940	-197,900	161,921	207,587	-2,952,204	33,099				
-	-2,917	-72,844	-1,007,459	-299,158	-	205,740	-1,173,721	-	-187,372	-	-187,372	-	2,327,732	-6,808,261				
-	-	-	-	-	-	-	-	-458,211	-843,830	198,438	-1,103,603	-	165,116	-945,270				
212	-1,497	-20	-868	-	-10	-	-898	-	-8,184	-	-8,184	-1,521	61,904	-1,012,880				
-651	840,642	356,885	601,202	12,283	2,641	-	973,011	92,877	294,212	538	387,627	220,519	-365,994	5,404,331				
-1,076	180,030	341	12,187	3,780	2,961	-60	19,209	4,818	7,415	-36	12,197	67,265	-105,240	320,889				
1,908	-196,211	-25,436	-129,292	-2,032	-15,048	117	-171,691	-13,539	-56,662	1,041	-69,160	-180,356	447,303	-862,256				
-	-52,606	-16,089	-68,788	-2,632	-8,750	-	-96,259	-4,725	-24,607	-	-29,332	-104,978	5,447	-575,408				
-	-2,240	-1,054	-8,483	-128	-652	-	-10,317	-239	-547	-	-786	-9,939	9,674	-153,362				
31	-56,866	-659	-30,167	-728	-6,002	-2,397	-39,953	-3,794	-23,761	-32	-27,587	-23,241	1,606	-521,384				
863	-127,893	-42,897	-224,543	-1,740	-27,491	-2,340	-299,011	-17,479	-98,162	973	-114,668	-251,249	358,790	-1,791,521				
212	712,749	313,988	376,659	10,543	-24,850	-2,340	674,000	75,398	196,050	1,511	272,959	-30,730	-7,204	3,612,810				
-	155	-696	-3,268	-	1,165	-5,511	-8,310	-3,793	-33,370	-	-37,163	-26,578	28,201	-103,578				
-1,072	-434,286	-65,262	-80,538	-71	-6,924	-7,779	-160,574	-11,353	-62,489	-	-73,842	-17,440	-55,848	-1,469,327				
-	-117	-	-	-	-	-	-	-	-	-	-	-	325	-				
1	11,406	-	-	-	-	-	-	-	1,282	-	1,282	103	-	22,279				
-859	289,907	248,030	292,853	10,472	-30,609	-15,630	505,116	60,252	101,473	1,511	163,236	-74,645	-34,851	2,062,509				
-	-	-	-	-	-	-	-	-	-846	-	-846	62,764	-1,104	60,821				
-116,755	34,374	19,214	16,128	548	216,463	-214,653	37,700	1,296	1,065	-	2,361	990,585	-991,858	511,404				
-245,473	9,931	11,212	71,218	713	10,198	-3,484	89,857	1,307	988	-	2,295	669,619	-500,851	309,339				
119,592	-110,060	-68,750	-48,536	-1,157	-16,277	8,994	-125,726	-1,902	-2,768	-1,511	-6,181	-220,184	175,101	-659,980				
259,815	-108,391	-48,606	-46,542	-71	-336	-	-95,555	-6,043	-1,252	-	-7,295	-653,447	499,690	-645,730				
-	5,036	-	-	-	-	-1,100	-1,100	2,879	280	-	3,159	15,552	1,100	23,470				
16,320	120,797	161,100	285,121	10,505	179,439	-225,873	410,292	57,789	98,940	-	156,729	790,244	-852,773	1,661,833				
-3,972	-37,759	-19,903	-88,968	-3,328	2,735	2,645	-106,819	-16,623	-26,840	-	-43,463	23,648	2,009	-427,232				
12,348	83,038	141,197	196,153	7,177	182,174	-223,228	303,473	41,166	72,100	-	113,266	813,892	-850,764	1,234,601				
12,348	80,203	84,657	196,153	7,177	182,174	-223,228	246,933	33,392	66,824	-	100,216	818,806	-940,033	1,078,925				
-	2,835	56,540	-	-	-	-	56,540	7,774	5,276	-	13,050	-4,914	89,269	155,676				
12,348	83,038	141,197	196,153	7,177	182,174	-223,228	303,473	41,166	72,100	-	113,266	813,892	-850,764	1,234,601				
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				
12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318				
-	45,871	1,267	-	-	11,358	-1,299	11,326	26,789	3,877	-	30,666	658,107	-601,570	146,871				
-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				
-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				
-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				
-	1,452,441	266,162	-	85	13	-	266,260	56	58,066	-	58,122	96,374	-	2,393,559				
-	60,732	3,045	113,581	-	62	-	116,688	40,370	201,799	-	242,169	59,961	-	954,280				
-	-	-	-	-	-	-	-	-	-	-	-	-4,207	-	-4,207				

notes to the consolidated and company financial statements

for the years ended 31 December 2010 and 2009

EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2009

(Amounts in thousand Euros)

