



edp

A WORLD
FULL
OF ENERGY

ANNUAL REPORT 2012

The background of the page features a series of thin, light gray wavy lines that create a topographic or contour-like effect. These lines are interspersed with small, light gray plus signs (+) scattered across the white space.

A WORLD FULL OF ENERGY

edp

The printed version
of the 2012 EDP Annual
Report is accompanied by
an available online version,
in an interactive format at
www.edpannualreport.edp.pt







**EDP DUPLICATES ITS
HYDROELECTRIC CAPACITY
IN ALQUEVA**

TOTAL
INSTALLED
CAPACITY | 512
MW

2,000 INDIRECT
JOBS CREATED

4% OF THE TOTAL HYDROPOWER
PRODUCED IN PORTUGAL



"We have just inaugurated an investment of 190 million euros, Alqueva II, which together with Bemposta II and Picote II, add in a single year, 12 months, 700 MW in hydro energy."
António Mexia, CEO of EDP Group

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MESSAGE TO SHAREHOLDERS

Dear Shareholders

The year 2012 presented great challenges to EDP, but the execution of the strategy followed in recent years proved to be of great importance in the achievement of a solid result. For this success it was critical the involvement of all of those who are committed and dedicated to the Company, i.e., employees, shareholders and partners.

A sector facing new challenges. A demanding year with strong impact of exogenous factors

In recent years the utilities sector has faced a number of new and impacting challenges, altering the very nature of a sector that once was considered defensive and now features more cyclical characteristics due to the combination of multiple realities. First, the continued destruction of demand, particularly in the Iberian market, where we are today at 2006 levels - giving rise to excess capacity and negative margins in some market segments, for the last few years. Secondly, the increase of uncertainty on regulatory or legal frameworks, removing the necessary stability to a capital-intensive sector that requires a relatively long period of time to develop projects - therefore anticipating structural problems - and whose impact was mitigated by the decisive participation of EDP in the discussion. Thirdly, the increased difficulty and cost of accessing the international capital markets, especially for companies based in Europe's periphery, due to the sovereign debt crisis.

The macroeconomic and financial crisis that has dragged on since 2008 has permanently impacted the world as we know it, forcing to a substantive change on our vision. Taking into account the constraints that economic agents are facing, the focus is now in the short-term and the equation that will eventually solve the immediate problems of our economies. As an example, the absence of a clear European strategy for the CO₂ market, with CO₂ pricing at €3/tonne - less than 15% of the estimated value - causing uncertainty in the development of renewable energy projects.

Regarding EDP, the year was also marked by a non-current event in Brazil: a severe drought of dimensions comparable only with that of 2001, leading to the lowest storage of water for electricity production in 11 years. The result was the creation of tariff differences in the distribution business and higher costs in the generation and hedging positions.

These sets of events maintain a strong pressure on the sector, penalizing companies by increasing the risks associated with its business. The impact of which is demonstrated by the loss of value of the energy sector (-24%) compared to the DJ Euro Stoxx 600 index (+64%) since 2009.

It is in this context that EDP is distinguishing itself from its European peers, mainly given its stable asset profile, with a business model based on almost 90% long-term contracts and regulated activities, thereby reducing sensitivity to energy markets. The development of a portfolio essentially composed by low risk assets was the first pillar of the 2006 strategic plan, thus having a decisive role in the evolution of the Company, which is above the European sector.

2012. The success of a strategy focused on differentiation and executing the strategic priorities

In 2012 EDP achieved a solid set of results consequence of the implementation of a growth strategy focused on internationalization, in the diversification of regulatory and market risk, in the development of low risk technologies, strict asset allocation, improved efficiency and also funding discipline.

With respect to operating profit (EBITDA), we reached EUR 3,628 million, which means a decrease of only 3% when comparing with the 2011 results, which were the best ever operating results of the Company. The net operating income was of EUR 1,012 million, resulting in a decrease of 10% compared to 2011.

Despite the stagnant Iberian market it was possible to counter its declining effects, limiting the impact on EBITDA. Therefore, the 2012 EBITDA is characterized by a lower than expected performance of EDP Brazil, with a fall of 22% compared to 2011. This was caused by the aforementioned



negative deviations in the distribution business, giving rise to the higher tariff deficit in the history of the Brazilian energy market, to be recovered over 2013 and 2014. Additionally, the delay in Pecém had an impact on the results. This amount was partially offset by the earnings growth of EDP Renewables (+17%), once again demonstrating the value of EDP's portfolio. The presence in various markets, development of low risk assets and bet on technologies with higher results visibility allowed the annual results to stay strong.

The context was delicate but our solid results this year demonstrate that we still managed to fulfill the key priorities we had set for 2012.

Firstly, the completion of the privatization of EDP, which was an example in terms of transparency and competitiveness among several worldwide leading companies. The operation resulted in a strong and clear statement regarding EDP's interests and future with an unequivocal strengthening of the financial position and growth potential. Indeed, the year 2012 was marked by the development and implementation of the strategic partnership with China Three Gorges. Not only it was possible to agree to the sale of a minority stake in EDP Renováveis Portugal wind projects, with a total value of EUR 359 million, as it was possible to obtain significant bank financing with Chinese entities, amounting up to EUR 1,800 million. The relation with the new partner enhances the position of EDP as an international company with financial strength and new growth options.

Secondly, the ability to set up relevant financing operations at a time when the markets were closed for Portuguese companies. With a credible stance in the market, supported by its low risk profile and continuous fulfilment of commitments, EDP took advantage of the improved market conditions in the second half of 2012 to be the first Portuguese company to finance itself in the international bond markets. This was the first operation involving a Portuguese company after the foreign intervention in our country (a total of EUR 750 million in bonds, with a demand 10 times higher than supply and crowned with the "Eurobond of the year"). Previously EDP had relaunched the market Retail bonds in Portugal.

Thirdly, to increase visibility of the different legal and regulatory frameworks that impact EDP, given the markets where it operates. Indeed, the nature of the strategy followed in the past and EDP's asset profile provide a deep connection between our results and the visibility, transparency and effectiveness of the legal and regulatory framework. The proactive approach of EDP allowed, especially in Portugal, to reach an essential balance that ensures that the Company can meet its obligations.

Capex amounted to EUR 2 billion, which represents a decrease of EUR 200 million against the values recorded in 2011. This is in line with the strategy of deleveraging that was initiated in 2008 and targets the solidification EDP's financial ratios. We also maintained our focus on efficiency, with the Opex III program, amounting savings to 75 million euros. But we are ambitious and so we have proposed the anticipation of the 2014 objectives for 2013, to maintain our position as the most efficient utility in the Iberian Peninsula.

We are also focused on customer satisfaction in the different business units and countries. For example, in Portugal we have achieved an historic result in EDP Distribution, achieving the highest level of quality service, evidenced by an interruption service time of 58 minutes, which represents a decrease of 91% since 2000.

In 2012 EDP's results were affected by the current situation, but the strategy followed in recent years and the ability to execute were critical to the final result, another successful year.

Reaffirming the profile of EDP

But our vision is not limited to financial results.

EDP's identity is distinctively recognized by its technological innovation, environmental awareness, modernization of management models, renewal of methods and processes, search for new horizons and contemporary image. The sustainability of the Company.

It is in light of the grand design to promote creativity, innovation and openness to the world that should be seen the existence and activity of EDP Foundation, the largest in corporate terms in Portugal, HC Foundation in Spain and Institute EDP in Brazil. We seek to contribute to the development and sustainability of our society fostering social innovation projects, focusing on Culture and the Access to Energy initiative - promoting access to energy in remote regions such as the Kakuma refugee camp in Kenya or Cabiri in Angola. With these projects EDP Foundation was named UN partner for the initiative Sustainable Energy for All.

We build economic legacies and contribute to enhance the value of engineering and architecture projects, when we invite award winning architects and internationally recognized artists - such as Siza Vieira, Souto Moura, Pedro Cabrita Reis and Pedro Calapez - to intervene in our dams.

The year 2012 is also marked by the award Prémio Excelência no Trabalho attributed to EDP in the category of large companies, among 198 candidates. This human resources award is especially valuable since the vote is held by the employees of each company.

We have been recognized by the Dow Jones Sustainability Index as a leader among our peers, by Ethisphere as one of the top-3 world's most ethical companies in the electricity sector and by the Thomson Reuters Extel IRRRI 2012 as the best utility in the world in "Communication of Sustainability and Corporate Governance".

We are a global energy Company and as such we are committed to our strategy and frame our activity in the 10 principles of the Global Compact, an initiative promoted by the United Nations.

Establishing a solid foundation for a future of leadership

In 2012 EDP's ability to deliver positive results was evident, providing our shareholders a return rate 7% above our European counterparts. Our goal is to be better than the competition and it is with this goal in mind that we work daily. We assume before our shareholders a responsible dividend distribution policy, hence the proposal to offer our shareholders, at the General Meeting, a dividend of 18.5 cents per share, in line with the dividend of 2011 and putting EDP on the top in terms of dividend yield within the 600 largest companies in Europe.

We are different and what we do speaks for it.

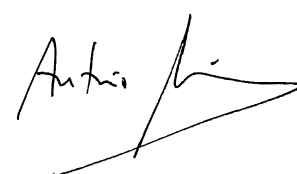
We are the largest group in Portugal, where we invest approximately EUR 1,000 million per year. We are a group of 12,000 employees of 27 nationalities, present on 4 continents and in 13 countries, with international reach and a low risk strategy. We are ready for a new paradigm in our society and in the world.

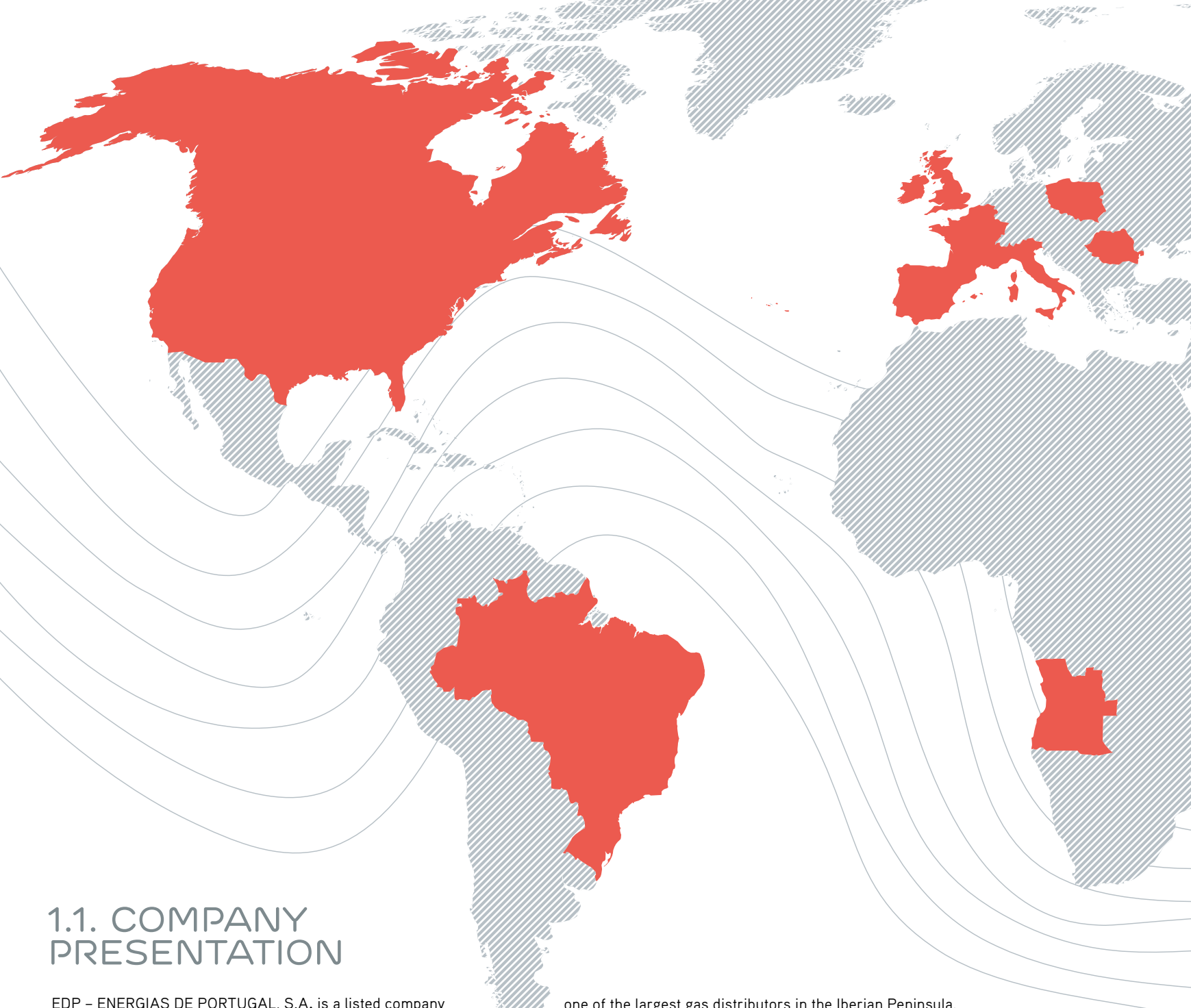
This positioning is possible due to the performance, perseverance and commitment of all our employees. For their determination, we express our thanks to all.

We would also like to take this opportunity to thank to all those that relate to our Company: shareholders, customers, suppliers, government agencies, regulators and statutory bodies, particularly the General and Supervisory Board for their support and confidence provided to the team.

In 2013 we expect an even more stimulating year, with new challenges but also with new opportunities. It will require the determination of all to keep EDP as the main driving force of the Portuguese economy, not abandoning the path of international success that has it been writing.

António Mexia
Chairman of the Executive
Board of Directors
Lisbon, 5th March 2013





1.1. COMPANY PRESENTATION

EDP – ENERGIAS DE PORTUGAL, S.A. is a listed company (*sociedade aberta*), whose ordinary shares are publicly traded in the “Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais”. EDP is established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal.

EDP was initially incorporated as a public enterprise (*empresa pública*) in 1976 pursuant to Decree-Law no. 502/76, of 30 June, as a result of the nationalisation and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company (*sociedade anónima*) pursuant to Decree-Law no. 7/91, of 8 January, and Decree-Law no. 78-A/97, of 7 April.

EDP is a vertically integrated utility company. EDP is the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula and

one of the largest gas distributors in the Iberian Peninsula.

EDP is also the third largest wind power operator worldwide with facilities for renewable energy generation in the Iberian Peninsula, the United States, Brazil, France, Belgium, Poland, Romania and Italy and is developing wind farms in the UK and Canada. Additionally, EDP has electricity generation, distribution and supply activities in Brazil and generates solar photovoltaic energy in Romania.

EDP has a relevant presence in the world energy outlook, being present in 13 countries, with more than 9.8 million electricity customers and 1.3 million gas supply points and over 12,000 employees around the world. On December 31, 2012, EDP had an installed capacity of 23.4GW, generating 54.7TWh, of which 60% comes from wind and hydro plants.

Following its performance in economic, social and environmental dimensions, EDP obtained the same score as the leader of the electricity sector in the Dow Jones Sustainability index.

SUSTAINABILITY INDEXES AND RATINGS WHERE EDP IS PRESENT:





Portugal



7,194	Employees
5,884,442	Electricity customers
318,552	Gas customers
10,542	Installed Capacity (MW)*
18,460	Net Generation (GWh)
38%	Generation from renewable sources**
44,655	Electricity Distribution (GWh)
7,323	Gas Distribution (GWh)

Spain



1,972	Employees
1,048,430	Electricity customers
772,322	Gas customers
6,193	Installed Capacity (MW)*
16,086	Net Generation (GWh)
36%	Generation from renewable sources**
9,003	Electricity Distribution (GWh)
55,786	Gas Distribution (GWh)

USA/Canada



291	Employees
3,637	Installed Capacity (MW)*
9,937	Net Generation (GWh)
100%	Generation from renewable sources**

Brazil



2,776	Employees
2,933,967	Electricity customers
2,058	Installed Capacity (MW)*
8,448	Net Generation (GWh)
100%	Generation from renewable sources**
24,923	Electricity Distribution (GWh)

Poland/Romania



66	Employees
540	Installed Capacity (MW)*
912	Net Generation (GWh)
100%	Generation from renewable sources**

France/Belgium



35	Employees
371	Installed Capacity (MW)*
816	Net Generation (GWh)
100%	Generation from renewable sources**

United Kingdom



28	Employees
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Italy



19	Employees
40	Installed Capacity (MW)*

China

1	Employee
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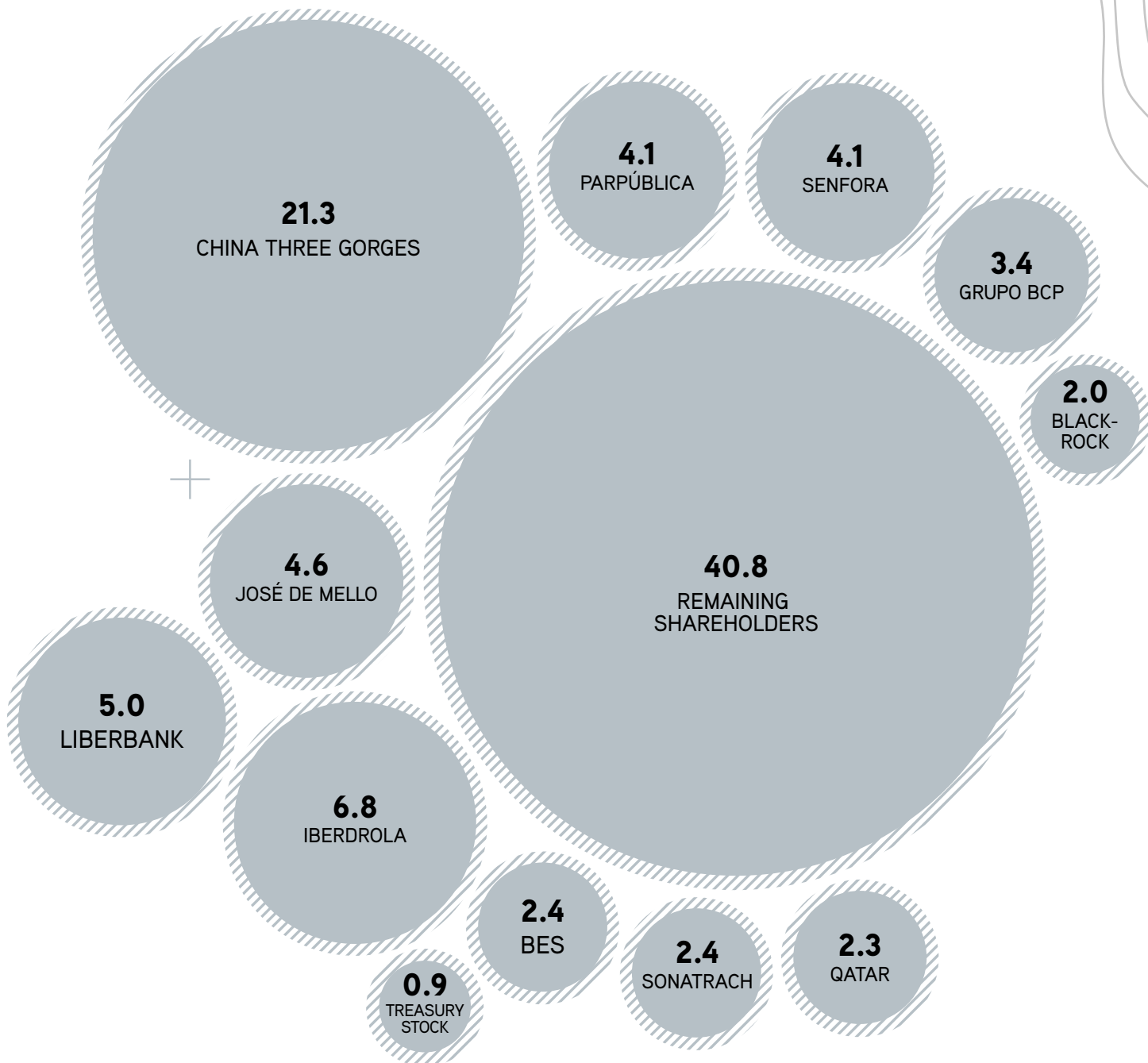
* MW EBITDA

**Includes hydro, wind and biomass.

1.1.2. SHAREHOLDER STRUCTURE

The shares representing EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on July 16, 1997. Since then the company went under seven subsequent phases of reprivatization.

The EDP share capital of EUR 3,656,537,715 is represented by 3,656,537,715 shares, of which on December 31, 2012, 3,505,020,715 were Category A shares, these being ordinary shares, and 151,517,000 Category B shares, all with a face value of one euro each. The qualifying holdings held by shareholders in the EDP share capital on December 31, 2012 were as follows:



1.1.3. CORPORATE BODIES

board of the general meeting

Rui Eduardo Ferreira Rodrigues Pena, **Chairman**
Rui Pedro Costa Melo Medeiros, **Vice-Chairman**
Maria Teresa Isabel Pereira, **Company Secretary**

statutory auditor

KPMG & Associados, SROC, S.A.,
represented by Vítor Manuel da Cunha Ribeirinho,
Certified Auditor, Permanent Statutory Auditor
Susana de Macedo Melim de Abreu Lopes,
Certified Auditor, Deputy Statutory Auditor

general and supervisory board

Eduardo de Almeida Catroga, **Chairman**
Dingming Zhang (representing China Three Gorges Corporation)
Guojun Lu (representing China International Water & Electric Corp.)
Ya Yang (representing China Three Gorges New Energy Co. Ltd.)
Shengliang Wu (representing China Three Gorges International (Europe) S.A.)
Parública – Participações Públicas (SGPS), S.A.
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)
Luís Filipe da Conceição Pereira (representing José de Mello Energia, S.A.)
Mohamed Ali Ismaeil Ali Al Fahim (representing Senfora SARL)
Carlos Jorge Ramalho Santos Ferreira
Harkat Abderezak (representing Sonatrach)
José Maria Espírito Santo Silva Ricciardi
Alberto João Coraceiro de Castro
António Sarmento Gomes Mota
Maria Celeste Ferreira Lopes Cardona
Fernando Masaveu Herrero
Ilídio da Costa Leite de Pinho
Jorge Braga de Macedo
Manuel Fernando de Macedo Alves Monteiro
Paulo Jorge de Assunção Rodrigues Teixeira Pinto
Vasco Joaquim Rocha Vieira
Vítor Fernando da Conceição Gonçalves
Rui Eduardo Ferreira Rodrigues Pena

executive board of directors

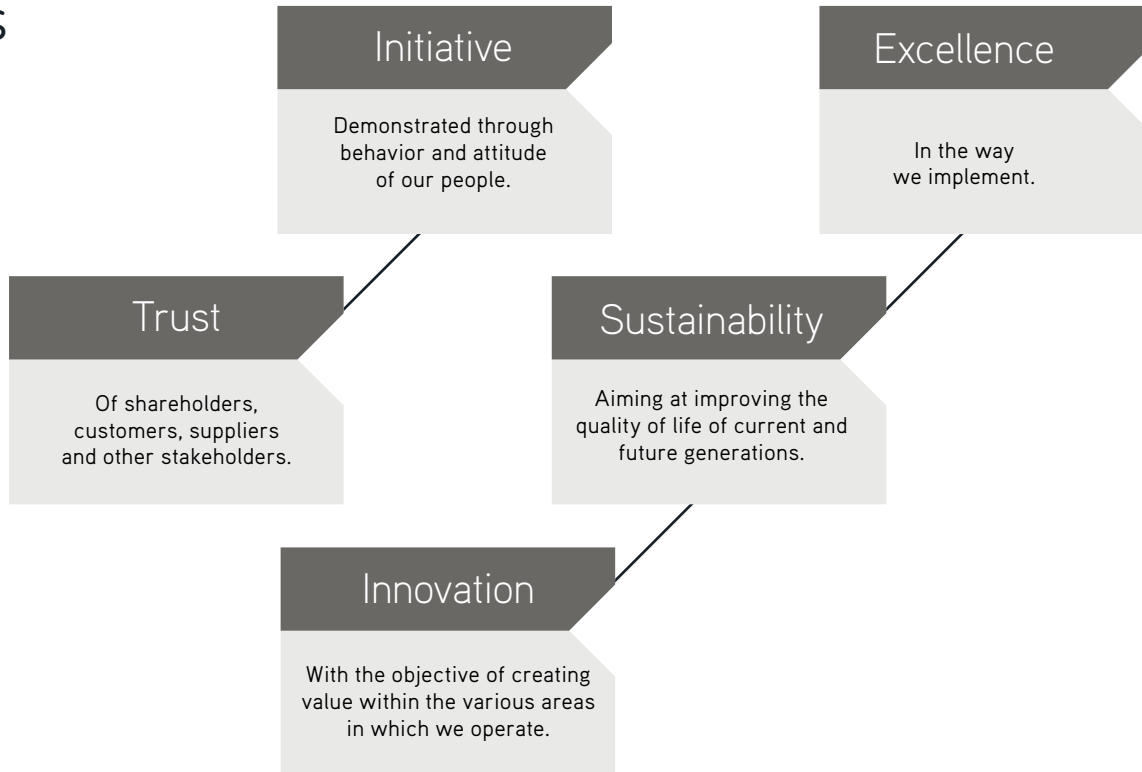
António Luís Guerra Nunes Mexia, **Chairman**
Nuno Maria Pestana de Almeida Alves
João Manuel Manso Neto
António Manuel Barreto Pita de Abreu
António Fernando Melo Martins da Costa
João Marques da Cruz
Miguel Stilwell de Andrade

1.1.4. VISION, VALUES AND COMMITMENTS

VISION

A GLOBAL ENERGY PROVIDING COMPANY, LEADER IN CREATING VALUE, INNOVATION AND SUSTAINABILITY.