	Iberian Generation				Iberian Distribution *				Iberian Supply			Electricity			EDP Renováveis	
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Ajustamentos	Total	Portugal	Spain	Total	Europe	U.S.A.	Other operations		
Turnover	2,331,504	1,429,637	-52,382	3,708,759	4,737,388	178,953	-	4,916,341	658,610	1,379,457	2,038,067	441,437	204,649	1,771		
Revenues from external customers	1,940,347	407,948	-36,305	2,311,990	4,614,454	20,257	-	4,634,711	505,181	1,251,171	1,756,352	363,778	204,649	2,286		
Revenues from transactions with other operating segments	391,157	1,021,689	-16,077	1,396,769	122,934	158,696	-	281,630	153,429	128,286	281,715	77,659	-	-515		
Cost of consumed electricity	-404,369	-473,575	943	-877,001	-3,380,624	-301	-	-3,380,925	-450,839	-1,313,104	-1,763,943	-246	-1,198	-78		
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-5,602	-5,602	-	-	-		
Change in inventories and cost of raw materials and consumables used	-675,146	-484,737	33,600	-1,126,283	-12,104	566	-	-11,538	-6,062	-16,107	-22,169	-4,804	-	-		
	1,251,989	471,325	-17,839	1,705,475	1,344,660	179,218	-	1,523,878	201,709	44,644	246,353	436,387	203,451	1,693		
Other operating income / (expenses)																
Other operating income	18,244	3,932	-	22,176	58,108	12,554	-	70,662	2,831	32,443	35,274	9,853	115,318	1,303		
Supplies and services	-96,230	-62,810	2,140	-156,900	-327,705	-57,863	-	-385,568	-115,844	-36,311	-152,155	-68,699	-65,418	-15,113		
Personnel costs	-72,603	-31,762	1,030	-103,335	-134,020	-18,491	-	-152,511	-35,656	-6,004	-41,660	-14,665	-19,641	-7,608		
Employee benefits	-41,659	-1,643	-	-43,302	-69,371	-2,921	-	-92,492	-4,952	-212	-5,164	813	-1,346	-100		
Other operating expenses	-18,563	-31,353	738	-49,178	-284,593	-8,429	-	-293,022	-11,790	-16,178	-27,968	-15,322	-17,926	-430		
	-210,811	-123,636	3,908	-330,539	-777,781	-75,150	-	-852,931	-165,411	-26,262	-191,673	-88,020	10,987	-21,948		
Provisions	1,041,178	347,689	-13,931	1,374,936	566,879	104,068	-	670,947	36,298	18,382	54,680	348,367	214,438	-20,255		
Depreciation and amortisation expense	-5,859	-20,299	-	-26,158	-6,852	-5,384	-	-12,236	-3,619	-17,333	-20,952	182	-	1		
Tangible and intangible assets impairment	-316,818	-128,659	-	-445,477	-241,905	-34,799	-	-276,704	-17,348	-2,534	-19,882	-154,092	-158,982	-1,035		
Compensation of amortisation and depreciation	-416	-	-	-416	-	-	-	-	-	-	-	-	-	-		
	5,225	450	-	5,675	-	4,109	-	4,109	51	-	51	813	1,589	-		
Gain/(losses) from the sale of financial assets	723,310	199,181	-13,931	908,560	318,122	67,994	-	386,116	15,382	-1,485	13,897	195,270	57,045	-21,289		