VALUES



COMMITMENTS

Commitments with Sustainability

We assume the social and environmental responsibilities that result from our performance thus contributing toward the development of the regions in which we are operating.

We reduce, in a sustainable manner, specific greenhouse gas emissions from the energy we produce.

We actively promote energy efficiency.

Commitments with People

We join conduct and professional rigour to enthusiasm and initiative, emphasizing team work.

We promote the development of skills and merit.

We believe that the balance between private and professional life is fundamental in order to be successful.

Commitments with Results

We fulfil the commitments that we embraced in the presence of our shareholders.

We are leaders due to our capacity of anticipating and implementing.

We demand excellence in everything that we do.

Commitments with Clients

We place ourselves in our Customers' shoes whenever a decision has to be made.

We listen to our Customers and answer in a simple and clear manner.

We surprise our Customers by anticipating their needs.

1.1.5. PRINCIPLES OF SUSTAINABLE DEVELOPMENT

1. ECONOMIC AND SOCIAL VALUE

Constantly create value for our shareholders.

Increase efficiency in resource use and reduce risk exposure.

Contribute to improving competitiveness, by providing services of excellence and anticipating customers' needs and expectations.

Include environmental and social aspects in the planning and decision-making processes.

Contribute to improving the quality of life of people.

2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION

Encourage the use of renewable energy sources and cleaner and more efficient energy technology.

Encourage the improvement of energy efficiency at the consumption end.

Manage the impact of activities, seeking a positive environmental balance.

Actively contribute to the protection of the environment and biodiversity.

Encourage the improvement of environmental management practices in the value chain.

3. INNOVATION

Encourage innovation and creativity, in the search for new market opportunities and the improvement of processes.

Promote collaborative practices in all phases of design, production and delivery of services.

Promote technological research and development and knowledge management in the energy field.

4. INTEGRITY AND GOOD GOVERNANCE

Comply with legislation and established ethical and moral standards.

Respect and foster the respect for human rights, within our sphere of influence.

Ensure the participatory, competent and honest governance of our business.

5. TRANSPARENCY AND DIALOGUE

Ensure an open and trusting relationship with all stakeholders.

Promote consultation and communication channels with stakeholders and take their contributions and expectations into consideration.

Report economic, environmental and social performance in a transparent and objective manner.

6. HUMAN CAPITAL AND DIVERSITY

Encourage integrity, rigour, individual responsibility and teamwork, fostering diversity.

Encourage the development of employees' capacities and reward excellence and merit.

Improve health and safety conditions and the well-being of employees.

Reject abusive and discriminatory practices, guaranteeing equal opportunities.

Promote employee satisfaction and motivation.

7. ACCESS TO ENERGY

Promote access to energy, in a reliable and safe manner and with quality.

Adapt commercial policies to the specific social nature of the market.

Ensure equity in the access to energy and energy systems.

8. SOCIAL DEVELOPMENT AND CITIZENSHIP

Promote social innovation, maximising the positive social impact of the business.

Support social and cultural initiatives, based on transparent criteria for assessing the social return of the invested resources.

Cooperate in the sustainable development of societies.

Revised by the Executive Board of Directors in 2011.

1.2. RECOGNITION

CORPORATE

EDP is SAM Gold Class and world leader in the electricity sector in 2012

For the fifth year running EDP has been included in the Sustainability Yearbook. SAM (Sustainable Asset Management) also rated EDP for the third consecutive year as "SAM Gold Class 2012". Only the top 15% companies with the best sustainability performance qualify for inclusion in the annual Sustainability Yearbook.

EDP at the top of the world sustainability on the Dow Jones

For the fifth consecutive year, the EDP Group ranks amongst the utilities with the best performance on the Dow Jones Sustainability Index (2012 data) in Europe and the world, equalling the absolute score of the utilities leader.

EDP once again included in the Iberian Carbon Disclosure Leadership Index

EDP is ranked second best electricity utility in reporting (96 out of 100) in the Iberian Peninsula by the Carbon Disclosure Project (CDP) and, for the second time running, is included in the Carbon Disclosure Leadership Index. In terms of performance it was given a B grade. Additional information on page 32.

Ethisphere distinguishes EDP as one of the three most ethical companies in the global electricity utility sector

The EDP Group was recognised globally for implementation of its transparent practices in its business operations and in dealings with all stakeholders. 100 countries and 36 business sectors were included in this 6th edition of the awards.

EDP is best in communication in "Sustainability & Corporate Governance" amongst global utilities

The Thomson Reuters Extel IRR1 2012 independent study, conducted by Thomson Reuters Extel and by SRIConnect, distinguished EDP, being the only Portuguese company in its Top 30 list. In its global and multisectoral ranking the EDP Group achieved 24th place.

EDP chosen best in Europe for investor relations

EDP was distinguished in the 2012 edition of the IR Magazine Europe Awards as the best company in Portugal in the area of investor relations and best amongst European utilities.

EDP is the first Portuguese company to win "Euro Bond of the Year" awarded by the IFR

EDP was the best global performer in euro debt issuance in 2012, winning the "Euro Bond of the Year" award attributed by International Financing Review (IFR). The EUR 750 million bond issue was launched on September 14, with demand outstripping the offer ten times over.

EDP wins European multicultural communication prize

EDP was awarded the Special Prize of the Federation of European Business Communicators Associations (FEIEA) for its multicultural approach to communication in its ON magazine. EDP received two further distinctions: 2nd place in the "Best cartoon/illustration" category, again for ON magazine; and 3rd place in Corporate TV in the category "Best audio-visual communication for an internal audience".

PORTUGAL

EDP Distribuição recognised as "Utility of the Year"

The prize, awarded under the "European Smart Metering Awards 2012" was assigned based on the contribution and impact of "Inovgrid Project" in the subject of intelligent networks, energy efficiency and customer orientation.

EDP wins "Marketeer of the Year" award and "Energy" prize

Paulo Campos Costa, the EDP Group Brand and Communication Director, won the "Marketeer of the Year" award in its fourth edition. EDP was also distinguished with the "Energy" prize for the "Energia Douro" concert.

EDP is the most valuable Portuguese brand

According to a study by the Brand Finance consultant, EDP continues to top the ranking of the most valuable Portuguese brands, with a brand value of EUR 2.4 billion. EDP was the only Portuguese company in the list of the 500 most valuable brands, occupying 343rd place in the global ranking.

EDP recognised for "Excellence in Communication" by the Portuguese Association for Corporate Communication (APCE)

EDP won three awards, distinguishing itself in the Intranet and Corporate Television (for the 4th consecutive year) categories and also for the best institutional communication campaign for the company's rebranding, which was one of the most significant occurrences during the year in terms of Group communication.

EDP Continente Plan wins Gold in Communication Effectiveness Awards

The EDP Continente Plan campaign was awarded the gold prize in the "Other Services and Public Administration" category at the 8th edition of the Communication Effectiveness Awards. The EDP Continente Plan achieved more than 146,000 subscriptions.

António Mexia distinguished for the 2nd year running in the "Which CEO would you most want to have?" category

This distinction, awarded by Human Resources Portugal magazine, recognises those companies and professionals that have stood out in the area of people management.

"Workplace for all Ages" Prize

The EDP Value Experience Programme received an accolade in the European Year of Active Ageing and Solidarity between Generations Competition. The EDP initiative won an honourable mention in the "Workplaces for all Ages" category. Additional information on page 38.

HR Prize 2012, "Company that best manages and promotes development of its talents"

EDP received this award from Human Resources magazine, which each year distinguishes the best companies in Portugal in people management.

EDP wins "Global Management Challenge 2012"

The EDP team won the national final and will represent Portugal in the international final of the Global Management Challenge (GMC). Led by Vasco Rodrigues from EDP Produção, the "EDP UCP Porto" team is made up of three students from the Catholic University of Portugal in Porto.

BRAZIL

EDP Brasil distinguished at the 14th IR Global Rankings (IRGR)

EDP Brasil ranked in the TOP 5 in the Financial Disclosure Procedures category and TOP 3 in the Best CFO category, which acknowledges the best practices in company-investor communication. In this edition of the awards, the IRGR featured a new category, Best CFO/IRO, in which the EDP Vice-President of Finance and Investor Relations, Miguel Amaro, ranked amongst the best.

EDP Escelsa wins gold for fourth year running in Espírito Santo Quality Prize (PQES)

The PQES distinguished EDP Escelsa as one of the companies that have achieved levels of excellence in management and confirmed customer satisfaction level at 83% based on research by the Brazilian Association of Electric Energy Distributors (Abradee).

EDP Bandeirante distinguished in National Quality Awards (PNQ)

EDP Bandeirante was distinguished in the "Customers" criterion in the PNQ cycle for 2012. The PNQ, awarded by the National Quality Foundation, aims to incentivise organisations to become more sustainable, cooperative and generate value for society.

EDP in Top 10 companies for People Management

The "Prática" People Management Award distinguished EDP Brasil as one of the best companies in the country. This award assesses aspects such as Organisational Climate, Worker Development and Leadership.

EDP Bandeirante Electrician School wins Professional Life Award from Sodexo

The EDP programme, operated in partnership with the National Industry Service, was recognised by the Professional Life/Sodexo awards. This award recognizes best practices that improve the day-to-day lives of its employees and society.

EDP Bandeirante awarded Solidarity Prize 2012 in Guarulhos

EDP Bandeirante received the accolade from Guarulhos City Council as one of 15 companies, from a total of 200, that most helped the city in 2011.

EDP Bandeirante wins Abradee Prize 2012 in Performance Evolution category

The Abradee Prize distinguishes the best practices of companies in the Brazilian energy sector.

EDP Brasil receives Honourable Mention in ABRASCA Awards

EDP Brasil received an Honourable Mention in the 14th Brazilian Association of Open Companies (ABRASCA) Awards in the "Socio-environmental Aspects" of the Annual Report category.

Good Solar Energy Project wins prize in Solar Heating category

EDP Bandeirante won a distinction at the 9th Brazilian Congress on Energy Efficiency and Expo-efficiency with the Good Solar Energy project. Additional information on page 45.

EDP Brasil distinguished with "100+Inovadoras" Prize

The 12th edition of the "100+ Inovadoras" Prize for innovative use of the Informational Technologies (IT), which is organised by IT Mídia and identifies the best business practices in terms of the use of IT as a strategy for innovation and investment, awarded EDP Brasil the prize in the Utilities category.

SPAIN

EDP receives international PREVER 2011 Award

EDP received the international PREVER 2011 award for accident prevention and risk minimisation. Created in 1998, this is one of the most prestigious and oldest awards in Spain and is a reference both within Spain and at the EU level.

HC Energía distinguished at the Annual Occupational Health and Risk Prevention Congress

Antonio Pereira and Alberto Cueto won the prize for Best Oral Communication. Alberto Cueto, head of Occupational Risk Prevention for the Group in Spain, also won the Occupational Risk Prevention prize in the individual category.

EDP RENOVÁVEIS

EDP Renováveis is one of the "Best Workplaces 2012" in Spain

The company was ranked 6th in the list of Best Workplaces published by Great Place to Work in Spain, a study that selects the 50 best companies to work for after assessing 250 candidates.

EDP Renováveis receives Best Investor Relations award in the renewable energy sector

EDP Renováveis was distinguished by Institutional Investor in its 2012 All-Europe Executive Team. EDP Renováveis came first in three categories: Best Investor Relations; Best CFO: Rui Teixeira (Sell Side + Buy Side); and Best Investor Relations Professional: Rui Antunes (Head of IR).

EDP Renováveis North America recognised as a Top Workplace for the third consecutive year

More than 72,500 employees from 150 companies in the Houston-area voted on the Houston Chronicle's Top Workplaces ranking, rating the companies in terms of opportunities for advancement, pay and benefits, and their bosses' communication and management skills.

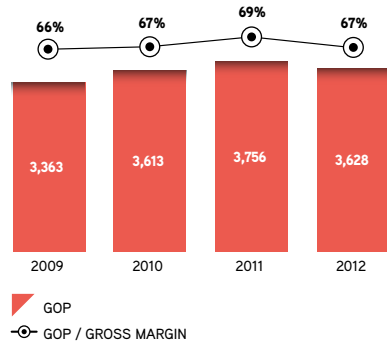
EDP Renováveis receives EMEA Finance Award

EDP Renováveis was awarded the prize for Best Sustainability Deal at the EMEA Finance Awards, in recognition of the financing deal for two wind farm projects in Romania: the Cernavoda and Pestera wind farms.

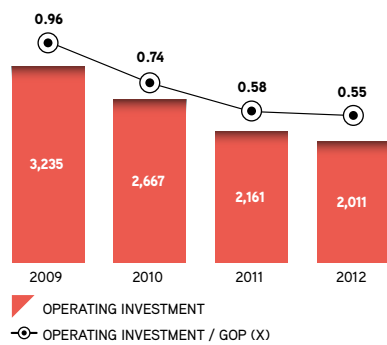
1.3. SUMMARY OF KEY METRICS

1.3.1. FINANCIAL INDICATORS

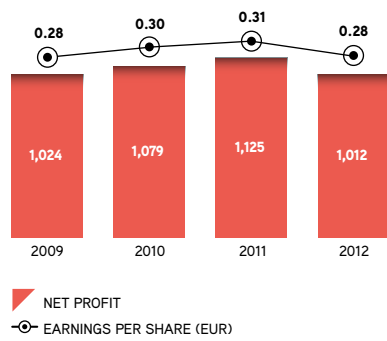
GROSS OPERATING PROFIT (€ millions)



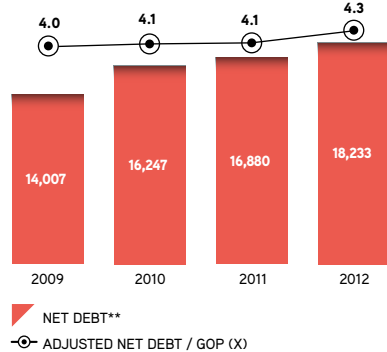
OPERATING INVESTMENT (€ millions)



NET PROFIT* (€ millions)



NET DEBT (€ millions)



	UNIT.	2012	2011	2010	2009
EDP GROUP					
Turnover	EUR Thousands	16,339,854	15,120,851	14,170,742	12,198,183
Gross operating profit	EUR Thousands	3,628,458	3,755,588	3,612,810	3,362,948
Operating profit	EUR Thousands	2,143,414	2,267,390	2,062,509	1,969,567
Net profit*	EUR Thousands	1,012,483	1,124,663	1,078,925	1,023,845
Operating Cash-flow	EUR Thousands	1,996,536	2,946,805	1,842,144	3,921,669
Operating investment	EUR Thousands	2,010,651	2,160,624	2,667,341	3,234,740
Investment in renewables	%	61.6	60.0	61.0	65.7
Financial Investment / (Divestiture)	EUR Thousands	-5,805	104,721	184,265	-132,549
Net assets	EUR Thousands	42,627,844	41,280,577	40,488,853	40,261,557
Equity	EUR Thousands	11,431,668	11,386,779	10,784,959	9,978,688
Net debt**	EUR Thousands	18,233,280	16,879,864	16,246,836	14,006,568
Net debt/Gross operating profit	x	5.0	4.5	4.5	4.2
Adjusted Net debt/Gross operating profit	x	4.3	4.1	4.1	4.0
Net Debt/Equity	%	159	148	151	140
Earnings per share	EUR	0.28	0.31	0.30	0.28
Dividend Yield	%	8.1	7.7	6.8	5.0
Market Capitalisation	EUR Thousands	8,373,471	8,742,782	9,108,435	11,364,519

* Net Profit attributable to EDP Equity holders

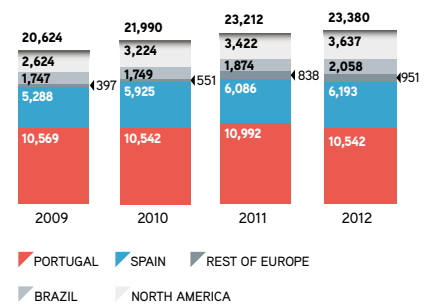
** Includes Financial Debt, Cash and equivalents, short-term assets at fair value and fair value, net investment hedges and collateral deposits related with financial debt.
Net Debt 2011 restated with the inclusion of collateral deposits.

1.3.2. OPERATING HIGHLIGHTS

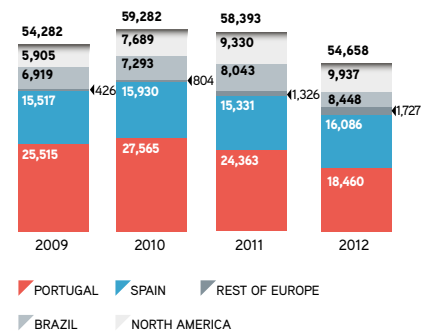
	UNIT.	2012	2011	2010	2009
INSTALLED CAPACITY	MW	23,380	23,212	21,990	20,624
Hydro	MW	7,493	7,232	6,740	6,738
Thermal	MW	7,823	8,354	8,354	7,941
Conventional Thermal (Coal and fuel)	MW	3,767	3,587	4,060	4,116
CCGT	MW	3,736	3,736	3,736	2,405
Other	MW	321	1,031	557	557
Wind	MW	7,558	7,157	6,437	5,490
Other Renewables	MW	231	195	195	198
Other	MW	275	275	265	257
NET ELECTRICITY GENERATION	GWh	54,658	58,393	59,282	54,282
Hydro	GWh	14,243	18,942	22,677	15,413
Thermal	GWh	19,725	20,264	19,712	25,845
Conventional Thermal (Coal and fuel)	GWh	15,389	12,226	9,179	15,041
CCGT	GWh	3,106	6,826	9,342	7,507
Other	GWh	1,230	1,212	1,191	1,113
Wind	GWh	18,445	16,800	14,352	10,907
Other Renewables	GWh	459	639	832	505
Other	GWh	1,787	1,748	1,710	1,613
Steam	GWh	2,254	2,159	2,042	2,038
ELECTRICITY DISTRIBUTED	GWh	78,581	80,569	80,895	76,590
Portugal	GWh	44,655	46,508	47,836	46,146
Spain	GWh	9,003	9,517	9,310	9,131
Brazil	GWh	24,923	24,544	23,749	21,313
ELECTRICITY SUPPLY POINTS	'000	9,687	9,625	9,540	9,432
Portugal	'000	6,095	6,138	6,149	6,120
Spain	'000	659	656	651	645
Brazil	'000	2,934	2,831	2,740	2,668
INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME					
Portugal	minutes	58	75	116	121
Spain	minutes	28	39	64	132
Brazil - Bandeirante (DEC)	hours	9.4	9.4	12.2	12.8
Brazil - Escelsa (DEC)	hours	9.9	10.4	9.1	11.4
GAS DISTRIBUTED	GWh	63,109	55,585	52,487	25,101
Portugal	GWh	7,323	7,138	6,843	6,133
Spain	GWh	55,786	48,447	45,644	18,968
GAS SUPPLY POINTS	'000	1,298	1,265	1,229	1,184
Portugal	'000	290	271	245	221
Spain	'000	1,008	994	984	962
ELECTRICITY SUPPLY	GWh	76,726	80,097	83,291	84,663
Portugal	GWh	29,603	33,710	39,375	43,154
Spain	GWh	20,251	21,362	21,441	19,367
Brazil*	GWh	26,872	25,024	22,475	22,142
ELECTRICITY CUSTOMERS	'000	9,867	9,901	9,856	9,723
Portugal	'000	5,884	6,054	6,105	6,102
Spain	'000	1,048	1,016	1,010	953
Brazil*	'000	2,934	2,832	2,740	2,668
GAS SUPPLY	GWh	35,017	36,449	38,755	24,576
Portugal	GWh	7,464	8,191	8,946	3,315
Spain	GWh	27,553	28,259	29,809	21,261
GAS CUSTOMERS	'000	1,091	1,059	1,069	1,055
Portugal	'000	319	272	245	221
Spain	'000	772	788	824	833

*Includes Enertrade and regulated clients from Distribution

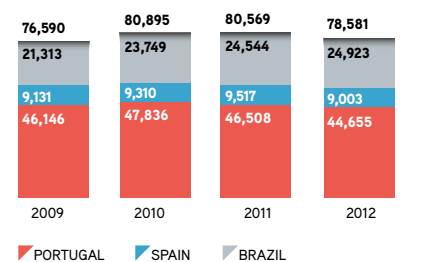
INSTALLED CAPACITY (MW)



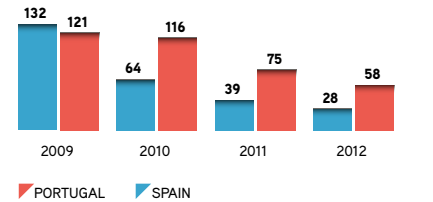
NET GENERATION (GWh)



ELECTRICITY DISTRIBUTED (GWh)



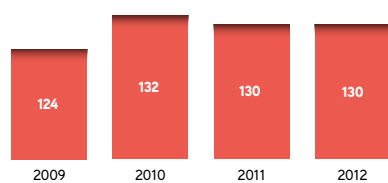
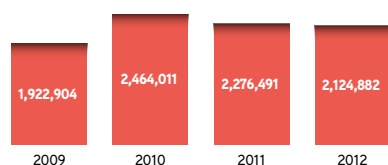
ICEIT (minutes)



More information about EDP clients can be found in the following chapters: Supply in Iberia; EDP Brasil and Customers and Products

1.3.3. ECONOMIC INDICATORS

SUSTAINABILITY INDEX

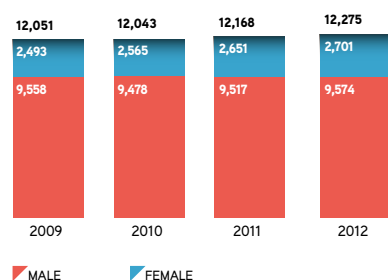
ACCUMULATED ECONOMIC VALUE
(EUR Thousands)

	UNIT	2012	2011	2010	2009
SUSTAINABILITY INDEX ⁽¹⁾		130	130	132	124
ECONOMIC INDICATORS					
GVA per employee ⁽²⁾	EUR	374,417	384,077	390,509	374,234
Direct economic value generated	EUR Thousands	17,488,022	16,394,395	15,396,666	13,544,202
Economic Value Distributed	EUR Thousands	15,363,140	14,117,905	12,932,655	11,621,298
Supplier costs	EUR Thousands	928,287	901,048	862,256	768,202
Personnel costs	EUR Thousands	671,537	634,900	728,770	698,389
Allocation to Foundations	EUR Thousands	16,179	16,020	14,254	14,459
Returned to community	EUR Thousands	154,025	187,484	186,303	531,037
Dividends	EUR Thousands	670,829	616,581	561,819	507,153
Accumulated Economic value	EUR Thousands	2,124,882	2,276,491	2,464,011	1,922,904
Spending on R&D ⁽³⁾	EUR Thousands	31,715	65,485	36,527	31,035
Fines and Penalties	EUR Thousands	2,642	97	4,367	1,165
Support from public authorities	EUR Thousands	504	1,024	1,265	156
Billing of energy services ⁽⁴⁾	EUR Thousands	46,231	44,506	22,515	12,386

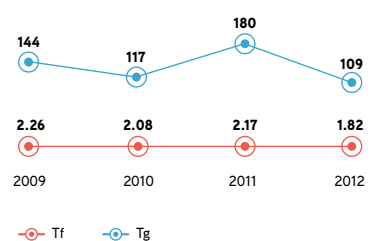
(1) The algorithm of economic dimension has been reviewed impacting the serie. More information about Sustainability Index is available at: www.edp.pt/sustainability approach to sustainability
(2) 2009-2011 results have been reviewed due to changes in headcount methodology, presently including corporate bodies, and to modifications regarding the calculation methodology of professional categories.
(3) Estimated values for the current year.
(4) 2011 result has been reviewed due to a correction of billing of energy services in Spain.

1.3.4. SOCIAL INDICATORS ⁽¹⁾

NUMBER OF EMPLOYEES



EDP FREQUENCY AND SEVERITY RATE



	UNIT.	2012	2011	2010	2009
EMPLOYMENT ⁽²⁾					
Employees ⁽²⁾	#	12,275	12,168	12,043	12,051
Female employees ⁽²⁾	%	22	22	21	21
Overall satisfaction rate ⁽³⁾	n/a	n/a	81	n/a	81
Turnover ⁽²⁾	%	5.57	5.73	5.76	5.50
Employees average age	years	46	46	46	45
Absenteeism rate ⁽²⁾	%	3.16	3.35	3.52	3.61
Personnel costs	EUR Thousands	582,197	573,642	575,408	540,036
Employee benefits	EUR Thousands	89,340	61,258	153,362	158,353
Gratuities ⁽⁴⁾	EUR Thousands	34,636	34,429	33,763	39,254
TRAINING					
Total hours of training	hours	503,272	477,091	419,737	353,205
Average training per employee ⁽²⁾	h/p	41	39	35	29
Employees trained ⁽²⁾	%	88	80	95	74
Total training costs	EUR Thousands	7,922	8,026	8,940	7,225
Productivity at work	EUR/h	221	230	233	222
HEALTH AND SAFETY					
OSHAS 18 001 (installed capacity)	%	72	58	60	55
On-duty accidents	#	38	46	44	47
Fatal on-duty accidents	#	5	2	1	1
Fatal accidents of contracted workers	#	13	4	6	10
EDP frequency rate (Tf)		1.82	2.17	2.08	2.26
EDP severity rate (Tg)		109	180	117	144
Total days lost due to accidents	#	2,269	3,815	2,469	2,984

(1) Pecém Powerplant has not been considered for the purposes of detailed Human Resources information (107 employees).
(2) Results have been reviewed due to changes in headcount methodology, presently including corporate bodies.
(3) Bi-annual survey of employee satisfaction.
(4) Includes only Portugal.

Complementary Social information is available on chapter employees (page 36).

1.3.5. ENVIRONMENT INDICATORS ⁽¹⁾

	UNIT	2012	2011	2010	2009
PRIMARY ENERGY CONSUMPTION					
Total for generation	TJ	197,723	192,996	176,519	242,878
Coal	TJ	144,504	112,425	81,816	132,628
Fuel Oil	TJ	648	679	1,566	6,105
Natural Gas	TJ	39,908	64,016	78,581	89,051
Residual gases (steel plant gas, blast furnace gas, coke gas)	TJ	9,128	12,253	10,996	10,618
Forest waste	TJ	3,278	3,350	3,280	4,227
Fuel for vehicle fleet	TJ	257	272	281	249
ELECTRICITY CONSUMPTION					
Generation internal consumption	MWh	2,604,713	2,079,218	1,815,385	2,429,843
Administrative services ⁽²⁾	MWh	40,946	43,918	44,628	33,256
Grid losses	%	9.0	7.2	8.6	8.3
ENVIRONMENTAL CERTIFICATION (ISO 14001)					
Net maximum installed capacity certified	%	76	70	69	62
Installed capacity of substations certified	%	27	21	3	0
Gas distribution certified	%	100	100	100	100
ATMOSPHERIC EMISSIONS					
Total Emissions					
CO ₂ ⁽³⁾	kt	18,005	16,919	14,699	20,007
SO ₂	kt	16.0	9.4	9.5	17.1
NO _x	kt	16.0	15.1	18.3	33.3
Particles	kt	0.8	0.7	0.6	1.0
Overall specific emissions					
CO ₂	g/kWh	323	285	244	362
SO ₂	g/kWh	0.3	0.2	0.2	0.3
NO _x	g/kWh	0.3	0.3	0.3	0.6
Particles	g/kWh	0.01	0.01	0.01	0.02
Specific CO ₂ emissions from thermal facilities	g/kWh	792	731	654	705
Avoided CO ₂ from the use of renewable sources ⁽⁴⁾	kt	22,024	21,086	20,739	14,962
CO ₂ Intensity	g/€	1,102	1,119	1,037	1,640
WATER					
Cooling water	m ³ ×10 ³	1,613,929	1,444,350	1,150,342	1,726,053
Raw water	m ³ ×10 ³	8,394	7,552	7,578	6,577
Potable water	m ³ ×10 ³	308	259	302	245
WASTES ⁽⁵⁾					
Total waste	t	647,166	554,796	765,340	929,642
Total hazard waste	t	4,765	22,145	4,741	3,012
Recovered waste	%	65	72	92	94
DISTRIBUTION IN PROTECTED AREAS					
Distribution grid in protected areas	km	14,563	14,178	14,035	13,878
Substations in protected areas	#	39	39	40	42
ENVIRONMENTAL INVESTMENT AND EXPENSES					
Investment and expenses	EUR Thousands	80,514	77,422	98,477	118,898
Income	EUR Thousands	4,768	6,928	5,715	10,022
Environmental investment as a proportion of total investment	%	1.6	1.8	2.8	3.7

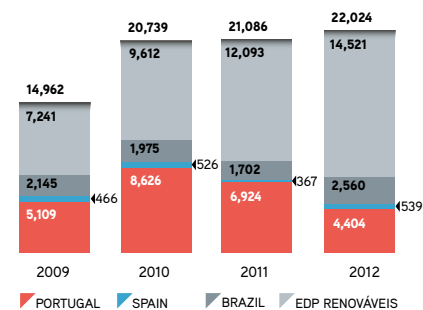
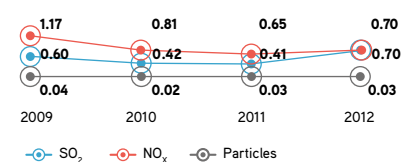
(1) The detailed environmental performance information does not include the Pecém Thermal Power Plant, which came into operation on December 1st, 2012.

(2) Figure for Spain in 2011 was revised to include the administrative buildings of HC Generación.

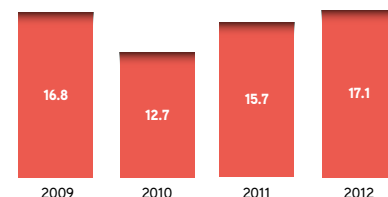
(3) Excludes fleet and consumption and losses of natural gas. This information is included in GHG emissions in Climate Change Chapter.

(4) Figures for 2009-2011 were revised due to a change in methodology, which now exclude production from nuclear sources (Spain, USA and ROE) and cogeneration (Portugal).

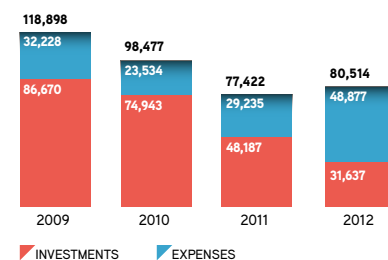
(5) Since 2011 EDP reports separately waste and by-products.

AVOIDED CO₂ (kt)SPECIFIC EMISSIONS FROM THERMAL FACILITIES NO_x, SO₂ AND PARTICLES (g/kWh)

WASTE SPECIFIC PRODUCTION (g/kWh)



ENVIRONMENTAL INVESTMENTS AND EXPENSES (EUR Thousands)



Supplementary Environmental information is available on the Environment chapter (page 30).







**EDP RENEWABLES
COMMISSIONS ITS FIRST
PHOTOVOLTAIC POWER
PLANT IN ROMANIA**

**39
MW** | INSTALLED
CAPACITY

4 SOLAR
PLANTS IN
ROMANIA

350 MW
INSTALLED CAPACITY
IN ROMANIA



EDP Renewables has four solar plants that are already in operation, situated in the south of Romania, near the borders with Bulgaria and Serbia. We are referring to Dabuleni, to which is expected that other solar plants join in the next months.

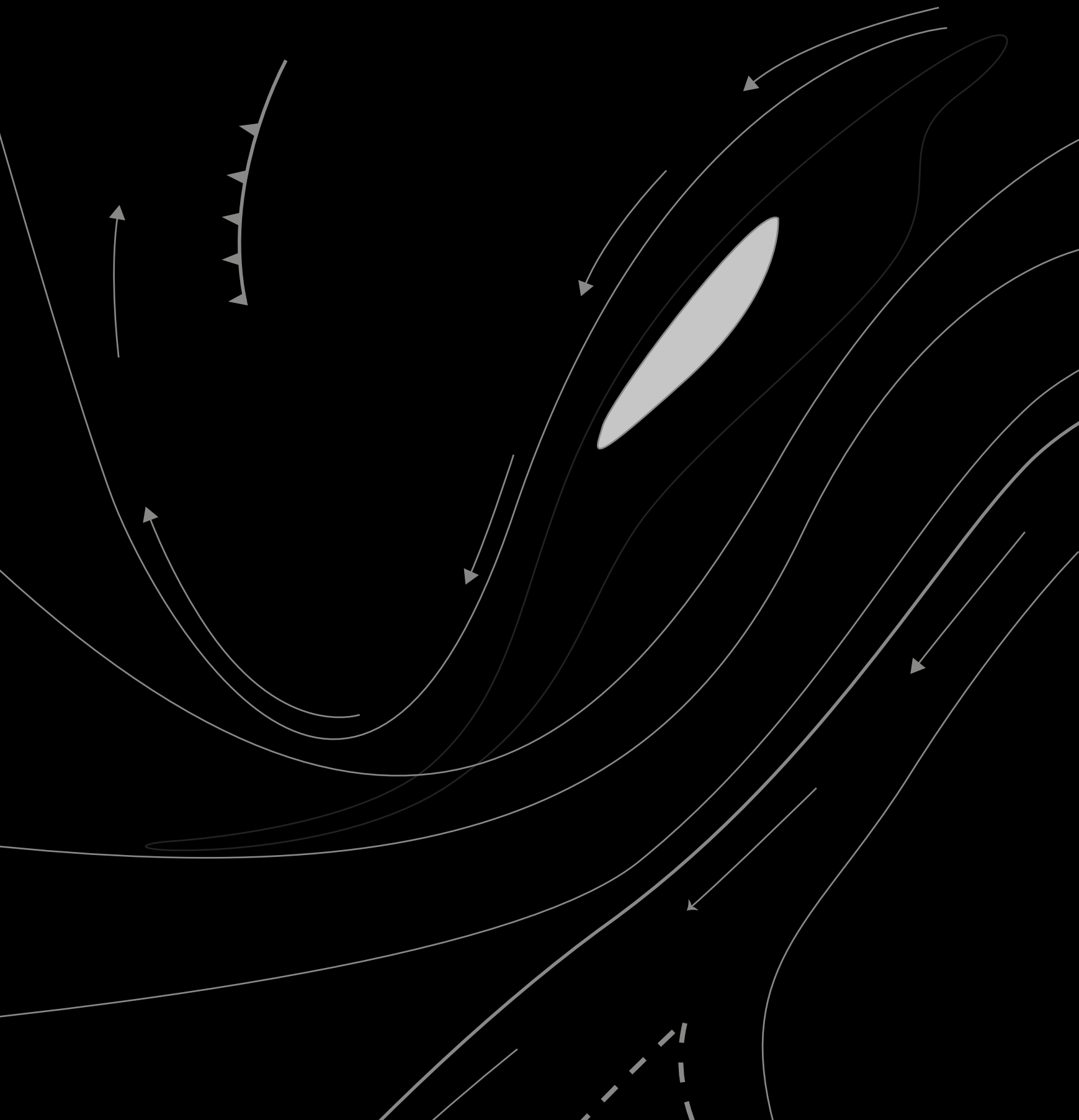
STRATEGIC FRAMEWORK

24 framework

24 macroeconomic
26 energetic
27 regulatory

30 strategic agenda

32 objectives and goals



2.1. FRAMEWORK

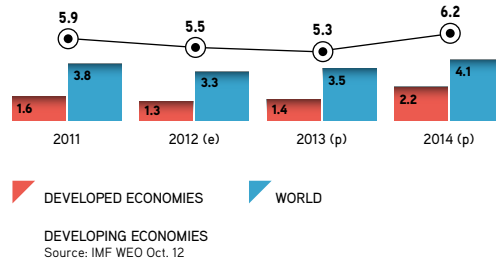
2.1.1. MACROECONOMIC FRAMEWORK

DELAY IN THE RESOLUTION OF STRUCTURAL PROBLEMS BREAKS DOWN THE UPTURN OF THE WORLD ECONOMY

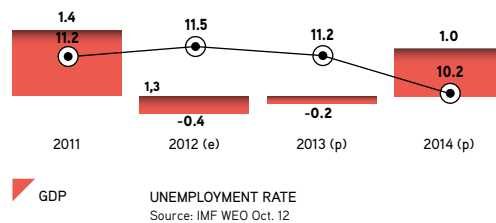
The world economy slowed down again in 2012, reflecting the persistence of important macroeconomic distortions and the inability of the great economic powers to answer, in a decisive way, to the adverse effects of these constraints in the global economic activity.

After four years since the beginning of the actual cycle of great financial instability, the world economy upturn is still up to come and below historical standards. Largely, the lack of progress follows the delay in the resolution of structural imbalances which precipitated the economic and financial crisis along with the prevalence of high levels of debt in the more developed countries and of the maladjustments in the balance of payments of major economies, such as the U.S.A. and China.

ECONOMIC ACTIVITY (REAL GDP)



EURO AREA PERFORMANCE (REAL GDP AND UNEMPLOYMENT)



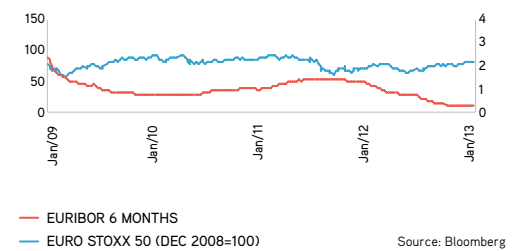
STRONG MARKET VOLATILITY ORIGINATES NEW STIMULUS PLANS

In 2012 the performance of the global financial markets was marked by high levels of volatility, as a consequence of a weak dynamism in the global economic activity along with the uncertainty caused by the sovereign debt crisis in the euro area and the evolution of the U.S.A. budget policy. Backed up by a strong rise in the sovereign debt bonds risk premium rates from peripheral countries and by an intense demand for refuge assets - namely sovereign debt bonds from the U.S.A. and Germany -, the risk aversion spiral that predominated in the markets during the first half of the year impelled the economic policy authorities to announce a set of measures which aimed at restoring confidence in financial markets.

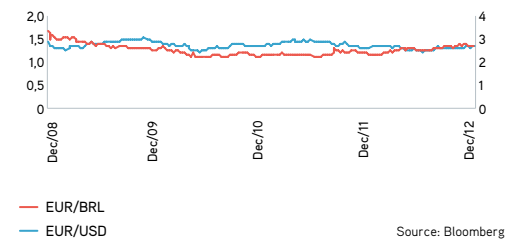
Regarding the European authorities, we highlight the extension of the action field of the European Central Bank (ECB), presenting in September a plan to buy sovereign debt (Outright Monetary Transactions), together with the flexibilization of the financial stability mechanisms in the euro

area and the announcement of the creation of a banking union. Jointly, these decisions aimed at stabilizing the sovereign debt markets of peripheral countries, as well as inverting the euro depreciation trend and the decline of the European stock Indexes, allowing for these indexes to strongly benefit from the performance of the banking industry stocks. These measures, together with the favourable impact from the monetary policy expansion decisions presented by the U.S.A Federal Reserve with the intention to stimulate the upturn of the North American economy, eventually led to a favourable performance of the majority of assets classes in the last months of the year.

STOCK INDEXES AND EURIBOR 6M (EURO AREA)



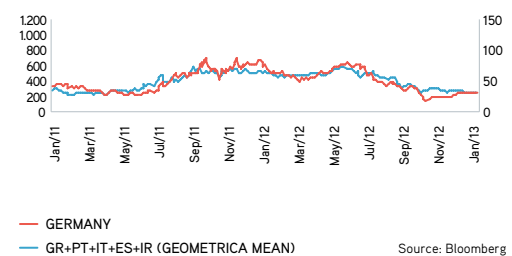
FOREX MARKET



SOVEREIGN DEBT CRISIS LEADS THE EURO AREA TO RECESSION

The recovery trajectory that the euro area delineated between 2010 and 2011 was interrupted in 2012 as a result of the aggravation of the sovereign debt crisis that expanded to Italy and Spain, respectively the third and the fourth biggest economies of the euro area. In this context, the negative impact of the financial instability and of the consolidation measures on public spending were extended to the majority of the member-states, which along with the external demand weak dynamism led to the contraction of the Euro area GDP.

SOVEREIGN RISK (CDS-5YR IN BP/YEAR)

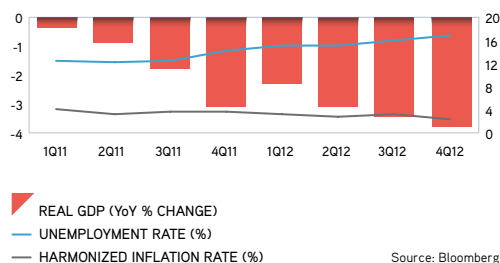


RECONVERSION OF THE PORTUGUESE ECONOMY CONTINUES TO WEIGHT ON THE ECONOMIC ACTIVITY EVOLUTION

During 2012 the Portuguese economy contracted 3.2%, in a context marked by the prosecution of the adjustment process that operates under the Economic Adjustment Programme (PAE) which imposes rationalization measures in public finances and structural reforms. Although these measures are essential to provide a sustainable financial and economic base for Portugal, in the short term, they generate adverse effects on the economic activity progression.

Domestically, the budget consolidation effort embodied in the public spending reduction and the increase of taxation, along with the shortage of financing and the high debt costs, resulted in a strong reduction of private consumption and investment. This circumstance implied an exponential increase in the number of bankrupted companies and in unemployment, with a special incidence in the non-tradable assets and services sector, along with a recession spiral which resulted in an unprecedented contraction of internal demand. However, the domestic weakness was mitigated by the notable performance of exports, which benefited from a more favourable external conjuncture and from expressive competitive gains associated to the reduction of labour unitary costs. These events, associated with a strong reduction of imports resulted in an improvement of the Portuguese balance of payments.

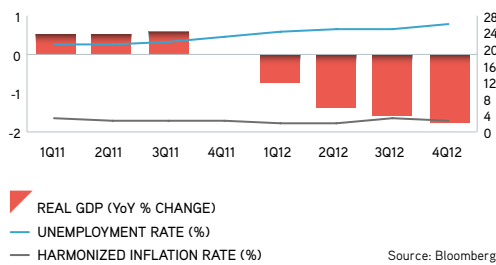
PORTUGAL (REAL GDP, INFLATION AND UNEMPLOYMENT RATE)



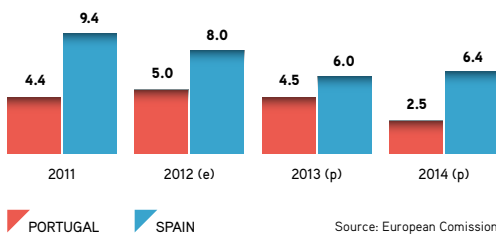
SPAIN GOES BACK INTO RECESSION

After the economic activity contraction occurred between 2009-2010, the fourth biggest economy in the euro area went back into recession in 2012, presenting a significant GDP change, estimated in -1.4%. In the centre of the Spanish economy weakness is the housing bubble, whose consequences continue to establish a vicious circle between the weak internal demand, the unemployment rate, the instability of the banking system and the uncontrolled public finances. Indeed, the sharp decline of the construction industry and its related activities, unleashed a contraction of private consumption and of investments along with a decrease of tax revenues and a substantial increase of the level of impairments in the banking industry. As a result, the unemployment rate rose to levels higher than a quarter of the total active population, which in turn, exacerbated the pressure against the domestic demand along with an increase of the government social spending and a weakness of the credit institutions balances. The fast degradation of the economic and financial conjuncture led to an increase of international investor's risk aversion against Spanish assets, placing the country under the threat of a generalized insolvency, which only did not happened due to the timely intervention of the European authorities.

SPAIN (REAL GDP, INFLATION AND UNEMPLOYMENT RATE)



PUBLIC DEFICIT (% OF GDP)



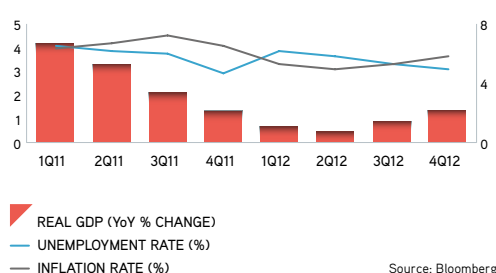
BRAZILIAN ECONOMY LOSES STRENGTH IN 2012

The economic reforms undertaken during the last years and the fast recovery of raw material prices, after its fall subsequent to the financial instability of 2008, enabled the Brazilian economy to present during the years after the financial and economic crisis a very satisfactory growth rate. However the international trade slowdown and the more restrictive monetary policies that took place in 2011, determined a loss of ground in the 2012 economic activity, backed up in a GDP growth estimation of about 1.5%, which is almost half of the rate presented in the previous year. Regarding the external position, the deterioration of competitiveness brought an internal balance of payments contradicting the trend registered in the previous years.

This set of circumstances, prompted an energetic response by the economic policy authorities. Respecting the monetary policy, besides initiating regular interventions in the foreign exchange market, with the objective of depreciating the Brazilian Real, the Central Bank of Brazil reduced the Selic tax from 12.5% to an historical minimum of 7.25%. Concerning the budget and taxation policies, the government announced infrastructure construction plans along with the continuation of the previous policy of rapid wages growth and the implementation of tariffs aiming at protecting the Brazilian industrial sector.

In this context of marked economy's loss of ground, the Brazilian stock index presented lower returns when compared to its peers. Equally, the Brazilian Real depreciated strongly, contradicting the emerging economies' general positive performance in the forex market.

BRAZIL (REAL GDP, INFLATION AND UNEMPLOYMENT RATE)



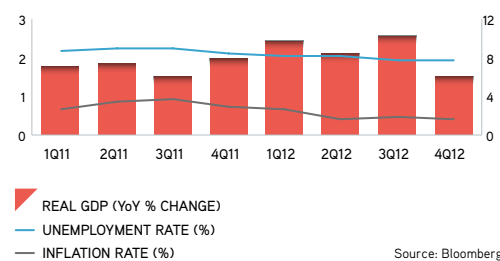
NEED FOR BUDGET CONSOLIDATION IS THE MAIN RISK TO THE NORTH-AMERICAN ECONOMY PERFORMANCE

Despite the slowdown presented at the end of the year, overall in 2012, the U.S.A. economy recorded a slight growth over the previous year. The private consumption growth remained moderate, constrained by the conservative growth of the real disposable income, along with the still weak financial situation of households. Conversely, the level of investment presented a dynamism not seen since the beginning of the financial crisis, benefiting specially from the real estate sector recovery. The reduction of the trade deficit as a result of a good performance of exports and a significant increase of public spending in the quarter preceding the presidential elections, have also contributed positively to the GDP growth.

Despite the reasonable performance of the economic activity, the economic climate experienced in the U.S.A. in 2012 was shaped by a great deal of uncertainty induced by the so-called "fiscal cliff", corresponding to the automatic activation, scheduled for 2013, of the public spending reduction measures and the increase of income taxes, with recessive impact. The implementation of these measures ultimately failed to materialise, however the consolidation of public finances persists.

The North American debt markets have benefited from the risk aversion climate that prevailed in much of 2012, not only due to the aggravation of the European crisis but also because of the fear of domestic recession as a result of the implementation of the budget contraction plan. However, despite this increased risk aversion environment, the North-American stock indexes presented considerable valuations, benefiting from the effects of the monetary stimulus measures announced by the Federal Reserve.

USA (REAL GDP, INFLATION AND UNEMPLOYMENT RATE)

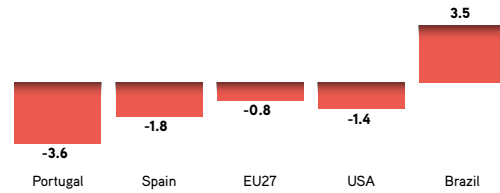


2.1.2. ENERGETIC FRAMEWORK

The recent publication of IEA's World Energy Outlook underlines the profound change that the world of energy is going through. Energy consumption is expected to increase 33% by 2035, with power consumption increasing more than 70%, propelled by the rising urbanization of emerging countries' population and by the growing demand electrification in developed economies, penetrating new sectors of activity such as transports. On the supply side, a redesign of the energy dependency map is under way, in particular with the increasing production of unconventional oil and gas in the United States. Renewable energies will be, however, the primary energy source with the highest growth in the world – not only in Europe –, boosted by its increasing competitiveness, by its contribution towards energy independence and by the imperative of decarbonizing economic activity.

2012 ended with the Doha conference, in Qatar, where decisive steps were taken in the long negotiation process to reach a global agreement to limit the emissions of greenhouse gases.

CHANGE IN ELECTRICITY CONSUMPTION (2012 VS. 2011)



Note: The change in electricity consumption for the EU27 refers to the accumulated value until Q3 of 2012 vs. 3Q of 2011

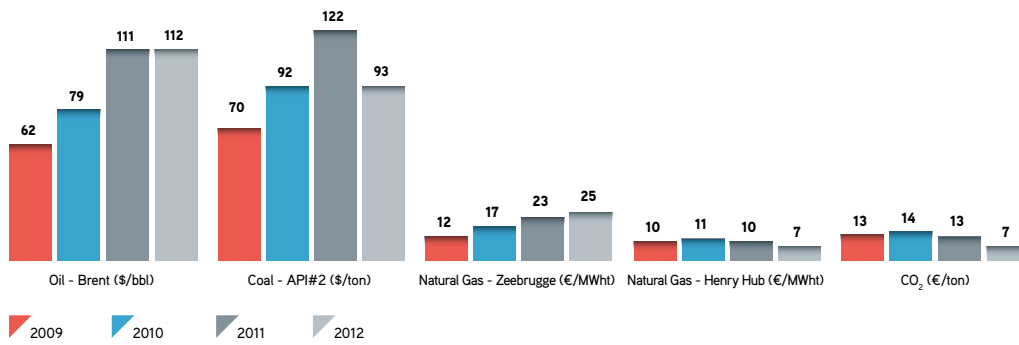
2012 was also shaped by the continuation of the slowdown of developed countries' economies, which had already taken place in 2011. Consequently, a decrease in power and natural gas demand was again felt, both in Europe and the United States. The main emerging economies (China, India and Brazil) were not as impacted by the cooling of the global economy and thus continued to register an increase of their energy consumption in 2012.

The economic situation in Europe aggravated the existing overcapacity in some power markets, leading to negative economic results for combined cycle natural gas turbine plants (CCGT), as is the case in the Iberian power market (MIBEL). Additionally, the economic crisis led to the collapse of the CO₂ price of the European emission allowances market which, coupled with the reduction of coal prices due to high US exports (given the production of shale gas), led to higher competitiveness of power production from coal over production from natural gas. This situation goes in the opposite direction of European energy policy objectives, namely in relation to the fight against Climate Change, since coal emits around twice the CO₂ when compared to natural gas. Hence, there is currently a debate over the re-equilibrium of the CO₂ market, leading to the presentation of concrete proposals by the European Commission to re-establish the price signal to foster investments in low-carbon technologies.