Other financial income	-	13,251	-	13,251	-	2	-	2	-	-	-	268	-	-		
Interest revenue	523,980	54,945	-70,845	508,080	473	-	-	473	58	53	111	10,382	6,218	127,928		
Other financial expenses	465	22,328	-	22,793	89,747	78	-	89,825	843	361	1,204	7,839	692	197,069		
Interest expense	-475,608	-82,393	73,234	-484,767	-41,525	-600	-	-42,125	-81	-437	-518	-19,115	-59,590	-126,461		
Share of profit of associates	-153,329	-24,811	-	-178,140	-82,458	-7,907	-	-90,365	-1,807	-7,728	-9,535	-166,989	2,477	-80,057		
	735	258	-	993	-	-	-	-	-	-	-	4,209	-287	-		
Profit / (loss) before tax	619,553	182,759	-11,542	790,770	284,359	59,567	-	343,926	14,395	-9,236	5,159	31,864	6,555	97,190		
Income tax expense	-118,781	-29,455	-4,241	-152,477	-55,836	-18,063	-	-73,899	-4,014	2,840	-1,174	-7,324	-	-29,363		
Net profit / (loss) for the year	500,772	153,304	-15,783	638,293	228,523	41,504	-	270,027	10,381	-6,396	3,985	24,540	6,555	67,827		
Attributable to:																
Equity holders of EDP	500,319	152,103	-15,783	636,639	228,523	40,348	-	268,871	10,394	-6,195	4,199	21,019	6,555	67,910		
Minority interest	453	1,201	-	1,654	-	1,156	-	1,156	-13	-201	-	3,521	-	-83		
Net profit / (loss) for the year	500,772	153,304	-15,783	638,293	228,523	41,504	-	270,027	10,381	-6,396	3,985	24,540	6,555	67,827		
Assets																
Property, plant and equipment	3,969,690	1,994,279	-	5,963,969	113,293	682,603	1,981	797,877	53,033	11,280	64,313	4,591,096	3,978,845	40,011		
Intangible assets + Goodwill	1,781,220	591,848	-	2,373,068	2,424,484	235,556	-	2,660,040	524	7	531	773,668	549,122	1,507		
Investments in associates	1,340	1,053	-	2,393	-	-	-	-	-	-	-	45,924	1,686	-		
Current assets	778,379	498,658	-794	1,276,243	1,326,488	114,877	-36	1,441,329	248,126	424,627	672,753	612,267	208,581	508,360		
Equity and Liabilities																
Equity and minority interest	2,071,977	2,259,098	-156,903	4,174,172	478,523	449,940	6,373	934,836	16,787	-149,672	-132,885	448,698	2,858,681	5,084,442		
Current liabilities	727,786	1,179,999	-794	1,906,991	2,075,267	393,935	-36	2,469,166	235,606	364,076	599,682	1,146,265	274,160	48,657		
Other information:																
Increase of the period																
Property, plant and equipment	396,540	182,577	-	579,117	32,451	61,414	-	93,865	1,812	6,416	8,228	1,024,560	828,519	6,354		
Intangible assets + Goodwill	455,498	43,170	-	498,668	224,795	96	-	224,891	-	6	6	37,847	-	1,251		
Material non-cash items:																
Impairment of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