At the regulatory level, the economic crisis also led to strong pressure on European governments to tax the power sector, through fiscal measures which are generally discretionary and distort the regulatory framework. This happened to an extent where the power sector, traditionally regarded as defensive by investors, became cyclical. On the flipside, there are also positive signs, with the highlight going to the market reform recently approved in the United Kingdom. This reform sets out to attract the necessary investments to decarbonize the sector, while ensuring the economic and financial equilibrium of back-up technologies that contribute towards security of supply.

In respect to commodity prices, there were differing dynamics, with oil prices remaining at the same levels as in 2011, coal and natural gas prices in the U.S.A decreasing and Europe's natural gas prices increasing.

EVOLUTION OF AVERAGE ANNUAL PRICES OF FUELS AND CO₂



Oil price (Brent, European index) held practically constant in regard to 2011, at a historically high level. The price had a decreasing trend up to mid-year, time at which the expectation of recovery of the world's main economies and the rise in Middle Eastern geopolitical risk premium led to a new price increase.

Coal price (API#2, European index) registered a significant drop (-24%) in 2012, returning to levels similar to those in 2010. The significant decrease in coal demand for power generation in the US led to an increase of its exports. Since this increase in supply was not completely absorbed by demand in China and India, the price dropped.

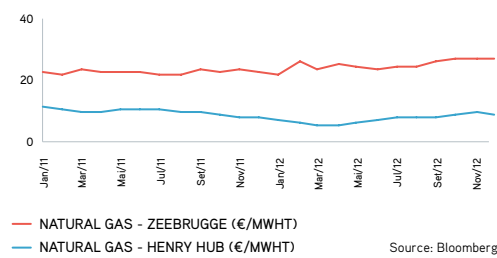
In regard to natural gas, the decoupling between European price (Zeebrugge index) and US price (Henry Hub index) deepened. In Europe, the indexation of most gas contracts to oil prices translated into a resiliency of the price of natural gas, dictating an increase in comparison with 2011 (11% to € 25/MWh). In the US, persistent and abundant shale gas production led to a further price decrease in 2012 (-25% to € 7/MWh).

The MIBEL price decrease is owed, in part, to the drop in demand in Portugal and Spain in regard to 2011. Another factor that contributed towards the price decrease was that coal thermal generation dominated price-setting in a year when it had a low marginal cost due to the decrease in fuel and CO₂ prices: the marginal cost of coal plants was lower than that of natural gas plants. The decrease in hydro production in 2012 (it fell 46% in Portugal and 30% in Spain relatively to 2011) was not sufficient to have the offset effect of increasing the MIBEL price.

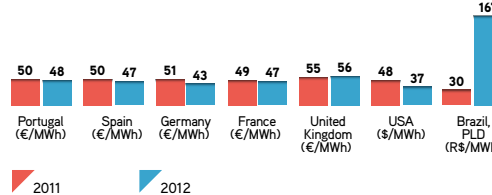
In the US, electricity prices fell by more than 20% in almost all regional markets. This price reduction is mainly due to the low cost of natural gas (via abundant local unconventional gas) and to the inexistence of a CO₂ emissions cost.

In Brazil, an auction was held in December for 574 MW of new power generation capacity (of which 292MW were hydro and 282MW were onshore wind) to start operating in 2017/2018. The average price of this auction was BRL 91/MWh (~€ 34/MWh), with onshore wind presenting more competitive prices than hydro. In the spot market, the Difference Liquidation Price rose significantly in regard to 2011 due to the low hydro capacity factor that occurred during the year.

EVOLUTION OF NATURAL GAS PRICE



EVOLUTION OF WHOLESALE SPOT PRICES OF ELECTRICITY MARKETS



Note: The price in the United States refers to the average of the following markets - NEPOOL Mass hub, PJM West Pennsylvania, Entergy Louisiana and SP 15 - EZ California.

The EU ETS (European Union Emissions Trading System) CO₂ market price had a sharp decrease in 2012 (-43% in relation to 2011). This decrease was constant throughout the year and mainly results from the oversupply of allowances.

It is estimated that there are more than one billion excess allowances in the market. The European Commission will take the initiative of holding a vote, in 2013, for the removal of 900 million allowances from European auctions between 2013 and 2015, reintroducing them between 2018 and 2020. In parallel, during 2013, a discussion will be launched on the options for structural reform of the European CO₂ market.

As a result of fuel and CO₂ price evolution, wholesale power market prices in Europe registered, in their majority, slight decreases in comparison to 2011. In particular, in the Iberian market (MIBEL), prices decreased to € 48/MWh, in line with the remaining European markets. The price differential between Portugal and Spain remained low (€ 0.8/MWh), revealing the strong integration that is already in place between the two markets.

2.1.3. REGULATORY FRAMEWORK

EUROPEAN ENERGY POLICY

On October 25, 2012, the European Union adopted the Directive 2012/27/EU on energy efficiency, which establishes a common framework of measures for the promotion of energy efficiency in order to achieve the headline target of saving 20% of the European Union primary energy consumption by 2020 and to pave the way for further improvements beyond that date. This legislation also lays down rules designed to overcome market failures that prevents efficiency in the supply and use of energy, and provides the establishment of indicative national targets of energy efficiency for 2020.

DEVELOPMENTS IN PORTUGAL

Throughout the year of 2012, the legislative development of the electric sector has been strongly marked, as it was throughout 2011, by the requirement of passing into law the measures established in the Memorandum of Understanding agreed between the Portuguese authorities and officials from, the European Commission, the European Central Bank and the International Monetary Fund.

The Financial Assistance Program that Portugal requested determined the extinction of the end user regulated electricity tariffs as from January 1, 2013, even though that extinction requirement was also provided in the Directive 2009/72/EC. To this end, the Decree-Law n. 75/2012, of March 26, presented the calendar for the gradual extinction of the end user regulated tariffs for normal low voltage (NLV) electricity customers, following the extinction of the tariffs for the remaining voltage levels that had occurred in 2010. The regulated tariffs extinction process shall be completed until December 31, 2014 or December 31, 2015, according to whether the customers have contracted power equal or over 10.35kVA or inferior to 10.35kVA, respectively. During this period, transitory tariffs will be determined and quarterly updated by ERSE. The adopted model aims at creating conditions for the liberalised market growth, providing, however, the adoption of safeguard mechanisms for the economically vulnerable customers, who can be supplied by any supplier and, in last resort, by the supplier of last resort, with the applicable discounts planned for the social tariff and for the extraordinary social benefit for the consumer.

Moreover, the sector's framework laws were amended, so that: (i) the special regime generation (SRG) can now also be remunerated through market schemes, and is no more distinguished from the ordinary regime generation by the fact that it has special remuneration schemes under pro-investment policies; (ii) the requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced (in consequence, also, of the challenges created by the privatization process); (iii) regarding the distribution network operator, the legal separation requirements were also clarified, with the aim of assuring the independence and eliminating the network access discrimination risk; (iv) concerning the supply activity, it is provided that the supplier of last resort maintains the obligation of acquiring the special regime generated power, but only when the generation benefits from a guaranteed feed-in-tariff, being equally created the figure of the Market Facilitator Aggregator, to which will be attributed the responsibility of acquiring this type of energy.

It was also published the Decree-Law n. 256/2012, of November 29, that with the aim of advancing in the sustainability guarantee of the National Electric System and with the necessity slowing down the costs that borne the final electricity bill and that continuously increase the tariffs deficit, established measures that: (i) exceptionally defer the annual adjustments of the compensation amount due, on the year of 2011, for the early termination of the Power Purchasing Agreements (PPA), in accordance with the Decree-Law n. 240/2004, of December 27; (ii) defer the provisional adjustment of the PPA's electricity energy acquisition over costs occurred in 2012; (iii) put into operation the deduction, in the allowed revenues amounts related with the over costs of electricity energy acquisition of special regime generation, of the revenues legally allocated to the compensation of those over costs.

It is also worth mentioning the publishing of the Decree-Law n. 212/2012, of September 25, that

revises ERSE's statutes with an emphasis in the reinforcement of the regulator's independence and powers, namely those of a sanctioning nature, in accordance with the Directives 2009/72/EC and 2009/73/EC.

It is also noteworthy the publication of the Ordinance n. 140/2012, of May 14, that provided the remuneration scheme for the electricity generation in cogeneration installations, in accordance with the provisions in the Decree-Law n. 23/2010, of March 25.

Finally, the capacity remuneration mechanism was also modified which, shall assure the existence of security of supply levels that are not guaranteed by the regular mechanisms of the market, and can be of two natures, one that incentivizes the availability, contributing to the maintenance of generation capacity availability and other that incentivizes the investment.

Along the same line as for the electricity sector in Portugal, in the gas sector the end user regulated tariffs were also extinct as from January 1, 2013. For that purpose, the Decree-Law 74/2012, of March 26, established the scheme aimed at gradually extinguishing all the end user regulated gas tariffs, concluding the process initiated in 2010, when the extinction of end user tariffs for customers with annual consumption over 10 000m³ was determined. The end user regulated tariffs extinction process should be concluded by December 31, 2014 and December 31, 2015, according to whether the customers have annual consumptions equal or over 500m³ or inferior to 500m³, respectively. During this period, transitory tariffs will be determined and quarterly updated by ERSE. As is the case in the electricity sector, the end user regulated gas tariffs extinction process will be accompanied by safeguard mechanisms for the economically vulnerable customers.

Moreover, the sector's framework laws were amended, where: (i) the requirements related to the independence and legal separation and ownership unbundling of the transmission network operator were reinforced; (ii) with the aim of assuring the independence and eliminating the network access discrimination risk, the legal separation requirements were equally clarified for all the remaining operators in the gas sector (LNG terminal, underground natural gas storage and distribution network operators); (iii) the statutes of the supplying players were clarified, with particular reference to the suppliers of last resort playing in the Natural Gas National System.

It is noticeable that during 2012 ERSE revised the natural gas sector regulations in order to incorporate the changes provisioned in the above identified legal acts. As mentioned in the electricity sector chapter ERSE had its statutes revised during 2012.

TAXATION

In Portugal, the 2013 State Budget, approved by the Law n. 66-B/2012, of December 31, created an excise duty for natural gas, established at € 2.84/GJ, when used as propellant, and at € 0.30/GJ, when used as fuel, exempting the gas consumptions for electricity generation, public transportation and the consumptions of vulnerable customers.

DEVELOPMENTS IN SPAIN

TARIFF DEFICIT

The main regulatory developments in Spain were marked by the tariff deficit. It is estimated an accumulated total tariff deficit of EUR 25,000

million at December 31, 2012, with 30% of this amount being financed temporarily by electric companies.

Although the Royal Decree-Law 6/2010 had changed the Law 54/1997, establishing that, from January 1, 2013, the network access tariffs should be sufficient to recover the full costs of the regulated activities without any “ex-ante” deficit, the Royal Decree-Law 29/2012 of December 31 has repealed this amendment and settled that the whole deficit in 2012 can be securitized without any limitation.

The transfer of the deficit financed by electric companies to a Securitization Fund called FADE (Depreciation Fund of Electric Tariff Deficit) supported by the Spanish State is regulated by the Royal Decree-Law 6/2010. Up to December 31, 2012, electric companies have transferred to FADE a total amount of tariff deficit entitlements of EUR 15,273 million.

Since the beginning of 2012, the Spanish Government has taken important steps in order to address the key aspects of the problem of the tariff deficit:

1. Royal Decree-Law 1/2012 suspended temporarily all new renewable capacity registration.
2. Royal Decree-Laws 13/2012 and 20/2012 reduced system costs in 2012 up to EUR 1,000 million (in transmission and distribution activities, in capacity payments to generators, in coal subsidies, in system operation and payments to interruptible customers) while increasing system revenues in EUR 700 million from some budget surpluses. Some of these measures were only in force during 2012.
3. Access charges were updated as from April 2012 to all customers resulting in a revenue increase for the system of EUR 1,600 million through (i) ordinary increases of 5.1% on average and (ii) re-invoicing of tariffs in last quarter of 2011 and first quarter of 2012. This re-invoicing is a consequence of several orders of the Supreme Court because tariffs should have been higher to cover all regulated costs.
4. Royal Decree-Law 20/2012 approved a revenue increase for 2013 from regional taxes and additional access charges for higher consumption levels which will contribute to deficit reduction in 2013. This legislation also eliminated the quarterly update of the access tariffs during the year.
5. Royal Decree-Law 2/2013, effective from January 1, 2013, encompasses a set of regulatory modifications affecting the wind energy assets, namely:
 - All the energy production facilities operating under the special regime will be remunerated according with the current feed-in-tariff schemes for the remaining useful life of the asset;
 - The operators of the facilities under the special regime currently operating under the market option have the option to select, until February 15, 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price without the renewable energy premium, the cap or the floor;
 - The index used to annually update all the regulated activities in the electricity sector will be the annual inflation excluding energy products and food prices, and any impact of tax changes.

ENERGY TAXATION

The Law 15/2012 approved a new Energy Taxation scheme, coming into force in 2013, with the aim of battling the problem of the tariff deficit and putting the energy system back into an economically sustainable path. The following taxes were created:

1. Tax on nuclear waste (€ 2,190 per kilogram of nuclear waste, what represents around 10% of revenues).
2. Levy on hydro generation (22% of revenues).
3. Carbon tax on fossil fuels:
 - Natural gas (€ 0.65/GJ for all customers except non-electric professional use: € 0.15/GJ);
 - Coal for power generation (€ 0.65/GJ);
 - Fuel for power generation (€ 12.00/ton);
 - Diesel for power generation (€ 29.15/1000l).
4. Tax on electricity production (single tax of 7% of revenues) on all power generation regardless whether it is produced under the so-called Ordinary (conventional plants) or Special Regime (renewable and CHP power plants).

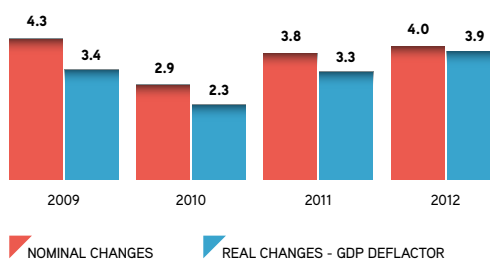
The Spanish Government estimates that the total value of these measures amounts to EUR 3,500 million, using this sum to reduce the tariff deficit in addition to the transfer of a maximum of EUR 450 million of CO₂ allowances revenues from the General State Budget (Law 17/2012).

In the Spanish Gas Sector, at March 31, was published the Royal Decree-Law 13/2012, that reviews the Law 34/98 and transposes into Spanish law the “third energy package”, updating the natural gas sector’s framework laws, being worthy of special mentioning the independent network management model definition.

It is also worth mentioning, given the potential impact on the sector, the publication on December 27 of the Law 15/2012 that sets up fiscal measures for the energy sustainability and the Ministerial Order IET/2814/2012 that establishes the tariffs and the revenues related with the access to the gas sector installations by third parties, eliminating the revenues updates for the transport and distribution activities, as it defines as zero the efficiency factor applied to these infrastructures.

TARIFF DEVELOPMENTS IN PORTUGAL AND SPAIN

NOMINAL AND REAL AVERAGE ELECTRICITY PRICE CHANGES FOR NLV IN PORTUGAL (%) (AS OF JANUARY OF EACH YEAR)



In Portugal, the end user final tariffs for normal low voltage (NLV) customers increased on average by 4.0% in January 1, 2012. On July 1, 2012, following the regulated tariffs extinction for supplies of NLV customers with contracted power equal or over 10.35kVA, for which transitory tariffs were defined, the prices for these customers were raised on average by 2.0%. With regard to network access tariffs in 2012, the tariffs for NLV supplies diminished on average by 7.7%, while for the remaining voltage levels the tariffs increased on average by 16.6%.

For 2013, all the end user regulated tariffs for NLV were extinct and transitory tariffs were defined for these customers, increasing on average by 2.8% when compared with the end user regulated tariffs of 2012. Concerning network access tariffs, the average prices for NLV increased by 5.2%, while for supplies of the remaining voltage levels the prices increased on average by 4.2%

In Spain, the last resort tariffs (TUR) for residential consumers were quarterly updated, growing on average by 3.0% in 2012 versus the tariffs in the last quarter of 2011, while the network access tariffs have remained constant during the first quarter of 2012. In April, in accordance with the Ministerial Order IET/843/2012, the access tariffs were increased by 7.0% for residential customers (TUR) and 4.5% for the remaining customers.

RENEWABLE ENERGY

GLOBAL REGULATORY REVIEW

As part of the International commitments on reducing greenhouse gases emissions, the 2012 United Nations Climate Change Conference held a meeting in Doha (Qatar) that concluded with an extension of the Kyoto Protocol (set to expire in 2012) until 2020 with 37 countries (representing around 15% of worldwide emissions) agreeing to binding greenhouses gases reduction targets. In 2015 a new Treaty with binding obligations for all parties should be ready so it can be operational by 2020. Negotiations will proceed to reach a comprehensive and binding treaty for a larger number of countries, including, perhaps, the United States (that never ratified the Kyoto Protocol) and Developing countries such as China, India and Brazil.

Regarding EU renewable' policy, on March 2012 the European Parliament voted in favour of setting a binding renewable energy target for 2030. On this regard, last December, the European energy ministers gave a mandate to the Commission to start working on a post-2020 renewable energy policy framework. In this respect, Energy Commissioner Oettinger had called for a decision on such target to be taken by 2014. Note that the European Renewable Energy Council is calling for a binding 45% renewable energy target for 2030.

On January 1, 2013, the US Congress approved "the American Taxpayer Relief Act" that included an extension of the PTC for wind, including the possibility of the 30% Investment Tax Credit instead of the PTC. Congress set a new expiration date of December 31, 2013 and changed the qualification criteria (projects can now qualify as long as they are under construction by the year-end deadline).

REGULATORY DEVELOPMENT FOR THE FRAMEWORK OF THE ELECTRICITY SECTOR IN BRAZIL

In November and December of 2011 after the ending of the Public Hearings (AP 040 and 120, both of 2010), ANEEL defined the methodology for the Third Cycle of Tariffs Revision that is to be applied to the distributors. The methodology was published after the tariff revising date of some companies. Therefore, the ANEEL administration decided that the companies with tariffs revisions planned for the period between 2011 and February 2012 should have their tariffs prorogued until the next planned tariffs revision, but the revised tariffs should have a retroactive effect in relation to the previous revision date.

The year of 2012 was marked by significant changes in the electric energy sector regulations. Among them is the Provisory Measure n. 579/2012,

in which the federal government presented measures in order to reduce the electricity energy bills. The estimated average reduction for the entire country is 20.2%, as consequence of governmental actions on two different fronts: Sector-specific burden (7%) and Concessions' Renewals (13%).

Concerning sector-specific burden, the tariff cover related to the *Conta de Consumo de Combustíveis* (CCC) and to the *Reserva Global de Reversão* (RGR) will no more be transferred by the distributors to the consumers and the *Conta de Desenvolvimento Energético* (CDE) will be initially reduced by 75% of its current value.

With regard to Concessions' Renewals, the generation concessionaires that have their contracts expiring between 2015 and 2017 will be able to renew their concessions and shall make available their guarantee of physical energy for the quotas system. The quotas are to be distributed proportionally to the market size of each distributor, impacting the energy acquisition.

The transmission concessionaires that have their contracts expiring between 2015 and 2017 will be able to renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the O&M costs will be considered for the annual allowed revenues calculation.

These effects will be acknowledge by the consumers from February 2013, when all the energy distributors have an extraordinary tariffs revision, which is a specific revision that will adjust the energy, transmission and sector-specific burden costs. Therefore, simultaneously, the uncontrollable costs and the supply tariffs will be reduced, without impacting the distributors' business margins.

Given that the hydroelectric generation concessions owned by EDP – Energias do Brasil were granted after February 1995, date of entry into force of the Law 8.987, they will not be impacted by the regulatory modifications that have been defined. Meanwhile, these modifications should influence the rules that will be applied to these concessions prorogations in the future, taking into account the current established conditions:

- Each hydroelectric plant should be remunerated by a tariff calculated by ANEEL.
- Power selling (certificate named *Garantia Física*) should be done taking into account quotas of production dedicated to the regulated sector, i.e. to the distributors.
- Compliance with the quality of service standards determined by ANEEL.

2.2. STRATEGIC AGENDA

2.2.1. FULFILMENT OF STRATEGIC GUIDELINES 2009-2012

The 2009-2012 period was marked by the successful accomplishment of the strategic agenda, which has been focused essentially on, implementing low risk growth opportunities and on positioning EDP as a reference in terms of efficiency. In this sense, the strategic architecture defined in 2006, which stands in three axes - Controlled Risk, Superior Efficiency and Focused Growth -, has proven to be adequate under the current framework.

Since 2005, EDP recorded an EBITDA compound annual growth rate of 8%/year, sustained by the two major growth platforms of the Group: Renewables and Brazil. These two platforms, which in 2005 accounted for 23% of EBITDA, account in 2012 for almost 41% of total operations. Despite EDP's business mix change, its low risk profile was kept intact. In 2012, liberalised activities accounted for 10% of EBITDA (vs. 9% in 2005), ensuring this way, a high predictability of earnings and cash flow.

This period was also marked by a reinforcement of the company's efficiency, namely through the successful execution of two opex programs and the launching of a third program in 2011, which allowed to decrease the opex/gross profit ratio from 38% in 2005 to 28% in 2012. This reduction is even more remarkable if we take into account the 90% increase of installed capacity from 12.3TW in 2005 to 23.4TW in 2012.

Regarding expansion, it is worth mentioning the compliance with the Portuguese hydro program, through the entering into operations of Alqueva repowering in 2012, along with the focus on geographical diversification of wind power projects, aiming at reducing the exposure to merchant markets and the execution of the existing generation projects in Brazil, enhanced by a rigorous analysis of new opportunities.

Finally, following its economic, social and environmental performance, EDP was recognized in 2012 as the leader in the electricity sector of the Dow Jones Sustainability Index, remaining at the Gold Class level of SAM's in 2012.

2.2.2. STRATEGIC AGENDA FOR 2012-2015

The partnership established at the end of 2011 between EDP and China Three Gorges (CTG), the biggest Chinese clean energy group, will enable company to combine efforts towards becoming a global leader in renewable energy generation, where EDP will lead in Europe, U.S.A, Canada, Brazil and in other selected South American markets and CTG will lead in the Asian markets where is already present and/or where it has technological or industrial advantages.

Under this partnership, CTG will invest EUR 2 billion until 2015 in stakes between 34-49% in renewable energy projects, corresponding to 1.5GW of operational and ready-to-build projects, out of which EUR 359 million (615MW) were already concluded on December 20, 2012. Moreover, the partnership with CTG includes a strong funding commitment at a corporate level by a Chinese financial institution with EDP, by an amount of up to EUR 2 billion and with a maturity up to 20 years. This partnership strengthens

EDP's credit profile upon the increase of EDP's financial liquidity position, extending this way EDP's financing needs' satisfaction until mid-2015.

In this context, at the Investors Day held in May 2012, EDP presented its new strategic agenda for 2012-2015, marked by the beginning of a new cycle, which will focus on cash-flow generation and on the creation of new growth opportunities. In this event, EDP highlighted the appropriateness of the 2006 defined strategy and presented the following strategic priorities for the period of 2012-2015:

Controlled Risk:

- Proactive management of the legal/regulatory agenda keeping the unique low risk business profile;
- Competitive refinancing and accelerated deleveraging ensuring the increase of cash-flow generation;

Superior Efficiency:

- Focus on opex and capex efficiency creating sustained long-term growth and opportunities;

Focused Growth:

- Growth oriented to value creation, ensuring a stable and attractive shareholders' return.

Along the defined strategy, EDP develops a corporate culture of continuous consolidation of employees' ethical values and of sustainability performance excellence, maintaining five lines of action for the period 2012-2015:

- Improve attractiveness and talent retention as well as ensure employee's motivation, on a phase of high renewal of employees;
- Strengthen the safety management mechanisms and promote the well-being of employees and service providers;
- Improve listening with stakeholders by collecting expectations and taking into account its consideration towards the company's strategy;
- Extend to the several stakeholders the application of tools that gather expectations, optimizing this way its consideration towards the company's strategy;
- Promote a proper management of long-term challenges to where the company will be exposed, by investing in R&D and Innovation.

The following chapter summarizes the status of EDP commitments, and specifies the objectives and future goals associated to the achievement of the strategic agenda and aligned with the Principles of Sustainable Development of the Group, demonstrating this way the company's commitment to meet its challenges.

STRATEGIC PRIORITIES	BUSINESS PLAN 2012-2015 HIGHLIGHTS		STRATEGIC PRIORITIES
CONTROLLED RISK	1. Proactive management of legal/regulatory agenda 2. Competitive refinancing and accelerated deleveraging	Keep unique low risk business profile <ul style="list-style-type: none"> • Disciplined investment program • Business will grow significantly • More efficient operations • Deleveraging process accelerated Increase cash-flow generation <ul style="list-style-type: none"> • Greener generation mix • High weight of regulated business • Diversified international footprint Create sustained long-term growth and optionalities <ul style="list-style-type: none"> • Focused investment on existing growth • New geographies/technologies Deliver stable and attractive shareholders' return <ul style="list-style-type: none"> • Appropriate shareholder remuneration 	5. Successful partnership with CTG
SUPERIOR EFFICIENCY	3. Focus on opex and capex efficiency	<ul style="list-style-type: none"> > Capex <50% of EBITDA ⁽¹⁾ > EBITDA CAGR 11-15: -5% (€4.5-4.7bn) > €130m/year OPEX III savings by 2015 > Adj. Net debt ⁽²⁾ / EBITDA <3.0x in 2015 > >70% clean installed capacity in 2015 > ~85% of EBITDA in 2015 > >60% of EBITDA outside Portugal in 2015 	
FOCUSED GROWTH	4. Value creating growth	<ul style="list-style-type: none"> > Hydro, Renewables and Brazil > i.e. adjacent markets, off-shore & solar PV > Dividend policy: Payout ratio of 55%-65% ⁽³⁾ > Net profit CAGR 11-15: low single digit 	

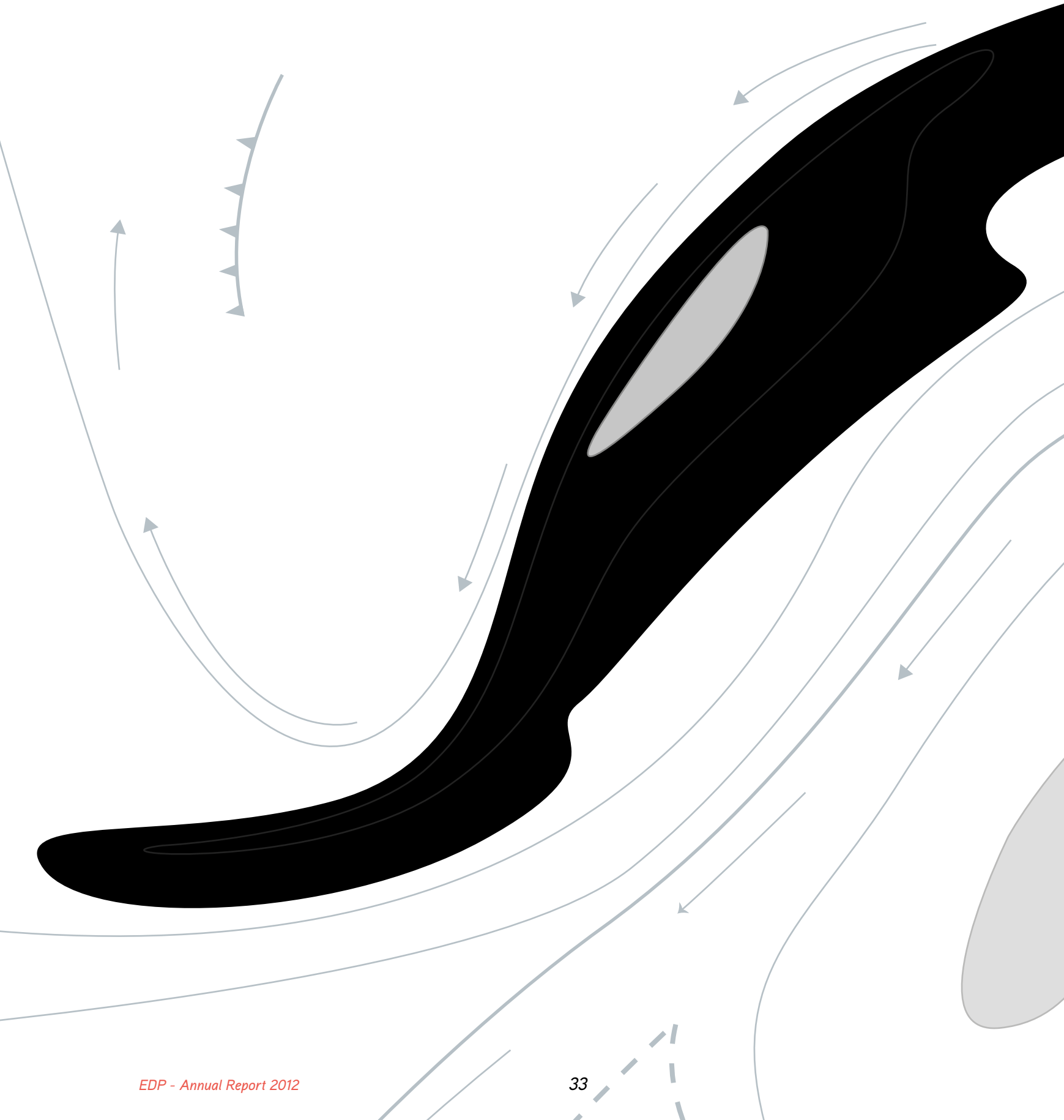
(1) For the complete Business Plan period

(2) Excludes Regulatory Receivables

(3) Based on recurrent net profit. Dividend per share from 2011 as floor.

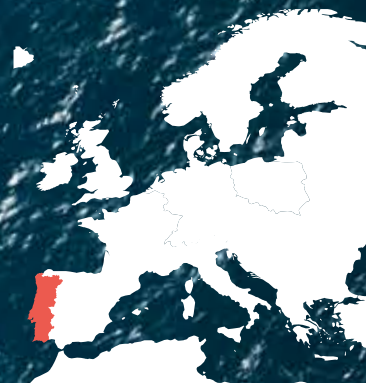
2.3. OBJECTIVES AND GOALS

OBJECTIVES	GOALS	DATE	STATUS	OBSERVATIONS
ECONOMIC AND SOCIAL VALUE	EBITDA CAGR: -5% per year	2011-2015		Goals for 2015. In 2012 the growths are below target, as anticipated
To focus on growth	Net Profit CAGR: low single digit	2011-2015		
To promote internal efficiency	Payout ratio between 55% and 65% of recurrent Net Profit (min. €0.185 per share)	2012-2015	○	<i>Payout ratio</i> of 60% (2011 dividend paid in 2012)
To control risk exposure	Annual average Operational Investment: EUR 2,000 m	2012-2015	○	Operational Investment of EUR 2,011 m in 2012
To improve the integration of sustainability practices in the internal management	Total investment on renewable energies: 60% annual average	2012-2015	○	61.6% of 2012's operational investment
	Installed Capacity of 26 GW	2015	○	In 2012 the installed capacity surpassed 23 GW of which 66% are renewables
	Clean installed capacity higher than 70% of total installed capacity	2015	○	
	OPEX savings of EUR 75 m in 2012 and EUR 130 m in 2015	2012-2015	○	The goal for 2012 was surpassed
	Ratio Adjusted Net Debt/EBITDA lower than 3.0x	2015		Goal for 2015. In 2012 the ratio is below target, as anticipated
	Keep the SAM Gold Class	2012	○	This commitment remains until 2015
ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION	Reduce CO ₂ specific emissions by 70% until 2020, in comparison with 2008 values	2020	○	Goal for 2020. This year the Group's CO ₂ specific emissions increased compared to 2011. More information on page 64.
To focus the growth to a cleaner production	Increase 1,300 MW of installed capacity certified by ISO 14001	2012	○	More 1,470 MW of certified installed capacity
Strengthen an appropriate environmental management of EDP's activities	Increase 945 MVA (20 Substations) certified by ISO 14001, in the Distribution activity	2012	○	More 42 certified substations in all Group's Distribution activity
To promote the best environmental practices in the value chain	Join the Better Coal international Initiative	2013	New	More information on page 80.
INNOVATION	Finance R&D and Innovation projects totalling at least EUR 60 m	2012	○	Keep the financing in EUR 20 m per year until 2015. Detailed information on page 59.
To promote the competitiveness and productivity through innovation				
INTEGRITY AND GOOD GOVERNANCE	Keep the recognition of the World Most Ethical Companies of Ethisphere Institute	2012	○	EDP was already included in the ranking, in 2012
Strengthen the ethics in all EDP's employees' culture				
TRANSPARENCY AND DIALOGUE	Review the relation model with the stakeholders	2012	○	Creation of a Corporate Department of Institutional Relations and Stakeholders. More information on pages 85 and 109.
Report transparently and ensure an open and trusting relation with the stakeholders	Publish a multifunctional and attractive Annual Report in a web format	2012	○	The EDP 2012 Annual Report is already available in www.edp.pt
Improve the Group's environmental performance report	Complete the report of GHG emissions, scope 3	2015	New	
HUMAN CAPITAL AND DIVERSITY	Obtain and maintain a corporate certification of the Safety Management System	2013	○	Detailed information on page 72.
Strengthen health and safety management in all EDP's Group	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5%, compared to 2011	2012	○	This goal remains for 2013, compared to 2012
Work towards "Zero accidents, no personal harm"	Keep the Global Satisfaction level of employees above 80%	2013	Not applicable in 2012	The satisfaction survey is biannual. The next one will take place in 2013
Keep a high level of employees' satisfaction	Between 10 and 15 measures	2013-2015	New	Detailed information on page 71.
Implement the action plan of the Diversity Policy				
ACCESS TO ENERGY	Ensure that ICEIT and EIDC are above the levels set by Regulators	2012	○	This goal remains for the period 2013-2015
Keep or improve the quality levels of technical and commercial services provided to our customers				
SOCIAL DEVELOPMENT AND CITIZENSHIP	Budget allocated to Fundação EDP up to 0.1% of the Group's 2011 turnover	2012	○	Annual goal, approved in the General Meeting
Enhance a close relation between the company and the society	Extend the Volunteer Program to all EDP's Group and increase the number of Volunteering partnerships by 30%	2012	○	Increase the number of Volunteering partnerships by 50% until 2015









**EDP AND PARTNERS
INAUGURATE THE FIRST
PORTUGUESE OFFSHORE
WIND TURBINE**

1 TURBINE OF 2 MW

OVER 1.7 GWh
GENERATED



"This new technology represents a step in the exploitation of endogenous resources, the reduction of external dependence and the potential use of Portuguese maritime cluster, with positive impacts on employment and exports,"

António Mexia, CEO of EDP Group

PERFORMANCE

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- 59 renewable energies
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62 environment

- 63 management systems
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74 customer and product

- 76 edp customers
- 76 access to energy
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- 76 access to communication services
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- 78 value-added products and services

79 suppliers

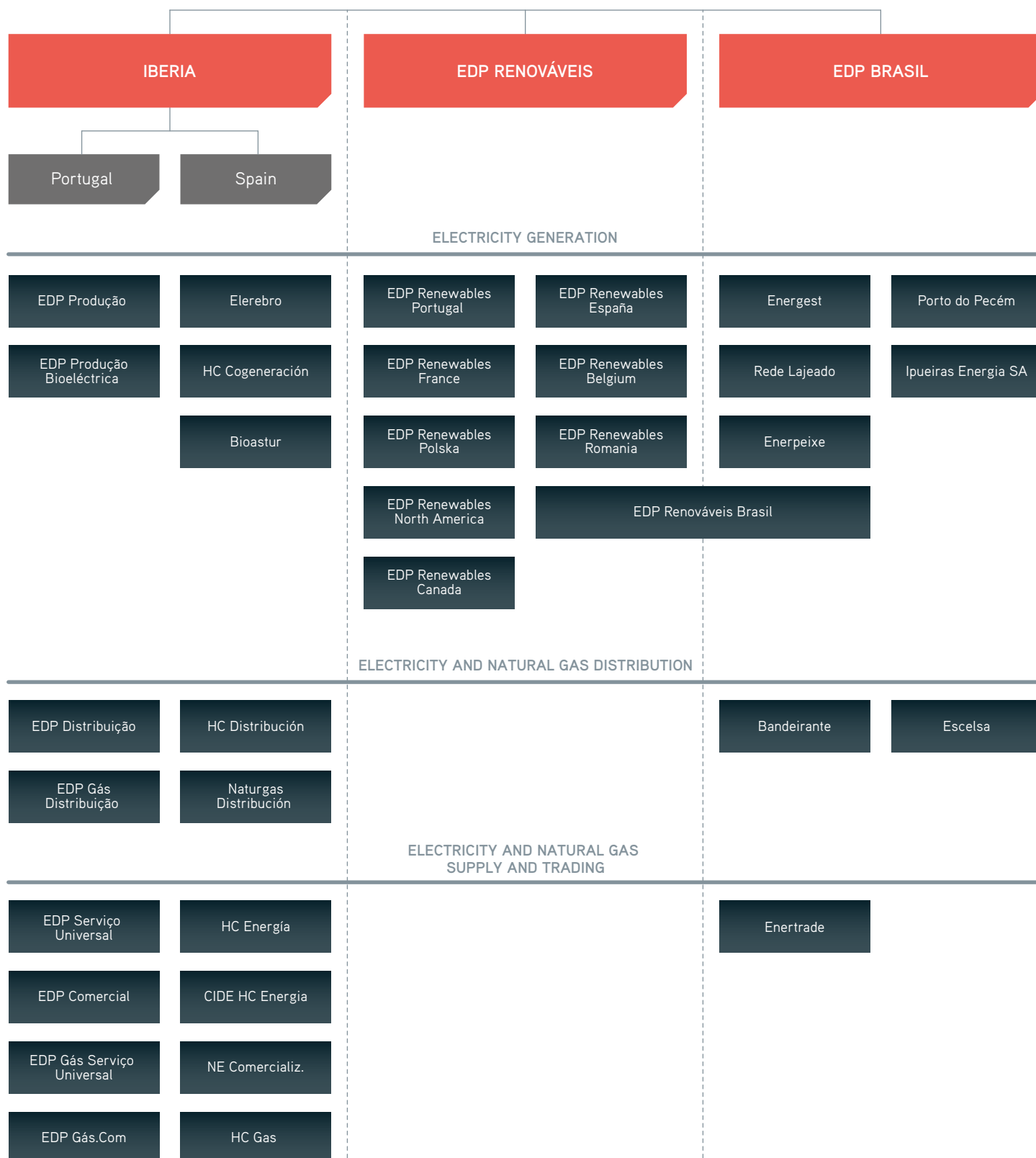
- 79 overall procurement
- 80 management and dialogue
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82 community

- 82 measuring the impact on the community
- 85 ngo
- 85 edp in the media
- 85 initiatives with other important stakeholders

3.1. BUSINESS

EDP GROUP BUSINESS STRUCTURE

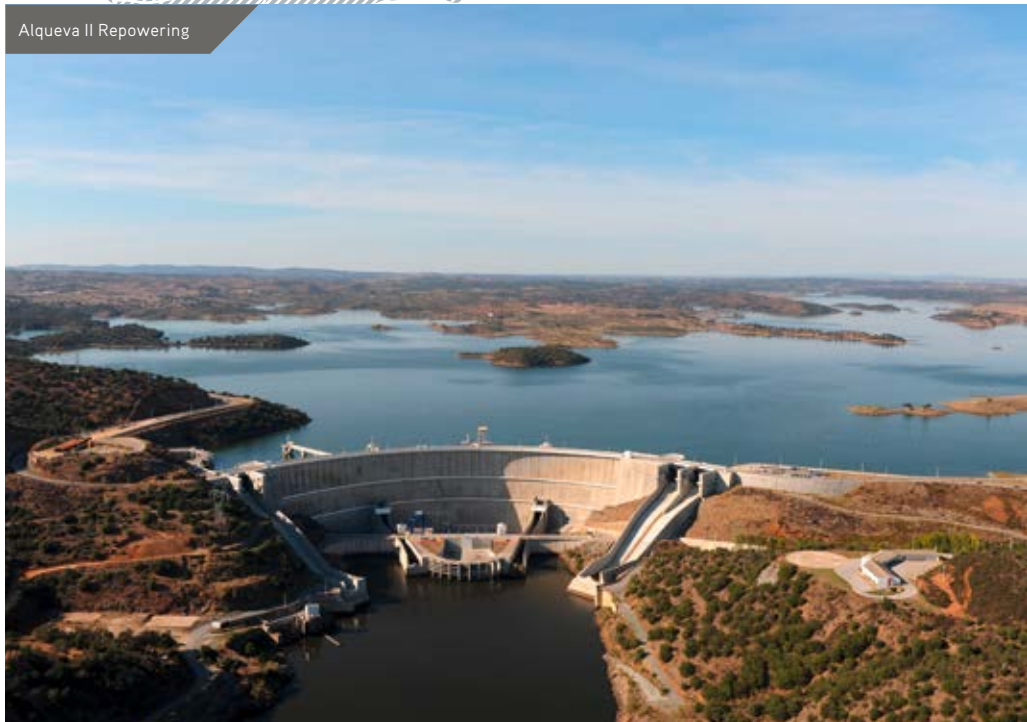
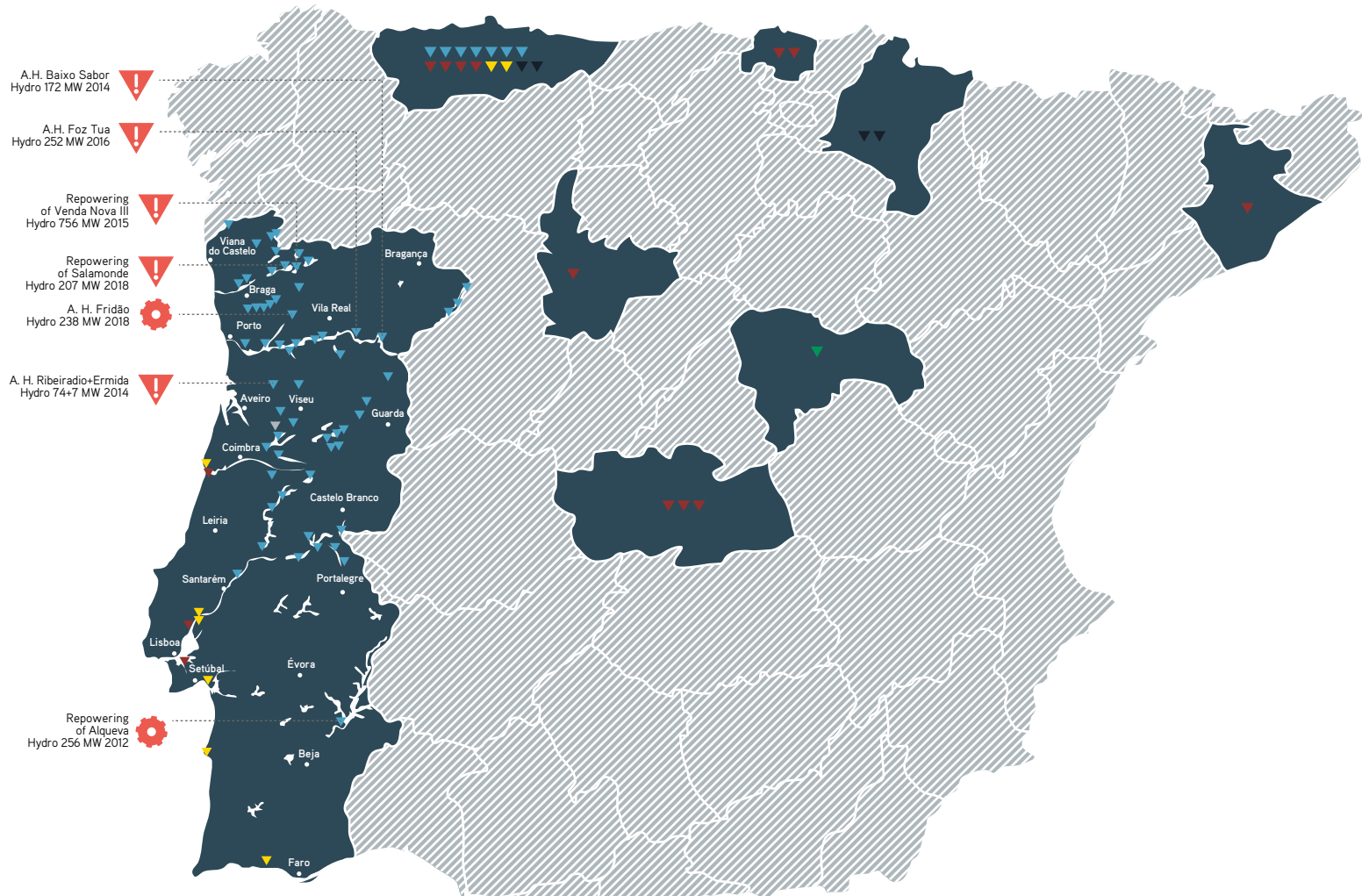


: performance :

3.1.1. IBERIA

3.1.1.1. ELECTRICITY GENERATION

EDP Group is present in the electricity generation activity under the Special and the Ordinary Regime in Portugal through EDP Produção and in Spain through HC Energía. Additionally, EDP holds wind assets in both countries, which are managed through EDP Renováveis (see “EDP Renováveis” chapter).



Alqueva II Repowering

- ▲ Hydroelectric power plant
- ▼ Cogeneration and Natural gas power plants
- ▲ Thermoelectric power plant
- ▼ Biomass power plant
- ▼ Combined cycle power plant
- ▼ Nuclear
- ⚙ Stand operation
- ⚠ Under construction
- ⚠ Under licensing process

By the end of the year, the total installed capacity in Iberia (excluding wind) was 13,808.6MW, out of which 5,699MW were from hydroelectric plants and 7.643MW from thermoelectric plants. In Portugal, hydroelectric plants represent 53% of EDP Produção installed capacity.

2012 was characterized by below average inflows to the system, resulting in an hydrological index at the end of the year of 0.48 in Portugal and of 0.46 in Spain, quite below the 0.92 and 0.81 respectively registered in 2011.

In this context, the Hydroelectric Ordinary regime generation of EDP Produção was 5,432GWh which is quite lower than the generation figures recorded in 2011 (10,485GWh). At the end of the year, the storage reservoirs level represented about 57% of its maximum capacity (49% in 2011). Moreover, the Thermoelectric ordinary regime generation of EDP Produção was strongly constrained by the high levels of imports and by the low usage of CCGT plants (1,507GWh in 2012 vs 4,072GWh in 2011), having decreased by 7.2% in the year to 10,155GWh, representing the second lowest value in 20 years. Sines plant, on the other hand, in a context marked by low coal and CO₂ prices, increased its operations regime, raising generation to 8.6GWh, which represents an increase of 26% compared to 2011.

In Spain, due to a more competitive coal price (vs. that of CCGT), coal generation increased by 25% (6,714GWh in 2012 vs. 5,354GWh in 2011), while CCGT generation decreased by 42% (1,598GWh vs. 2,754GWh). The availability of coal plants was 91.9%, which confirms the proper functioning of its operations, particularly taking into account its flexible operations, given its complementary character between coal and gas. The availability of CCGT plants was 94.4%, with frequent interruptions due to market requisitions.

In terms of existing power plants, the activity of the Carregado thermoelectric plant ceased operations on the 1st of April (710MW), having started at the end of the year the first phase of its decommissioning process. It is noteworthy the completion, during the month of March, the decommissioning works and environment restoration of the Barreiro thermoelectric plant along with the corresponding signature of its provisional acceptance certificate.

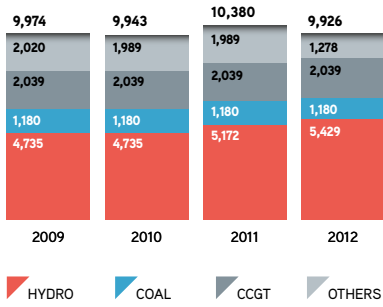
Regarding EDP Produção hydroelectric generation portfolio capacity, it is worth mentioning the conclusion of construction and assembly works of Alqueva repowering, having the two new generator groups (256MW) initiated its trial period on November 26 and entered into operation on December 2012.

The construction works of the hydroelectric plants of Baixo Sabor (172MW) and Ribeiradio/ Ermida (81MW) with conclusion scheduled for 2014, along with the repowering of Venda Nova III (756MW) and Salamonde II (207MW), with conclusion scheduled for 2015, and the construction of Foz-Tua (252MW), which will be extended until 2016, proceeded as planned.