* Include Last Resource Supply in Portugal

EDP Energias do Brasil								Gas Iberian Activity				Other operations	Adjustments	EDP Group
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total			
385	648,242	351,201	1,242,560	289,136	1,519	-204,584	1,679,832	255,681	1,030,595	-97,252	1,189,024	168,955	-2,151,211	12,198,009
-	570,713	193,933	1,240,350	244,736	813	-	1,679,832	126,687	994,883	-	1,121,570	12,088	15,730	12,102,986
385	77,529	157,268	2,210	44,400	706	-204,584	-	128,994	35,712	-97,252	67,454	156,867	-2,166,941	95,023
-	-1,522	-52,222	-744,496	-269,686	-	204,584	-861,820	-	-143,180	-	-143,180	-	1,687,933	-5,340,458
-	-	-	-	-	-	-	-	-203,374	-619,242	97,583	-725,033	-	89,452	-641,183
91	-4,713	-37	-1,167	-7	-	-	-1,211	-	-5,249	-	-5,249	-112	60,046	-1,111,229
476	642,007	298,942	496,897	19,443	1,519	-	816,801	52,307	262,924	331	315,562	168,843	-313,780	5,105,139
-1,243	125,231	206	10,355	4	388	-	10,953	2,040	3,398	-86	5,352	69,545	-114,403	224,790
926	-148,304	-20,603	-94,865	-1,750	-13,233	-	-130,451	-13,164	-43,880	1,469	-55,575	-136,020	396,771	-768,202
-	-41,914	-12,069	-33,846	-1,926	-5,679	-	-73,520	-4,758	-23,192	-	-27,950	-101,312	2,166	-540,036
-	-633	-1,093	-13,346	-160	-1,903	-	-16,502	-117	-513	-	-630	-9,475	9,845	-158,353
-160	-33,838	-5,715	-46,883	-2,145	-2,491	-	-57,234	-4,871	-13,753	-617	-19,241	-29,045	8,962	-500,564
-477	-99,458	-39,274	-198,585	-5,977	-22,918	-	-266,754	-20,870	-77,940	766	-98,044	-206,307	303,341	-1,742,365
-1	542,549	259,668	298,312	13,466	-21,399	-	550,047	31,437	184,984	1,097	217,518	-37,464	-10,439	3,362,774
-	183	-595	-3,890	-242	-8,057	-	-12,784	-848	-188	-	-1,036	-1,702	-	-74,685
-241	-314,350	-50,128	-63,333	-77	-4,489	-	-118,027	-11,125	-37,577	-	-48,702	-11,781	-98,714	-1,333,637
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-416
1	2,403	-3	-	-	-	-	-3	-	3,241	-	3,241	55	-	15,531
-241	230,785	208,942	231,089	13,147	-33,945	-	419,233	19,464	150,460	1,097	171,021	-50,892	-109,153	1,969,567
-	268	-	-	-	45,673	-	45,673	-	143	-	34,793	-34,427	59,703	-
-125,784	18,744	13,784	19,901	51	168,094	-167,082	34,748	2,084	1,489	-766	2,807	1,003,832	-908,218	660,577
-188,627	16,973	7,564	29,573	973	17,967	-2,318	33,759	957	4,932	-	5,889	658,646	-473,292	375,797
126,069	-79,097	-45,447	-20,627	-714	-15,420	2,325	-79,883	-3,869	-768	-332	-4,969	-474,334	313,187	-852,506
215,515	-29,054	-42,469	-41,532	-64	-10,729	-	-94,794	-5,337	-258	-	-5,595	-736,606	473,512	-670,577
-	3,922	-	-	-	-	-83	-83	2,668	262	-84	2,846	17,307	166	25,151
26,932	162,541	142,374	218,404	13,393	171,640	-167,158	378,653	15,967	156,260	-85	172,142	452,746	-738,225	1,567,712
-8,067	-44,754	-19,440	-58,326	-4,395	-3,568	-	-85,729	-5,010	-36,780	-	-41,790	-21,715	21,773	-399,765
18,865	117,787	122,934	160,078	8,998	168,072	-167,158	292,924	10,957	119,480	-85	130,352	431,031	-716,452	1,167,947
18,865	114,349	74,893	160,078	8,998	163,975	-167,158	240,786	8,892	112,818	-85	121,625	439,816	-802,440	1,023,845
-	3,438	48,041	-	-	4,097	-	52,138	2,065	6,662	-	8,727	-8,785	85,988	144,102
18,865	117,787	122,934	160,078	8,998	168,072	-167,158	292,924	10,957	119,480	-85	130,352	431,031	-716,452	1,167,947
25,874	8,635,826	1,929,064	-	303	811	-97,968	1,832,210	1,825	780,606	-	782,431	163,485	194,695	18,434,806
12,723	1,337,020	332,290	915,080	402	111,551	-891	1,358,432	341,129	708,355	-	1,049,484	368,030	480,010	9,626,615
-1	47,609	8,862	-	-	10,951	-11,078	8,735	23,909	1,319	-	25,228	997,335	-906,028	175,272
-223,852	1,105,356	231,220	621,890	58,738	192,014	-80,926	1,022,936	79,642	327,660	-2,564	404,738	4,749,421	-3,808,065	6,864,711
-3,061,123	5,330,698	1,415,212	658,973	20,188	1,404,703	-1,057,758	2,441,318	229,182	1,447,608	-	1,676,790	5,623,848	-10,070,764	9,978,013
-223,572	1,245,510	288,772	674,150	37,707	98,856	-72,677	1,026,808	139,277	628,131	-2,564	764,844	4,628,497	-3,733,465	8,908,033
-	1,859,433	155,419	3,537	167	249	-	159,372	234	139,171	-	139,405	61,928	-	2,901,348
-	39,098	481	121,927	59	106	-	122,573	32,473	33,322	-	65,795	56,894	-	1,007,925
-	-	-	-	-	-	-	-	-	-	-	-	29,289	-	29,289

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PUBLICATION EDP - Energias de Portugal, S.A.
Brand and Communication Office
Praça de Marquês de Pombal, 12
1250-162 Lisboa

DESIGN happy brands

PRINTING Dilazo - Artes Gráficas, Lda

PRINT RUN 550 units

LEGAL DEPOSIT

April 2011