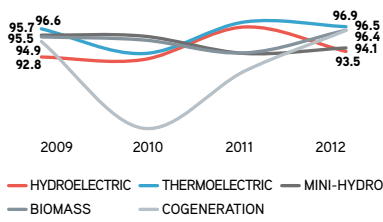


ELECTRICITY GENERATION IN PORTUGAL

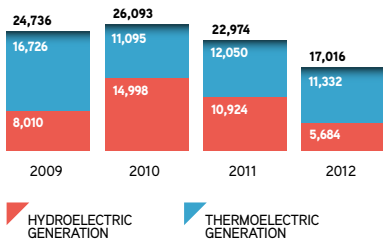
GENERATION PORTFOLIO (MW)



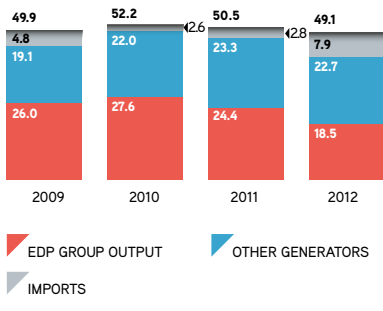
AVAILABILITY (%)



NET GENERATION (GWh)



ENERGY DELIVERED TO DISTRIBUTION (TWh)



	UNIT	2012	2011	2010	2009
Installed Capacity in Portugal*	MW	14,352	14,814	14,198	13,304
EDP Installed Capacity*	MW	9,926	10,380	9,943	9,974
EDP market share*	%	69	70	70	75
Source: REN Technical data					
NUMBER OF GENERATOR GROUPS*	#	188	192	190	190
Ordinary Regime Generation	#	112	116	114	116
Hydroelectric power plants	#	97	95	93	93
Thermoelectric power plants	#	15	21	21	23
Special Regime Generation	#	76	76	76	74
INSTALLED CAPACITY AT DECEMBER 31*	MW	9,926	10,380	9,943	9,974
Ordinary Regime Installed Capacity	MW	9,603	10,056	9,619	9,675
Hydroelectric power plants	MW	5,273	5,015	4,578	4,578
Thermoelectric power plants	MW	4,330	5,040	5,040	5,096
Coal	MW	1,180	1,180	1,180	1,180
CCGT	MW	2,039	2,039	2,039	2,039
Fuel oil	MW	946	1,657	1,657	1,713
Gasoil	MW	165	165	165	165
Special Regime Installed Capacity	MW	324	324	324	299
Hydroelectric power plants	MW	157	157	157	157
Biomass	MW	32	32	32	32
Cogeneration	MW	135	136	136	111
NET GENERATION*	GWh	17,016	22,974	26,093	24,736
Ordinary Regime Generation	GWh	15,587	21,429	24,468	23,514
Hydroelectric power plants	GWh	5,432	10,485	14,376	7,642
Thermoelectric power plants	GWh	10,155	10,944	10,092	15,872
Coal	GWh	8,647	6,879	4,889	8,869
CCGT	GWh	1,507	4,072	5,156	6,696
Fuel oil	GWh	1	-6	46	307
Gasoil	GWh	0	0	1	0
Special Regime Generation	GWh	1,429	1,545	1,625	1,222
Mini-Hydroelectric power plants	GWh	253	439	622	368
Biomass	GWh	207	198	203	129
Cogeneration	GWh	970	907	800	725

* Excludes wind

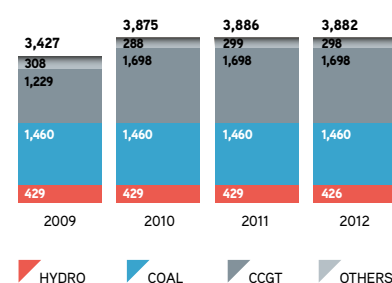
ENERGY BALANCE

	UNIT	2012	2011	2010	2009
HYDROLOGICAL INDEX	#	0.48	0.92	1.31	0.77
EDP Group power plants					
Hydroelectric output	GWh	5,432	10,485	14,376	7,642
Thermoelectric output	GWh	10,155	10,944	10,092	15,872
Mini-hydroelectric output	GWh	253	439	622	368
Wind power output (ENERNOVA)	GWh	1,444	1,391	1,472	1,273
Biomass output	GWh	207	198	203	129
Cogeneration output	GWh	970	907	800	725
OUTPUT TO GRID (EDP GROUP)	GWh	18,460	24,364	27,565	26,009
Other generators with PPA	GWh	8,012	8,814	7,701	8,088
Other generators SRG	GWh	16,079	15,246	14,821	11,927
Importer/(Exporter) balance	GWh	7,895	2,813	2,623	4,777
Pumped hydroelectric storage	GWh	-1,388	-737	-512	-929
CONSUMPTION RELATED TO OUTPUT	GWh	49,058	50,499	52,198	49,872
Synchronous compensation	GWh	1	-1	0	-1
Own consumption in generation	GWh	-5	-6	-5	-5
ENERGY DELIVERED TO DISTRIBUTION	GWh	49,054	50,492	52,193	49,866

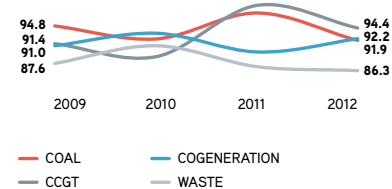
ELECTRICITY GENERATION IN SPAIN

	UNIT	2012	2011	2010	2009
Installed Capacity in Spain*	MW	79,784	79,843	77,634	75,010
EDP Installed Capacity*	MW	3,882	3,886	3,875	3,427
EDP market share*	%	4,9	4,9	5,0	4,6
Source: REE Consolidated Annual Accounts					
NUMBER OF GENERATOR GROUPS*	#	37	37	38	40
Ordinary Regime Generation	#	21	21	21	20
Hydroelectric power plants	#	12	12	12	12
Thermoelectric power plants	#	9	9	9	8
Special Regime Generation	#	16	16	17	20
INSTALLED CAPACITY AT DECEMBER 31*	MW	3,882	3,886	3,875	3,427
Ordinary Regime Installed Capacity	MW	3,740	3,740	3,740	3,272
Hydroelectric power plants**	MW	426	426	426	426
Thermoelectric power plants	MW	3,313	3,314	3,314	2,846
Coal	MW	1,460	1,460	1,460	1,460
CCGT	MW	1,698	1,698	1,698	1,229
Nuclear	MW	156	156	156	156
Special Regime Installed Capacity	MW	142	146	135	155
Mini-Hydro	MW	0	3	3	3
Biomass	MW	3	3	3	7
Cogeneration	MW	57	57	46	63
Waste	MW	83	83	83	82
NET GENERATION*	GWh	10,980	10,747	11,858	12,242
Ordinary Regime Generation	GWh	10,164	9,904	10,942	11,346
Hydroelectric power plants**	GWh	621	584	1,038	877
Thermoelectric power plants	GWh	9,543	9,320	9,904	10,469
Coal	GWh	6,714	5,354	4,244	5,865
CCGT	GWh	1,598	2,754	4,470	3,491
Nuclear	GWh	1,230	1,212	1,190	1,113
Special Regime Generation	GWh	817	843	916	896
Mini-Hydro	GWh	0	2	7	2
Biomass	GWh	0	0	0	6
Cogeneration	GWh	293	300	356	369
Waste	GWh	524	541	553	519
* Excludes wind power					
** Includes mini-hydro from EDP Renováveis until 2011					

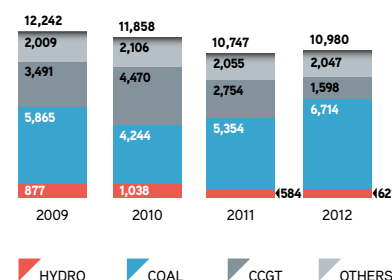
GENERATION PORTFOLIO (MW)



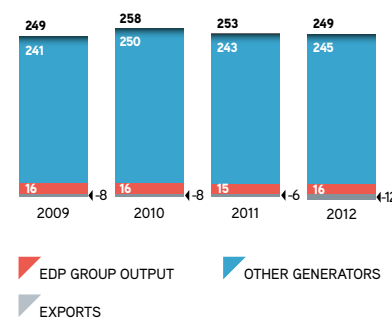
AVAILABILITY (%)



NET GENERATION (GWh)



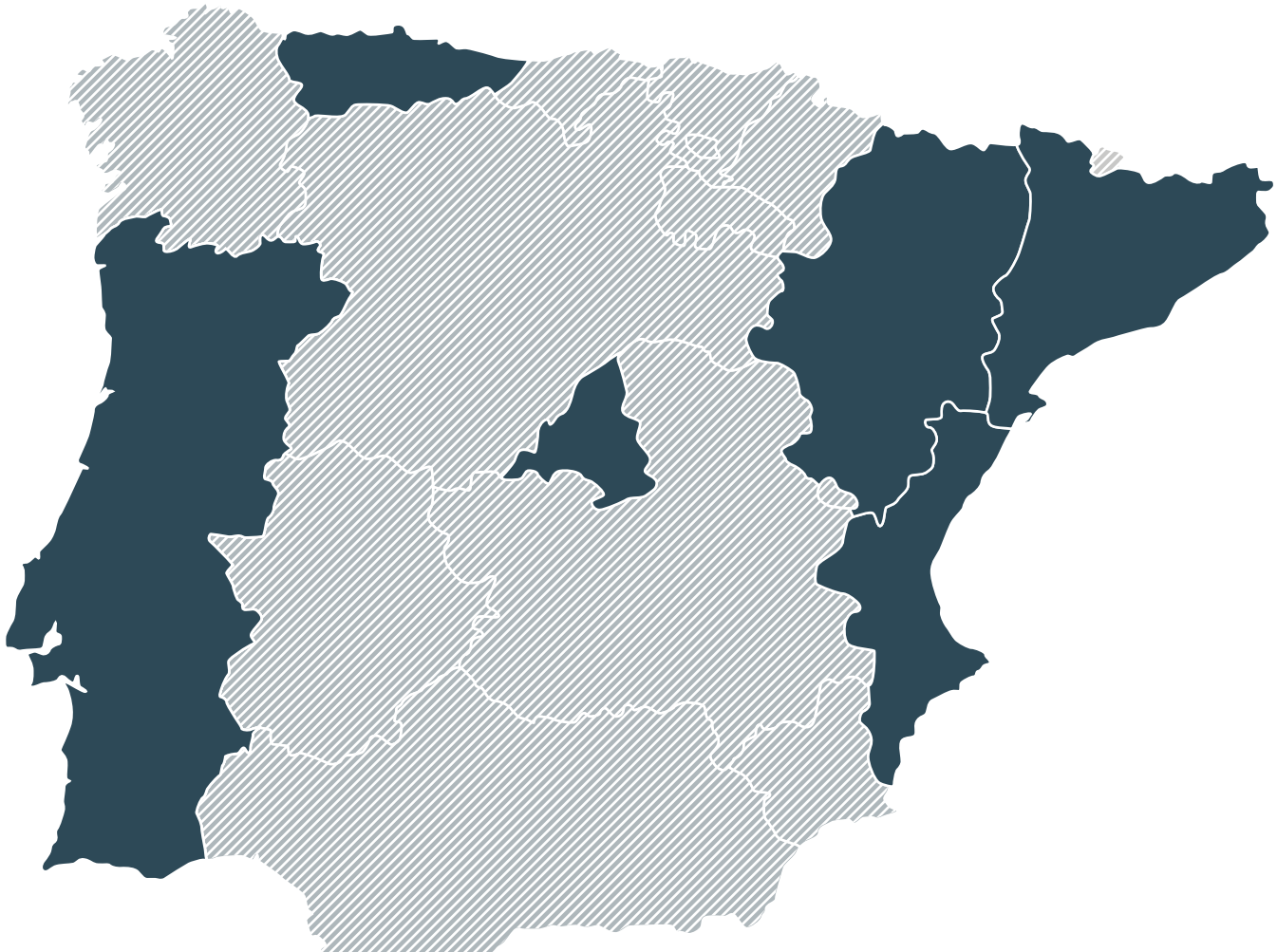
ENERGY DELIVERED TO DISTRIBUTION (Twh)



ENERGY BALANCE	UNIT	2012	2011	2010	2009
HYDROLOGICAL INDEX	#	0.46	0.81	1.34	0.81
EDP Group power plants					
Hydroelectric output	GWh	621	584	1,038	877
Coal output	GWh	6,714	5,354	4,244	5,865
Nuclear output	GWh	1,230	1,212	1,190	1,113
CCGT output	GWh	1,598	2,754	4,470	3,491
Mini-hydroelectric output	GWh	0	2	7	2
Wind power output	GWh	5,106	4,584	4,355	3,275
Biomass output	GWh	0	0	0	6
Cogeneration output	GWh	293	300	356	369
Waste output	GWh	524	541	553	519
OUTPUT TO GRID (EDP GROUP)	GWh	16,086	15,331	16,214	15,517
Other generators - ORG	GWh	164,075	169,621	178,227	181,116
Other generators - SRG	GWh	96,506	86,974	85,631	74,020
Importer/(Exporter) balance	GWh	-11,770	-6,091	-8,333	-8,106
Pumped hydroelectric storage	GWh	-5,023	-3,215	-4,458	-3,763
CONSUMPTION RELATED TO OUTPUT	GWh	259,874	262,620	267,281	258,784
Own consumption in generation	GWh	-7,889	-7,247	-6,673	-7,081
Losses	GWh	-2,947	-2,771	-2,890	-3,090
ENERGY DELIVERED TO DISTRIBUTION	GWh	249,039	252,602	257,718	248,613

3.1.1.2. ELECTRICITY AND NATURAL GAS DISTRIBUTION

EDP Group is present in the electricity distribution activity through EDP Distribuição and EDP Gás Distribuição in Portugal and HC Energía and Naturgás Energía in Spain.



EDP Distribuição has the concession of the National Distribution of Electricity for Medium and High Voltage grids and the concession of the Distribution Networks, in Low Voltage, of all the mainland municipalities (278). Currently, it has 224 thousand km of grid and in 2012 distributed 44.7TWh of electricity to a total of 6.1 million supply points. In Spain, HC Energía, distributed electricity to 5 autonomous regions, through 23 km of grid, having distributed 9.0TWh during 2012.

EDP Gás Distribuição centers its operations in the development and exploration of the gas distribution public grid in the northern coast region of Portugal (29 municipalities in the districts of Porto, Braga and Viana do Castelo), having 4,321 km of grid and distributed in 2012 7.3TWh of natural gas to about 290 thousand supply points. Naturgás Energía has 9,875km of grid in 9 provinces, spread across 8 autonomous communities where in 2012 distributed 55.8TWh to more than 1 million supply points.

In 2012, the weak macroeconomic context had a negative impact in the electricity distribution activity. Compared to 2011, EDP Distribuição registered a decrease in the level of distributed electricity (-1.4TWh, -2.8%) along with a decrease in the number of supply points (-42 thousand), having HC Energía decreased by 0.5TWh (-5%) its electricity distributed. However, in the gas sector, it was possible for EDP distributors to grow in terms of supply points (+9 thousand in Portugal and +14 thousand in Spain), volumes sold (+3% in Portugal and +15% in Spain) and grid kilometres (+5% in Portugal and +2% in Spain)

The year of 2012 was another excellent year in terms of satisfying power energy demand needs in Portugal and Spain. The "Installed Capacity Equivalent Interruption Time" (ICEIT) indicator scored the best mark ever with 58 minutes in Portugal and 28 minutes in Spain, which implies a reduction of 17 and 11 minutes, respectively when compared to 2011. In the recent years, there has been a significant reduction of this indicator presenting an average of 28%/year in Portugal and 21%/year in Spain. These results follow an appropriate grid investment and maintenance, held through the implementation of projects which aim at anticipating possible grid constraints.

EDP Gás Distribuição main objective was the saturation of the existing grid, with a particular emphasis in converting current assets to natural gas, by building infrastructures in areas already supplied with natural gas and by extending grids to municipalities not yet supplied with natural gas. In Spain, under the expansion of Naturgas Energía distribution grid, the company started supplying

natural gas to the following municipalities: La Granda-Logrezana-Tabaza, Niembro and Villallana (Asturias), Torrepacheco (Murcia), Santillana del Mar and Puente Viesgo (Cantabria) and the phase I of Masustegui-Bilbao (Basque country).

Under the normal low voltage microgeneration in Portugal, 4,787 new customers were connected with an installed capacity of 17MW, existing at the year-end 22,114 microgenerators connected to the grid, with an installed capacity of 79MW. In 2012 there was a significant activity of connecting microgenerators, with 442 new customers with an installed capacity of 21MW. Furthermore, 38 new Special Regime Generators (SRG) with a 64MVA capacity were connected to the grid, summing up at year-end 998 SRG with an installed capacity of 4,935MVA. Among the types of customers from these new connections, wind and photovoltaic technologies are predominant.

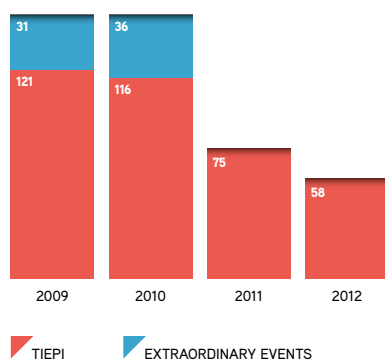
In 2012, EDP Distribuição pursued the objective which has been developing since 2007, of implementing infrastructures and changes associated to the paradigm of the smart distribution grids, in particular through the InovGrid project. This paradigm is based on the implementation of a set of new technologies and advanced models of processing information and in grid operations such as, remote management, automation, active storage and active energy management. These innovations will allow, on one hand, to increase the capacity to integrate in the grid new ecological technologies such as, the distribution of renewable generation and the electricity transportation and on the other hand, to provide customers conditions to increase electricity consumption efficiency, in particular by providing detailed and current information about their consumption patterns. This twofold approach both on clean energy integration and on an increasing consumption efficiency, positions smart grids as an answer to the sustainability challenge. The technologies and concepts of innovative operations that characterize the smart grids are also a powerful tool for, increasing operations efficiency, improving services provided to customers and improving knowledge and management of the business risks, which are the three key objectives that outline EDP Distribuição strategy.

Additional information can be found in the [i&d and innovation chapter](#).

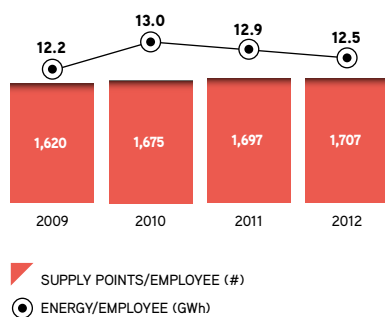


ELECTRICITY AND NATURAL GAS DISTRIBUTION IN PORTUGAL

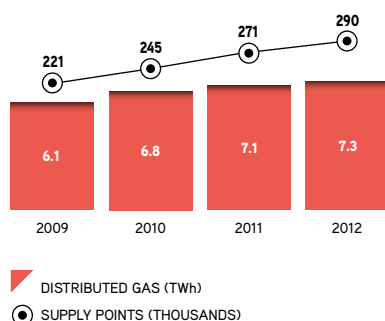
INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME (MINUTES)



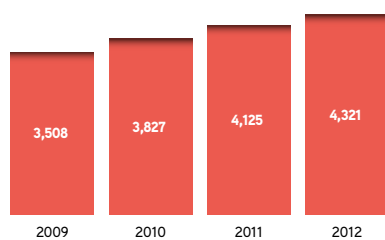
OPERATIONAL EFFICIENCY ELECTRICITY



DISTRIBUTED GAS AND SUPPLY POINTS



GAS DISTRIBUTION GRID (km)



ELECTRICITY DISTRIBUTION	UNIT	2012	2011	2010	2009
ENERGY INPUT IN THE DISTRIBUTION GRID					
ENERGY INPUT IN THE DISTRIBUTION GRID	GWh	48,559	49,972	51,614	49,422
For the regulated market	GWh	22,818	26,978	33,484	40,452
For the liberalised market	GWh	25,741	22,994	18,130	8,971
Distribution Losses	GWh	-3,904	-3,464	-3,778	-3,277
OUTGOING ENERGY FROM THE GRID	GWh	44,655	46,508	47,836	46,146
<small>Note: includes MHV consumptions</small>					
ELECTRICITY DISTRIBUTION IN THE REGULATED MARKET					
Very high voltage	GWh	19,768	24,579	30,581	37,626
High voltage	GWh	73	266	1,012	1,330
Medium voltage	GWh	192	1,008	2,095	3,723
Special low voltage	GWh	1,480	2,594	4,795	9,128
Low voltage	GWh	985	1,615	2,498	3,163
Street lighting	GWh	15,610	17,551	18,653	18,740
	GWh	1,428	1,544	1,528	1,542
ELECTRICITY DISTRIBUTION IN THE LIBERALISED MARKET					
Very high voltage	GWh	24,888	21,930	17,255	8,520
High voltage	GWh	1,829	1,508	512	208
Medium voltage	GWh	6,296	5,455	4,387	2,089
Special low voltage	GWh	12,332	11,711	9,731	4,770
Low voltage	GWh	2,326	1,907	1,228	413
	GWh	2,105	1,349	1,398	1,040
SUPPLY POINTS					
Regulated Market	'000	6,095	6,138	6,149	6,120
Liberalised Market	'000	5,031	5,772	5,792	5,843
	'000	1,064	366	357	277
ICEIT	minutes	58	75	152	152
Employees	#	3,571	3,617	3,670	3,778
GRID STRUCTURE INDICATORS					
Extension	km	223,734	222,627	220,318	218,226
Overhead lines	km	174,293	173,469	172,181	170,931
Underground lines	km	49,442	49,158	48,138	47,295
Substations	#	414	411	404	399
Transformation stations	#	65,151	64,458	63,223	62,036
EFFICIENCY INDICATORS					
Supply Points/Employee	#	1,707	1,697	1,675	1,620
Energy/Employee	GWh	12.5	12.9	13.0	12.2

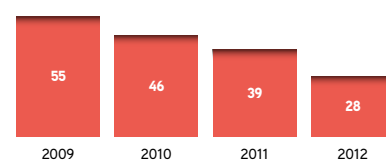
GAS DISTRIBUTION	UNIT	2012	2011	2010	2009
GAS DISTRIBUTION IN THE REGULATED MARKET					
Medium and High Pressure	GWh	1,362	1,467	3,071	3,877
Low Pressure	GWh	357	146	1,305	1,687
	GWh	1,004	1,321	1,766	2,190
GAS DISTRIBUTION IN THE LIBERALISED MARKET					
Medium and High Pressure	GWh	5,961	5,671	3,772	2,255
Low Pressure	GWh	5,929	5,066	2,705	1,850
	GWh	32	605	1,067	405
SUPPLY POINTS					
Regulated Market	#	289,657	270,866	245,347	221,388
Liberalised Market	#	253,892	270,054	244,727	221,277
	#	35,765	812	620	111
GRID DISTRIBUTION EXTENSION	km	4,321	4,125	3,827	3,508

ELECTRICITY AND GAS DISTRIBUTION IN SPAIN

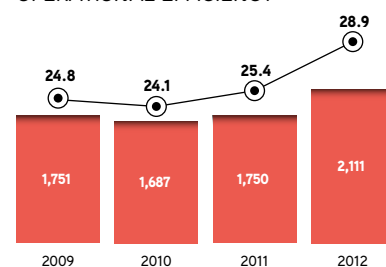
ELECTRICITY DISTRIBUTION	UNIT	2012	2011	2010	2009
ENERGY INPUT IN THE DISTRIBUTION GRID	GWh	9,337	9,851	9,704	9,519
Distribution Losses	GWh	-334	-334	-394	-389
OUTGOING ENERGY FROM THE GRID	GWh	9,003	9,517	9,310	9,131
ENERGY DELIVERED	GWh	9,003	9,517	9,310	9,131
High voltage	GWh	5,252	5,812	5,401	5,322
Medium voltage	GWh	1,260	1,282	1,293	1,215
Low voltage	GWh	2,491	2,422	2,616	2,594
TOTAL MARKET SPAIN	GWh	230,278	233,275	237,892	229,899
EDP MARKET SHARE	%	3.9	4.1	3.9	4.0
SUPPLY POINTS	'000	659	656	651	645
ICEIT	minutes	28	39	46	55
Employees	#	312	375	386	368
GRID STRUCTURE INDICATORS					
Extension	km	22,986	22,652	22,265	21,874
Overhead lines	km	18,397	18,250	18,148	17,995
Underground lines	km	4,589	4,402	4,117	3,878
Substations	#	58	56	53	53
Transformation stations	#	6,714	6,686	6,507	6,464
EFFICIENCY INDICATORS					
Supply Points/Employee	#	2,111	1,750	1,687	1,751
Energy/Employee	GWh	28.9	25.4	24.1	24.8

GAS DISTRIBUTION	UNIT	2012	2011	2010	2009
GAS DISTRIBUTION	GWh	55,786	48,447	45,644	18,968
Medium and High Pressure	GWh	46,891	40,330	37,270	12,236
Low Pressure	GWh	8,895	8,118	8,374	6,732
TOTAL MARKET SPAIN	GWh	362,687	372,771	400,726	402,001
EDP MARKET SHARE	%	15.4	13.0	11.4	4.7
SUPPLY POINTS	#	1,008,109	993,851	983,873	963,837
GRID DISTRIBUTION EXTENSION*	km	9,875	9,690	9,521	8,703

INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME (MINUTES)

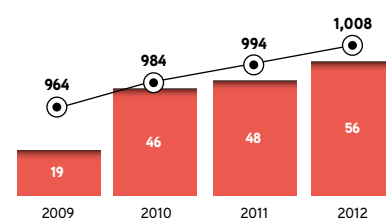


OPERATIONAL EFFICIENCY



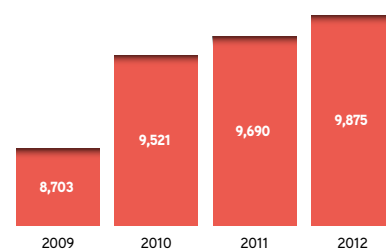
■ SUPPLY POINTS/EMPLOYEE (#)
● ENERGY/EMPLOYEE (GWh)

DISTRIBUTED GAS AND SUPPLY POINTS



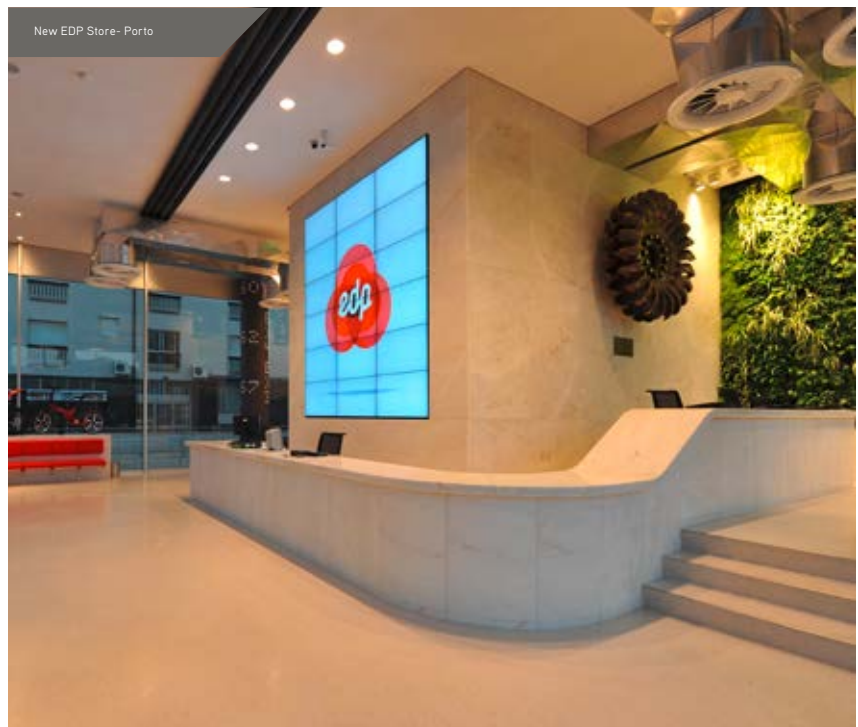
■ DISTRIBUTED GAS (TWh)
● SUPPLY POINTS (THOUSANDS)

GAS DISTRIBUTION GRID (km)



3.1.1.3 ELECTRICITY AND NATURAL GAS SUPPLY

In the Iberian activity of electricity and natural gas supply, EDP Group is present in the regulated and liberalised market in both geographies. In Portugal, EDP supplies electricity and gas to customers both in the liberalised market through EDP Comercial and EDP Gas.com and in the regulated market through EDP Serviço Universal and EDP Gás Serviço Universal. In Spain, the liberalised market supply is done through HC Energía, Naturgás Energía and HC CIDE Energía, whilst last resort customers are supplied by HC CUR.



Despite the increase of the number of customers in the liberalised market, overall in Iberia, supplied electricity decreased by 9% and supplied gas decreased by 4% in 2012.

In Portugal, 2012 was marked by the biggest expansion of the liberalised market since the beginning of the market liberalisation in 2006. At year-end, consumption in the liberalised market was already responsible for 92% of total consumption in the B2B segment. In the B2C segment, the abolition of regulated tariffs for all consumers, as well as a more dynamic supply side, impelled the migration from the regulated market to the liberalised market, which in 2012 served more than 1 million customers in comparison with the 334 thousand at the end of 2011.

In the electricity regulated market in Portugal, the overall number of customers decreased by 13%, as a result of the net exit of about 740 thousand customers, out of which more than 660 thousand migrated to the liberalised market. Overall, compared to the previous year, electricity sales in the regulated market decreased about 20%, particularly within higher voltage levels, with a more than 50% reduction.

EDP Comercial, maintained its position as the leading operator in the liberalised market both in terms of energy sold, with an annualized market share of 40% in 2012 and in terms of number of customers, with about 80% of existing connection points. In the B2B segment, the offer of a value proposal adjusted to customers' needs resulted in a sales volume of about 8.1TWh during 2012, and on a portfolio of customers at year end of 20 thousand connection points, having this way ensured EDP's leadership in all the B2B voltage levels. The B2C segment presented in 2012 a more intense competitive dynamics, with the entrance of a new player and with more competitive offers. Throughout the year, EDP Comercial was the operator that raised more customers, tripling its number of customers by reaching 853 thousand connection points at the

end of the year, holding this way a market share of 80.2% in the liberalised market. The "EDP Continente" campaign, clearly innovative on the market, contributed significantly for this result, having been responsible for the raise of about 150 thousand customers. This growth resulted in a sales volume of about 1.7TWh in 2012.

In the natural gas supply activity of the liberalised market in Portugal, EDP increased the number of gas customers across the country to 56 thousand, particularly as a consequence of the dual offer campaigns with electricity targeted at B2C customers ("Campanha Casa Total 10+2"), resulting in an increase of the supplied volume to 6.3TWh. Under the reality of migrations from the regulated market to the liberalised market, EDP Gás Serviço Universal has seen its number of customers decrease by about 3%.

In Spain, there was also a decrease in the number of last resort customers (-12%), partially offset by the increase in the number of customers in the liberalised market (+10%), which had 771 thousand customers at the end of 2012. In the liberalised market, 16.5TWh of electricity were sold in the B2B segment, which represents a reduction of 5% compared to 2011. The strategy in the B2C segment has been focused on analysing the portfolio of potential customers and its loyalty towards a dual offer and on residential maintenance services.

Through its Spanish natural gas supplier, EDP increased the number of customers in the liberalised market (+1%), however the volume of supplied gas has not followed this trend, registering a decrease of about 2%. The market share of Naturgas Energía stood in the 9% of supply in the liberalised market. The last resort natural gas supply in Spain, registered a decrease both in terms of the number of customers (-21%) and supplied volume (-36%).

Additional information can be found in the [Customer and Product](#) chapter.

Casa Total 10+2 Campaign

edp

CASA TOTAL 10+2

A EDP DÁ-LHE AINDA MAIS ENERGIA

www.energio.edp.pt

ADESÕES ATÉ 30 DE SETEMBRO

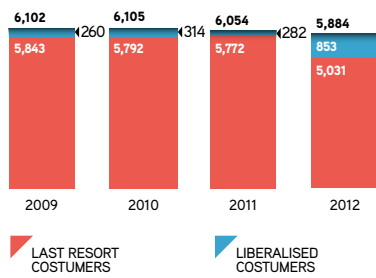
DESCONTOS

10% + 2%

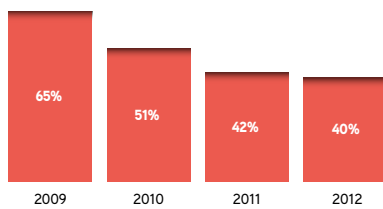
GÁS NATURAL ELETRICIDADE

ELECTRICITY AND NATURAL GAS SUPPLY IN PORTUGAL

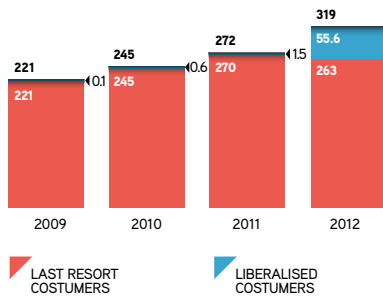
ELECTRICITY CUSTOMERS ('000)



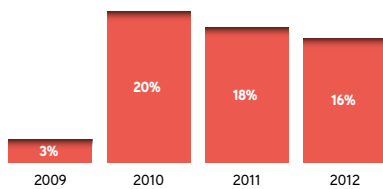
ELECTRICITY MARKET SHARE - LIBERALISED MARKET (%)



GAS CUSTOMERS ('000)



GAS MARKET SHARE - LIBERALISED MARKET (%)



ELECTRICITY SUPPLY

	UNIT	2012	2011	2010	2009
LAST RESORT MARKET					
Number of customers	#	5,031,323	5,771,900	5,791,683	5,842,797
Very high voltage	#	1	12	21	26
High voltage	#	22	86	177	193
Medium voltage	#	4,401	8,339	12,803	17,681
Special low voltage	#	9,661	17,473	23,985	28,246
Low voltage	#	4,958,852	5,692,425	5,702,584	5,746,352
Street lighting	#	58,386	53,565	52,113	50,299
Electricity sales	GWh	19,768	24,579	30,581	37,626
Very high voltage	GWh	73	266	1,012	1,330
High voltage	GWh	192	1,008	2,095	3,723
Medium voltage	GWh	1,480	2,594	4,795	9,128
Special low voltage	GWh	985	1,615	2,498	3,163
Low voltage	GWh	15,610	17,551	18,653	18,740
Street lighting	GWh	1,428	1,544	1,528	1,542
LIBERALISED MARKET					
Number of customers	#	853,119	281,609	313,608	259,698
Total Market in Portugal	#	1,063,883	365,776	357,363	277,008
EDP market share	%	80.2	77.0	87.8	93.8
Electricity sales	GWh	9,835	9,132	8,794	5,529
Total Market in Portugal*	GWh	24,887	21,931	17,255	8,520
EDP market share	%	39.5	41.6	51.0	64.9

GAS SUPPLY

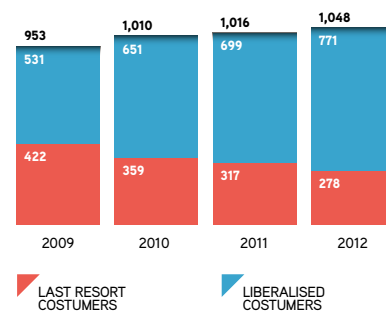
	UNIT	2012	2011	2010	2009
REGULATED MARKET					
Number of customers	#	262,993	270,053	244,721	221,266
Gas Sales	GWh	1,349	1,405	1,987	2,313
LIBERALISED MARKET					
Number of customers	#	55,559	1,523	614	90
Gas Sales	GWh	6,115	6,786	6,959	1,003
Total Market in Portugal*	GWh	38,985	38,180	34,890	33,388
EDP market share	%	16.2	17.8	19.9	3.0

* Source: ERSE - Demand of NG Characterization (estimated figures)

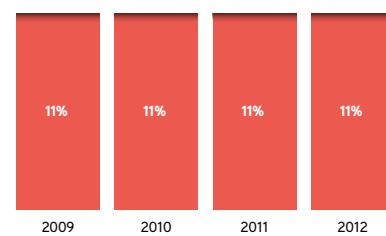
ELECTRICITY SUPPLY IN SPAIN

ELECTRICITY SUPPLY	UNIT	2012	2011	2010	2009
LAST RESORT MARKET					
Number of customers	#	277,527	316,728	359,145	422,252
High voltage	#	0	0	0	0
Medium voltage	#	0	0	0	0
Low voltage	#	277,527	316,728	359,145	422,252
Electricity sales	GWh	709	833	1,099	3,133
High voltage	GWh	0	0	0	1,559
Medium voltage	GWh	0	0	0	11
Low voltage	GWh	709	833	1,099	1,563
LIBERALISED MARKET					
Number of customers	#	770,903	698,815	650,860	530,778
Total Market Spain	#	7,559,013	7,586,894	5,248,118	3,028,182
EDP market share	%	10	9	12	18
Electricity sales	GWh	19,543	20,529	20,342	16,234
Total Market Spain	GWh	185,630	180,133	183,589	143,298
EDP market share	%	10.5	11.4	11.1	11.3

ELECTRICITY CUSTOMERS ('000)

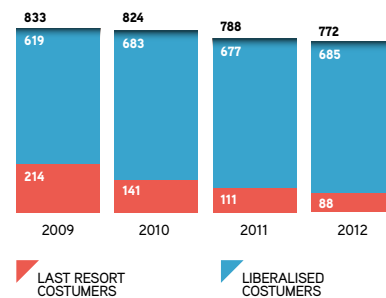


ELECTRICITY MARKET SHARE - LIBERALISED MARKET (%)

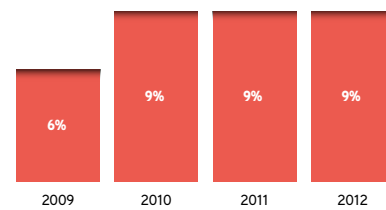


GAS SUPPLY	UNIT	2012	2011	2010	2009
LAST RESORT MARKET					
Number of customers	#	87,595	110,773	140,766	214,059
Gas sales	GWh	333	521	917	1,188
LIBERALISED MARKET					
Number of customers	#	684,727	677,087	683,026	619,391
Gas sales	GWh	27,220	27,738	28,892	20,073
Total Market Spain	GWh	302,481	311,062	334,205	335,147
EDP market share	%	9.0	8.9	8.6	6.0

GAS CUSTOMERS ('000)

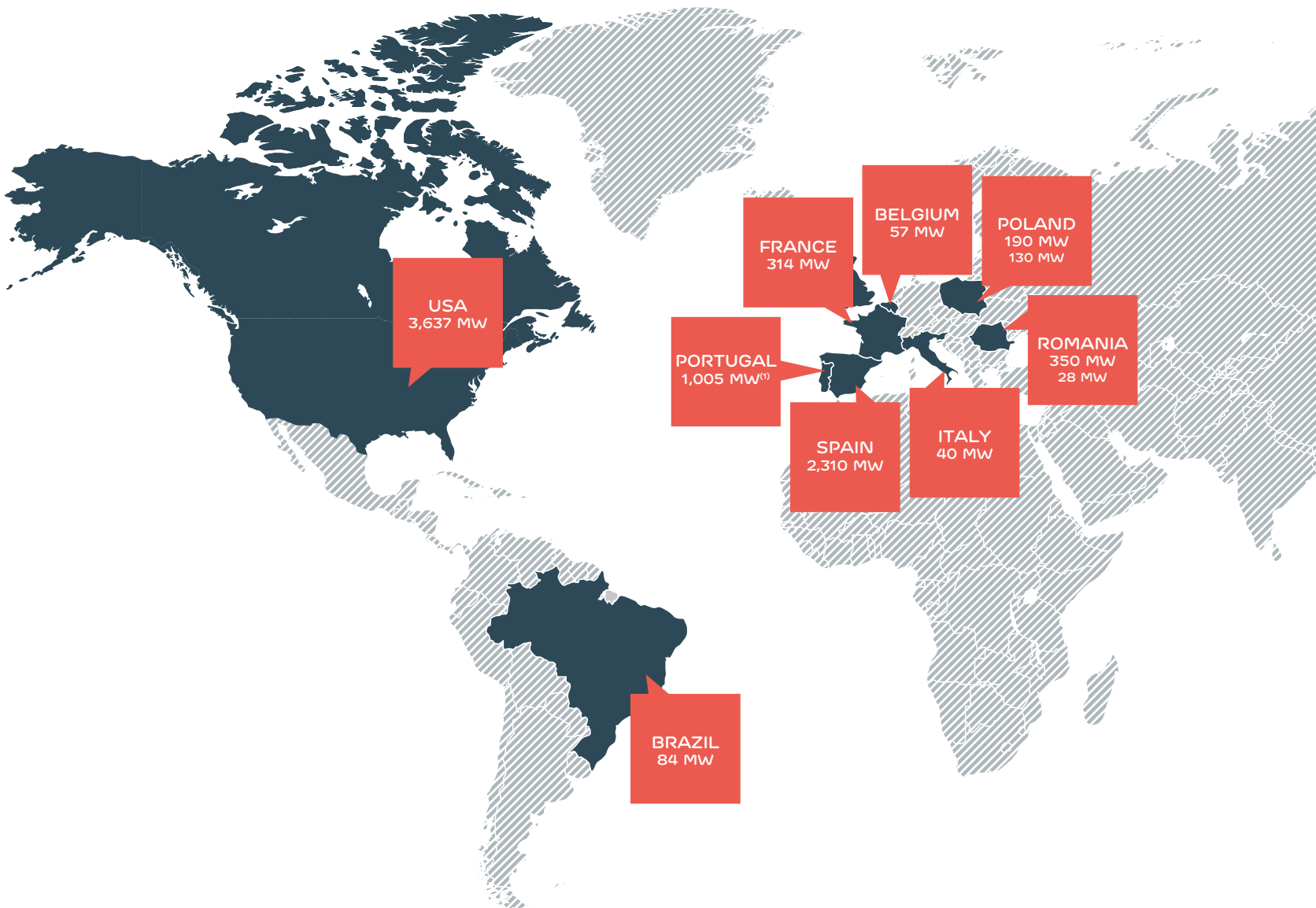


GAS MARKET SHARE - LIBERALISED MARKET (%)



3.1.2. EDP RENOVÁVEIS

EDP Group is present in wind and solar energy generation through EDP Renováveis (EDPR), which is currently present in 11 countries: Portugal, Spain, France, Belgium, Poland, Romania, United Kingdom, Italy, United States, Canada and Brazil.



MW installed Capacity
MW under construction
⁽¹⁾ Includes ENEOP

In 2012, EDPR increased its capacity by 504MW (+7%), of which 289MW (+7%) in Europe and 215MW (6%) in the U.S. Since 2008, EDPR's installed capacity has increased by 16% /year on average, resulting in a 7,987MW installed capacity by year-end 2012.

The average net capacity factor in 2012 was 29%, 26% in Europe, 33% in the U.S. and 31% in Brazil. Operational excellence and the prime location of EDPR's wind farms are the driving forces behind its superior net capacity factors (as is the case in Spain with +175bp above the industry average).

EDPR - EUROPE (EDPR EU)

EDPR EU has registered significant wind energy additions over the last few years, with a total wind energy installed capacity of 4,266MW and a pipeline in various stages of development of 8.5GW, including 158MW under construction.

In Portugal, installed capacity increased to a total of 1,005MW, mainly after the entry into operation of 64MW in ENEOP2's wind farms during the year.

In Spain, installed capacity amounted to 2,310MW, an increase of 110MW versus previous year. All of EDPR's projects installed in 2012 were included in the pre-assignment registry, guaranteeing that they are included in the actual Spanish remuneration scheme.

In 2012, installed capacity reached 314MW in France, after an increase in the year of 8MW, while in Belgium it remained at 57MW.

In Italy, EDPR added its first MW in this country, through the commissioning of 40MW. This landmark growth was achieved thanks to the completion of the Villa Castelli (20MW) wind farm in Apulia, and the Pietragalla (20MW) wind farm in Basilicata.

Installed capacity in Poland remained unchanged at 190MW, with 130MW currently under construction.

Installed capacity in Romania increased significantly in 2012, as both wind and solar PV projects were completed. The increase in wind installed capacity was driven by the commissioning of the Cobadin (26MW) wind farm, whilst EDPR's first solar PV (photovoltaic) projects (39MW) accounted for the remaining growth. The entry into the solar PV markets marked the first step in the execution of EDPR's strategy to enter into new competitive technologies. Year-end installed capacity reached 350MW, with 28MW currently under construction.

EDPR - NORTH AMERICA (EDPR NA)

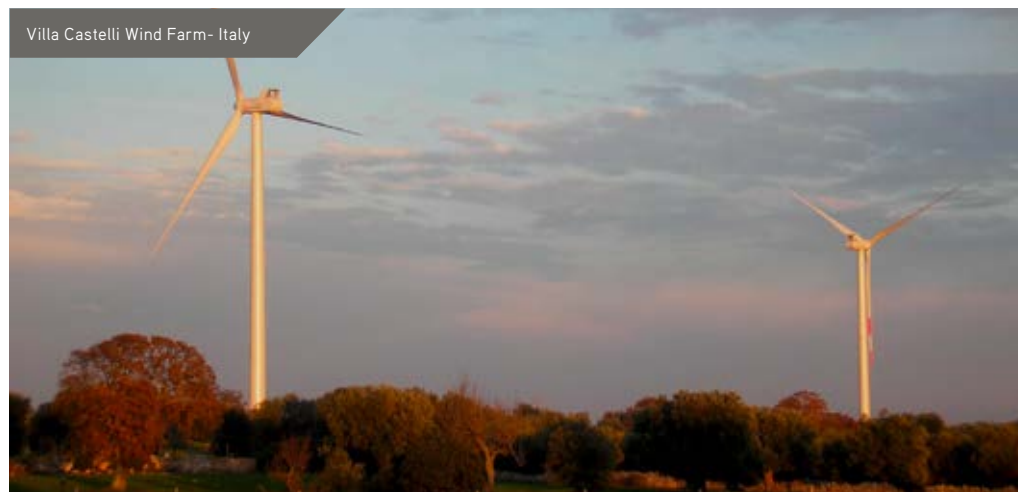
At the end of 2012, EDPR NA owned 30 wind farms in operation located in 11 different states, summing a total capacity of 3,637MW, after the installation of 215MW during the year. The growth in 2012 was driven by the completion of Marble River, a utility-scale wind farm located in the State of New York.

By the end of 2012, EDPR NA held a pipeline of 9.7GW.

EDPR - BRAZIL (EDPR BR)

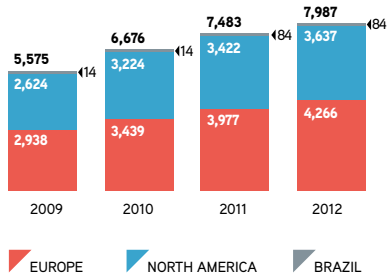
EDPR created a joint-venture in Brazil, in June 2008, together with EDP - Energias do Brasil, named EDP Renováveis Brazil (EDPR BR).

EDPR BR owned, at the end of 2012, a capacity in operation of 84MW and a pipeline of 1.5GW. EDPR's Brazilian wind farms have top-class wind resources, one of the highest in the company's global portfolio

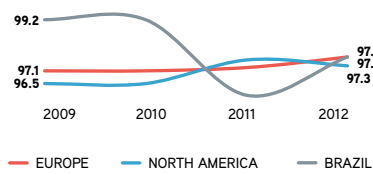


EDP RENOVÁVEIS

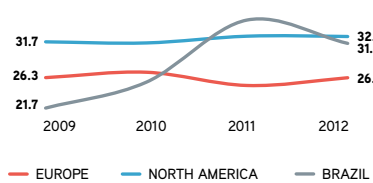
GENERATION PORTFOLIO (MW EBITDA + ENEOP2)



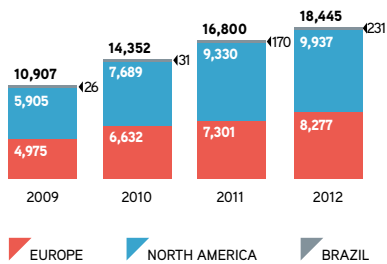
AVAILABILITY (%)



LOAD FACTOR (%)



NET GENERATION (GWh)



	UNIT	2012	2011	2010	2009
Global Wind Installed Capacity	GW	282	238	194	158
EDP Renováveis Installed Capacity	GW	8	7	7	6

Source: Global Wind Report 2010, GWEC: Wind Installed Capacity

INSTALLED CAPACITY AT DECEMBER 31	MW EBITDA	7,987	7,483	6,676	5,575
Europe*	MW EBITDA	4,266	3,977	3,439	2,938
Portugal*	MW EBITDA	1,005	939	838	680
Spain	MW EBITDA	2,310	2,201	2,050	1,861
France	MW EBITDA	314	306	284	220
Belgium	MW EBITDA	57	57	57	57
Poland	MW EBITDA	190	190	120	120
Romania	MW EBITDA	350	285	90	0
Italy	MW EBITDA	40	0	0	0
North America	MW EBITDA	3,637	3,422	3,224	2,624
Brazil	MW EBITDA	84	84	14	14

LOAD FACTOR	%	29	29	29	29
Europe	%	26	25	27	26
Portugal	%	27	27	29	28
Spain	%	27	25	27	26
France	%	26	23	24	23
Belgium	%	25	23	21	23
Poland	%	26	27	28	0
Romania	%	21	16	0	0
Italy	%	0	-	-	-
North America	%	33	33	32	32
Brazil	%	31	35	26	22

NET GENERATION	GWh	18,445	16,800	14,352	10,907
Europe	GWh	8,277	7,301	6,632	4,975
Portugal	GWh	1,444	1,391	1,472	1,275
Spain	GWh	5,106	4,584	4,355	3,275
France	GWh	693	589	489	346
Belgium	GWh	123	117	107	79
Poland	GWh	435	376	194	0
Romania	GWh	476	245	15	0
Italy	GWh	0	0	0	0
North America	GWh	9,937	9,330	7,689	5,905
Brazil	GWh	231	170	31	26






MWS UNDER CONSTRUCTION DURING 2012	UNIT	4Q	3Q	2Q	1Q
Europe*	MW	158	296	253	232
Portugal*	MW	0	0	0	2
Spain	MW	0	26	100	111
France	MW	0	8	8	0
Belgium	MW	0	0	0	0
Poland	MW	130	130	80	80
Romania	MW	28	93	26	0
Italy	MW	0	40	40	40
North America	MW	0	70	215	215
Brazil	MW	0	0	0	0
TOTAL MWS UNDER CONSTRUCTION	MW	158	367	468	448

* Includes ENEOP2

3.1.3. EDP BRASIL

EDP Group is present in Brazil in the activities of generation, distribution and electricity supply through EDP Brasil.



-  Hydroelectric power plants under construction
-  Hydroelectric power plants in operation
-  Thermoelectric power plants
-  Distributors
-  Concessions areas of distribution

GENERATION

The Generation activity includes the management of hydroelectric power stations (UHE), small hydro power stations (PCH) and the coal thermoelectric plant of Porto Pecém I, totalling its installed capacity 1,974MW on December 2012.

During 2012 occurred the repowering of the UHE Mascarenhas which increased its installed capacity by 4.5MW and, the entering into operations of the first group of the Porto Pecém I thermoelectric plant, which has an installed capacity of 360MW (in which EDP Brasil has a 50% stake).

In 2013 the second group of Porto Pecém I thermoelectric plant (360MW) will enter into operation, which is located in the State of Ceará and has a total installed capacity of 720MW, in which EDP Brasil has a 50% stake.

The UHE Santo Antônio do Jari is currently under construction between the states of Pará and Amapá and it will have a total installed capacity of 373MW, which corresponds to an average energy sold of 218MW and it is foreseen to enter into operation in January 2015.

In 2012 the project UHE Cachoeira Caldeirão in the state of Amapá was purchased, which has 219MW of installed capacity and an average energy sold of 125MW. The entry into operation shall occur on January 2017.

DISTRIBUTION

In the Distribution, EDP Brasil has the full control of Bandeirante and Escelsa, serving about 2.93 millions of customers, distributing 24.9TWh in 2012.

Bandeirante distributed 14.8TWh in 2012, 0.5% higher than in 2011. The electricity distributed to end customers summed 9.4TWh, representing an increase of 1.4% over 2011. The company finished the year with 1.6 million customers, 3.6% more than 2011. During 2012, the energy distributed by Bandeirante's system to the liberalised market and traders totalled the amount of 5.3TWh, which represents a reduction of 1.2% compared to 2011.

Escelsa distributed in 2012 10.1 TWh, a 3.2% increase compared to 2011. The number of customers reached 1.3 million, 3.6% above the previous year. In the regulated market, Escelsa sold 6.2TWh, an increase of 6.1% over 2011. For the liberalised market, Escelsa distributed 4.0TWh, representing a reduction of 1.1% over 2011.

SUPPLY

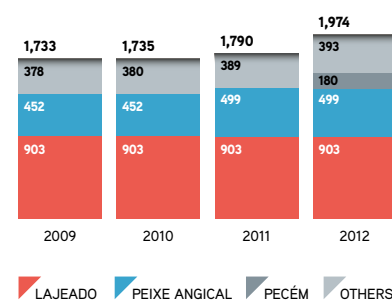
In the Supply of electricity segment, EDP Brasil, operating under Enertrade, sold in 2012 11.1TWh to customers in the liberalised market, with an 8.2% market share.

EDP BRASIL

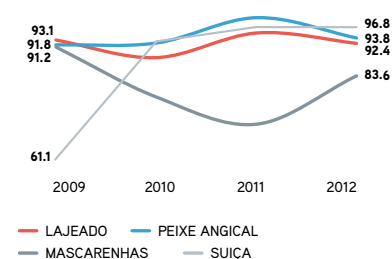
GENERATION	UNIT	2012	2011	2010	2009
Number of Generating Groups*	#	40	39	39	39
Hydroelectric power plants (UHE)	#	14	14	14	14
Small Hydroelectric power plants (PCH)	#	25	25	25	25
Thermoelectric power plants (UTE)	#	1	0	0	0
Installed Capacity at December 31*	MW	1,974	1,790	1,735	1,733
Lajeado	MW	903	903	903	903
Peixe Angical	MW	499	499	452	452
Mascarenhas	MW	194	189	181	181
Suiça	MW	34	34	34	34
Mini-Hydro	MW	165	165	165	164
Pecém	MW	180	0	0	0
Net Generation*	GWh	8,217	7,873	7,263	6,893
Lajeado	GWh	3,711	3,655	3,205	3,169
Peixe Angical	GWh	2,839	2,653	2,523	2,093
Mascarenhas	GWh	776	705	674	846
Suiça	GWh	106	174	118	54
Mini-Hydro	GWh	758	687	742	731
Pecém	GWh	26	0	0	0

* Excludes Wind
** Includes supply customers and own consumption

GENERATION PORTFOLIO (MWh)



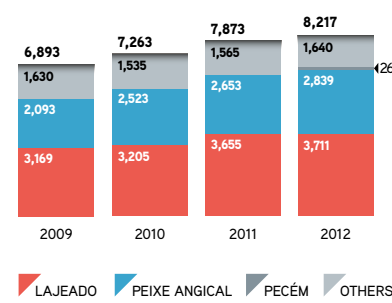
AVAILABILITY (%)



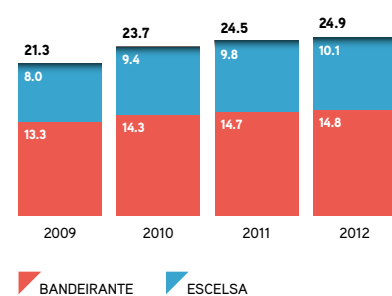
DISTRIBUTION	UNIT	2012	2011	2010	2009
Electricity Distributed	GWh	24,923	24,544	23,749	21,313
Bandeirante	GWh	14,793	14,726	14,310	13,292
Escelsa	GWh	10,130	9,818	9,439	8,021
Number of customers (Supply Points)	#	2,933,927	2,831,659	2,740,447	2,667,701
Regulated**	#	2,933,715	2,831,514	2,740,345	2,667,611
Bandeirante	#	1,601,301	1,545,199	1,502,815	1,482,355
Escelsa	#	1,332,414	1,286,315	1,237,530	1,185,256
Liberalised	#	212	145	102	90
Bandeirante	#	143	98	82	73
Escelsa	#	69	47	20	17
Grid structure indicators					
Extension	km	87,344	85,749	84,636	82,289
Substations	#	135	135	129	122
Transformation Stations	#	198,142	193,212	188,121	180,272
DEC - Average length of interruptions per customer	hours				
Bandeirante	hours	9.4	9.4	12.2	12.8
Escelsa	hours	9.9	10.4	9.1	11.4
FEC - Average frequency of interruptions per customer	#				
Bandeirante	#	6.0	6.2	7.1	6.4
Escelsa	#	6.4	6.3	6.3	6.9

** Includes supply customers and own consumption

NET GENERATION (GWh)



DISTRIBUTED ELECTRICITY (TWh)



SUPPLY	UNIT	2012	2011	2010	2009
Electricity supply in Brazil	GWh	135,952	118,627	64,414	56,249
Enertrade	GWh	11,254	9,895	8,263	8,715
Others	GWh	124,698	108,732	56,150	47,534
Enertrade Customers	#	252	137	86	120

3.2. ETHICS

3.2.1. ETHICS IN EDP

Ethics and integrity are indispensable conditions for achieving the sustained success of the business strategies defined and for the exercise of responsible citizenship – areas in which EDP aims to continue to lead by example.

The principles and values that guide our operations are defined in the public commitments we have voluntarily undertaken, the policies and procedures we adopt and, more comprehensively, in the EDP Code of Ethics.

It is on the basis of these principles and values that we assess the ethical dimension of actions carried out by EDP personnel or by third parties acting in its name in any business area or geographic area in which the EDP Group operates.

The objectives of ethics management at EDP are: to guarantee a high degree of ethical awareness and standards at the individual level; to minimise the risk of bad ethical practices; to maintain a business culture with the values undertaken that generates transparency, trust in business relationships and accountability for the consequences of the decisions made and acts carried out.

During 2012, a significant number of actions aimed at consolidating and strengthening the ethical culture in the EDP Group were carried out on the basis of these three main guidelines:

CONSOLIDATING THE INTERNAL ETHICS MANAGEMENT SYSTEM

The Corporate Governance and Sustainability Committee of the General and Supervisory Board approved the review of the Code of Ethics Regulations and the Internal Regulations of the EDP Group Ethics Committee in response to the identified needs for improvement. Work on the revision of the EDP Code of Ethics has since begun and should be completed in the first half of 2013.

Mr. José Figueiredo Soares took office as the EDP Group Ethics Ombudsman, replacing Mr. Carlos Loureiro.

With the aim of clarifying and consolidating the guiding principles in matters of competition and anti-trust practices, the “Commitment to Health Competition Practices” document was published; it is available at [www.edp.pt> about edp> principles and policies](http://www.edp.pt/about-edp/principles-and-policies).

Still in 2012, EDP was included in the 2012 World’s Most Ethical Companies ranking by the Ethisphere Institute (<http://ethisphere.com>). Also, in its SAM assessment, EDP was given a leading position for the “Codes of Conduct/ Compliance/Corruption&Bribery” criterion (www.sustainability-index.com).

Accompanying the improvement in the supply chain management, for the first time EDP included assessment criteria related with integrity management and bribery and corruption control procedures in its supplier registration and qualification phases. For more information, please see page 80.

STRENGTHENING THE ETHICAL CULTURE

The training programme integrated in the **éticaedp Programme** was completed, with EDP Renováveis closing the cycle. A specific module was developed to be included in the initial training for new employees and work was begun on preparing the training/awareness raising of suppliers in the supply categories that are considered as high risk in terms of integrity

and ethics. Both initiatives should be totally operational in Portugal in the first half of 2013 and be subsequently scaled for the business units in the remaining geographic areas in which the Group operates.

PROMOTING GOOD PRACTICES IN BUSINESS ETHICS

In the context of corruption and bribery prevention actions, EDP participates in the “**Gestão Transparente.org**” (Transparent Management) initiative. This initiative aimed at capacitating organisations in corruption risk assessment in specific business contexts and disseminating the applicable legislation and good practices in this area.

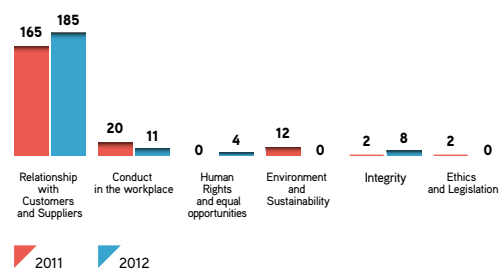
Furthermore, in the context of influence on society, EDP business ethics practices and, in particular, the **éticaedp Programme**, have been the object of public analysis and debate in the programme for the International MBA at the Católica Porto Business School, in course work at the Instituto Superior de Economia and Gestão in Lisbon and at the Portuguese Association for Quality’s 37th Quality Colloquium held in Guimarães.

As part of the AESE/EDP Chair of Ethics in Business and Society, a cycle of debate sessions was held in Lisbon on the theme of “Sustainable Development: Businesses and Society”, as well as a seminar on “Corruption and Mismanagement”. Also in the scope of this chair, the book *Ética para Dirigentes e Administradores [Ethics for Executives and Managers]* (edições AESE, Lisbon, 2012) by Prof. Pe. Pedro Regojo was published.

3.2.2. THE WORK OF THE ETHICS OMBUDSMAN

The Ethics Ombudsman dealt with ethical complaint processes, in line with the powers and competences attributed to the office in the Code of Ethics Regulations (see page 107 and 108).

EVOLUTION OF THE NUMBER OF COMPLAINTS BY SUBJECT (No.)



Ethics complaints are classified in accordance with the Code of Ethics. In 2012, a total of 208 complaints (an increase of 3.4% over 2011) were received through the various ethics complaints communication channels made available by the EDP Group.

Of all the complaints lodged, 27% originated in Portugal, 28% in Spain and 45% in Brazil. Of these, only 15 resulted in processes submitted to the EDP Ethics Committee in accordance with the regulatory provisions. The remaining complaints were dealt with expeditiously by the business units in question as they did not involve significant ethical issues.

2012 **WORLD'S MOST ETHICAL COMPANIES**
WWW.ETHISPHERE.COM

“GESTÃO TRANSPARENTE.ORG” INITIATIVE



GestãoTransparente.org
Guia prática de gestão de riscos de corrupção nas organizações

As part of a diverse group of companies, EDP participates in this collaborative project for the identification, prevention and management of corruption risks in organisations, under the auspices of the Council for Corruption Prevention. The project is aimed at the business community in general and is available online with free access for all.

The Practical Corruption Risk Management Guide is an interactive tool incorporating a simulator for exposure to corruption risks – based on the characterisation of the company using it, its operations and the markets it operates in. Depending on the results, the guide makes a set of recommendations for corruption risk management measures at the diagnostics, guidance, intervention and monitoring levels.

This practical tool also offers pertinent information, documentation and legislation for corruption prevention and management, as well as daily updated news on events, studies or interventions relating to the subject matter. The guide is available at <http://gestaotransparente.org> and is also hosted on the Council for Corruption Prevention website.

DISTRIBUTION OF COMPLAINTS TO THE ETHICS COMMITTEE

Complaints submitted by employees, though less in number, have had in 2012 a relatively prominent position, accounting for 37% of the total.

In terms of ethics complaints processes that were concluded in 2012, the decisions by the Committee were as follows: 14 complaints upheld (61%); 8 complaints dismissed (35%); 1 inconclusive process (4%).

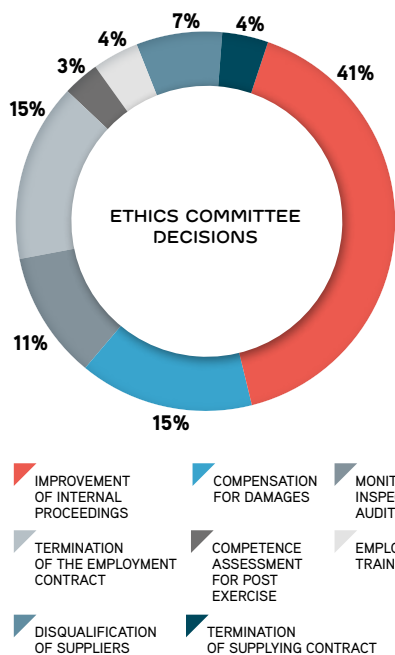
EVOLUTION OF THE NUMBER OF COMPLAINTS BY SOURCE (No.)



ACTIONS DECIDED BY THE ETHICS COMMITTEE

The implementation of the actions determined by the Ethics Committee and, above all, the awareness raising initiatives for employees and business partners are expected to make a positive and sustained contribution to better performance in terms of Integrity and Ethics, as required by the vision of excellence leadership projected by EDP.

For further information: www.edp.pt > edp > corporate governance > ethics.



3.3. R&D AND INNOVATION

Innovation is essential to the growth of the business and EDP has demonstrated that it is possible to innovate in the often staid context of energy utilities.

Thanks to the creation of tools that enable it to generate ideas and manage knowledge, EDP is today more open to the contributions of its customers, suppliers, employees and the community at large, seeking to unleash latent creativity in a sustainable way.

The EDP Group's Research, Development and Innovation (RD+i) activities in the electricity sector concentrate on the following strategic areas: renewable energies; advanced generation technologies; smart grids/networks; energy efficiency; electric mobility; information technologies and business support; innovation "eco-system".

In line with these objectives, HC Energía in Spain focuses its activities on technologies that respond to the environmental challenges facing the business operations: flexible generation with a high degree of availability; energy efficiency and micro-generation; networks, energy storage and electric vehicles.

In Brazil, the "Innovabilidade" strategy was developed. It is based on the Group's Sustainable Development Principles and focuses on the following innovation areas: technology, operations and management; products and services; and business models. These aspects also include the RD+i activities in the context of the regulatory obligations to which the distribution companies are subject.

In the gas sector, EDP strategically concentrates its efforts on three main areas: safety and management of natural gas supply; energy efficiency; and improvement in products and services.

The EDP Group's forecast expenditure on RD+i in 2012 amounts to approximately EUR 32 million. This estimate assumes the continued development of projects in progress during the previous year and was calculated on the basis of the projected changes of the responses to the National Scientific and Technology Potential Survey carried out in the various Group companies between July and September 2012 (reason why this amount differs from the estimate made for 2012 of EUR 60 million). It should be mentioned that the final figure for 2012 will only be determined a few months after the closure of the company accounts for the year, in accordance with the methodology in place since 2006.

3.3.1. RENEWABLE ENERGY OFFSHORE WIND ENERGY

EDP reconfirmed its commitment to offshore/ocean energy as one of the areas of focus in its innovation effort. Offshore wind energy continues to grow and assert itself as a possible path for expansion in the area of renewable generation.

The WindFloat project, developed by a consortium led by EDP (other consortium members: Principle Power, A. Silva Matos, InovCapital, Vestas and Repsol), aims to develop an innovative technology based on a floating platform for multiple MW wind turbine towers which will make it possible to harness wind energy potential on the open sea starting at depths of 40 metres. The project is currently in the monitoring and technology validation testing phase. It can, however, be highlighted that EU funding was secured to demonstrate the industrial development of the concept.

TECHNOLOGICAL PLATFORMS

The EDP Group is involved in the following technological platforms:

- Spanish CO₂ Technology Platform: www.pteco2.es
- Spanish Energy Efficiency Technology Platform: www.ptee-ee.org
- Spanish future networks technology platform: www.futured.es
- Spanish Electric Vehicle Forum: www.foreve.es
- KIC InnoEnergy Iberia: www.kic-innoenergy.com/co-locations/cc-iberia.html
- CIGRÉ: www.cigre.org
- Eurelectric Electric Vehicles Task Force: www.eurelectric.org
- ENERGYIN Association: www.energyin.com.pt
- REDES 2025 Unique Strategic Project: www.redes2025.com
- Gas European Research Group (GERG): www.gerg.eu

As far as solar energy is concerned, the **SunLab** project aims to test photovoltaic modules in different climate conditions (in Portugal) and different positions in order to determine the relationship between energy generation and these variables, and subsequently develop decision-making support tools for future commercial developments involving solar photovoltaic technology. In 2012 the installation of four mini-plants in Faro, Santarém, Seia and Viana do Castelo was concluded and the data gathering and processing work has already begun.

3.3.2. GENERATION TECHNOLOGIES

RD+I activity in the areas of power generation focuses on two distinct aspects: solving existing concrete problems in order to improve the effectiveness and efficiency of the operation; and the search for innovative technologies for the long-term decarbonisation of the sector.

In Spain, HC Energía's **Improvement in Alternator Availability in Co-generation Plants** project was completed. The aim of this project is to improve diagnosis of problems not detected by vibration analysis. Also of note is the **MultiYeso2015** project, which seeks to generate scientific and technical knowledge on the marketing of the gypsum that is a by-product of the new desulphurisation processes of HC Energía's coal-fired power plants.

Of note in Brazil is the development project for a dispatch optimisation model aimed at achieving better energy harnessing, reducing power generation costs and promoting a range of tariff offers for the end customer.

In Portugal, the **SAFEnergia** project implemented by EDP Produção in partnership with Instituto Soldadura e Qualidade (ISQ), for the development of non-intrusive diagnosis and inspection technologies for thermal power plants is also worthy of mention.

CARBON CAPTURE AND STORAGE

Carbon capture and storage (CCS) technologies are seen as a solution that will make it possible, in the future, to reconcile the continued use of fossil fuels such as coal and natural gas to generate electricity with the drastic reduction in carbon dioxide emissions to the atmosphere that result from that generation method. In this field, EDP has been involved in three international projects included in the EU's 7th Framework Programme for Research:

- **DECARBit** (<http://decarbit.com>), which is now completed;
- **FLEXI BURN CFB** (www.vtt.fi/sites/flexiburncfb), which is aimed at developing and demonstrating oxycombustion technology on a circulating fluidised bed (CFB). The project intends to experiment with and demonstrate a pilot 30 MW thermal unit that has been built by CIUDEN (www.ciuden.es) in Compostilla, and for development of a preliminary design for an installation of this type on an industrial scale (300 MW electrical), which is expected to be completed in 2013;
- **COMET** (<http://comet.lneg.pt>), which was launched in 2010, is a project for the technical, economic and environmental optimisation study of a transport and geological storage infrastructure to serve the Iberian Peninsula and North Africa (Spain, Portugal and Morocco) in an integrated way, linking the emission sources with CO₂ capture to the geological storage sites. This project is expected to be completed in 2013.

3.3.3. SMART GRIDS

The **inovgrid** project implemented by EDP Distribution focuses on the development of smart electricity grids and networks and has taken on a high profile in recent years, gaining recognition as a benchmark European project in this area. The project was selected by the European Commission from more than 260 projects Europe-wide as a case study for analysis of a cost-benefit assessment methodology for smart energy network projects.

Studies carried out in 2012 showed that inovgrid customers increased their energy efficiency by 3.9% in comparison to other reference groups, based on the evolution of consumption in 2010 and 2011. These results not only provide direct benefits for the customer, i.e. they reduce their bills and control their consumption better, but also benefits for the whole power system and the country itself, which sees its energy consumption cut and dependence on imported fossil fuels reduced.

In late 2012 the project was expanded to include 100,000 more customers in the municipalities of Guimarães, São João da Madeira, Lamego, Batalha, Marinha Grande, Alcochete and Ilhas Barreira (Faro and Olhão), in an installation process to be continued in 2013. This type of solution has to be extended to at least 80% of customers by the year 2020, pursuant to an EU regulation.

The success of this project led EDP to develop the **InovCity Brasil** project in the municipality of Aparecida, São Paulo. It currently covers 11,500 customers. InovCity is a pilot project for smart metering and the testing of solutions for development of the distribution business in four specific areas: public lighting; energy efficiency; distributed generation and electric mobility.

In the context of intelligent and safer distribution grids and networks in the future, EDP is also involved in the **OpenNode** project. The main aim of which is to study and develop equipment for transformer stations that constitutes an open, interoperable, extensible and modular platform, to integrate in smart grids.

In Spain, the highlight in the context of the Futured Platform is the **INNFACTO REDOX 2015** project for the development of an innovative, high-capacity power storage system based on redox flow batteries.

3.3.4. ENERGY EFFICIENCY

EDP has continued work in Portugal on developing a **Home Energy Management** services platform. In 2012, the first installations began, albeit restricted to micro-generation customers. The company also began implementation of a new platform (**UPower**) for testing different technologies in the area of smart grids/networks and energy efficiency, particularly the storage of energy.

The **EnRiMa** (Energy Efficiency and Risk Management in Public Buildings) project, in which HC Energía is involved, is aimed at developing an integrated management system for supporting decision making in energy efficiency matters. It is designed for managers of public spaces and buildings that are classified as energy efficient and enables optimisation of the operation of these spaces while minimising costs, managing risks and complying with energy efficiency and emission reduction requirements.

3.3.5. ELECTRIC MOBILITY

EDP has been leading the **MOBI.E** project in Portugal since 2010 (www.mobie.pt). The project's pilot phase was carried out in 2012,

testing the adherence of users to electric mobility and testing the equipment and systems developed for the project. SGORME – Sociedade Gestora de Operações da Rede de Mobilidade Eléctrica has managed the public charging network in collaboration with all electric vehicle charging infrastructure operators. At the end of the year there were some 500 users in the system and 1,100 charging points installed.

Also in this area, the **OpenCharge** project is aimed at developing low-cost, safe and robust outdoor charging equipment for electric vehicles. Development of the third version of the equipment continued in 2012 with a view to have a solution that can go into production and be installed in any environment for EUR 1,000 or less. The Wallbox Opencharge project was also finalised to support the EDP electric mobility offer in the residential segment.

In Brazil, electric mobility was promoted through the development of a number of pilot projects, resulting in a total of 26 electric vehicle charging points in the states of Espírito Santo and São Paulo and the distribution of 125 electric motorcycles and bicycles to the police force and public safety organisations.

3.3.6. INNOVATION “ECO-SYSTEM”

EDP has been developing a range of instruments to support entrepreneurship and contribute to the development of good ideas in the field of energy. Such instruments are, for example: the launch of innovation prizes/competitions; support for the development of technological demonstration and concept prototyping projects; the provision of risk capital or the incubation/acceleration of energy companies. This set of instruments constitutes an “innovation eco-system” designed to foster creativity and entrepreneurship in the energy sector.

In this context, one highlight is the **Venture Capital – Risk Capital Fund**, which is managed by EDP **VENTURES**. By the end of 2012, it had invested more than EUR 7 million in innovative companies and funds in the clean tech area. It has also made an additional investment commitment of EUR 5 million.

EDP has also continued work on a number of activities that have a significant impact both internally and on the relations with the various partners. Some of the main initiatives carried out in 2012 were:

- **EDP Starter** - EDP created its EDP Starter programme with the aim of bringing together companies, customers and investors in the development of products and services typically generated in start-ups. It is an innovative business incubation concept in the energy sector that is designed to be an accelerator for big ideas from small companies (www.edpstarter.edpinovacao.com).
- **Technological Observatory** - The aim of the observatory is to monitor and disseminate technological developments in the energy sector, focusing on “clean energies”. To this end the InovNote website was developed to publish a number of studies, including, in 2012, on “Foundations for offshore wind energy towers” and “Energy storage” (inovnotes.edpinovacao.com).

PROMOTING INNOVATION IN-HOUSE

EDP has been developing and implementing initiatives to promote idea sharing with Group employees specifically in mind. **Click Idea**, which was launched in 2008, was upgraded in 2012 with a view to encouraging greater involvement of employees in the innovation process through

their direct participation in the assessment of new ideas. In Brazil, the **Innovation Exchange** has similar goals. In 2012 more than 220 solutions to a wide range of challenges – such as process optimisation, retaining the new generation of professionals, how to preserve knowledge within EDP and billing and storage ideas – were approved through the exchange system.

EDP no Brasil also aims to establish an internal innovation network throughout the whole organisation with its **Innovation Mentors** programme. Each mentor is trained as a business and management innovator, taking on new duties and responsibilities in the organisation and functioning as an extension of EDP no Brasil’s Innovation and Sustainability area.

Last but not least, the new **Remarks** (www.remarks.pt) platform launched in 2012 is a collaborative bookmark manager based on the Enterprise Bookmarking system. It also encourages automatic knowledge sharing within the EDP community. By using the Remarks platform as their personal bookmark manager, each employee contributes to building up a collective web knowledge depository that is filtered by and serves the EDP community.

ORGANISATION AND SPONSORSHIP OF INNOVATION AWARDS

In Portugal and Brazil EDP sponsors a prize for the development of new business projects focused on technological innovation or business model innovation in the area of clean energy technologies. The competition selects the best project each year, awarding a financial prize to the winning team (R\$ 100,000 in Brazil and EUR 50,000 in Portugal) to set up the company and implement the project (www.premioedpinovacao.edp.pt and www.edpbr.com.br/premio).

3.3.7. R&D+I IN THE GAS SECTOR

EDP also has a number of projects in course in the gas sector. The following were the most noteworthy in 2012:

- **LIFE BIOGRID**, a project led by Naturgás and launched in 2009 to investigate, amongst other things, new biogas treatment systems (mono-cell algae and cryogenic systems) that convert biogas into natural gas that can be directly injected into the network;
- **CADIONAT**, a project aimed at using micro and nano electrochemical technologies to develop a new carbon dioxide sensor for online and in situ analysis of carbon dioxide concentration after injection of biogas into the existing gas infrastructures;
- **INYGAS**, a project for developing purification and control modules for the safe injection of biogas into the natural gas network;
- **STIRLING**, an innovation project on energy efficiency in buildings, based on Stirling motors, to be applied in the new natural gas and renewable energy technologies market;
- **EVALGAS**, a project aimed at developing new gas mixture analysis techniques in the residential/industrial segments; conclusion of this project is expected in 2013;
- Also to be highlight in the area of energy efficiency in Portugal are the **On Market** and **Service Order Geographic Referencing** projects.

3.4. ENVIRONMENT

ENVIRONMENT INDICATORS ⁽¹⁾		2012					2011				
	UNIT	GROUP	PORTUGAL ⁽²⁾	SPAIN ⁽²⁾	BRAZIL ⁽²⁾	EDPR	GROUP	PORTUGAL ⁽²⁾	SPAIN ⁽²⁾	BRAZIL ⁽²⁾	EDPR
Primary Energy Consumption	TJ	197,723	108,424	89,213	68	18	192,996	108,579	84,336	61	20
Coal	TJ	144,504	82,939	61,565	n/a	n/a	112,425	66,230	46,195	n/a	n/a
Fuel Oil	TJ	648	503	145	n/a	n/a	679	524	156	n/a	n/a
Natural Gas	TJ	39,908	21,535	18,369	n/a	4	64,016	38,290	25,727	n/a	n/a
Blast Furnace Gas	TJ	7,181	n/a	7,181	n/a	n/a	9,269	n/a	9,269	n/a	n/a
Coke Gas	TJ	608	n/a	608	n/a	n/a	1,353	n/a	1,353	n/a	n/a
Diesel Oil	TJ	142	8	134	n/a	n/a	128	11	117	n/a	n/a
Forest waste	TJ	3,278	3,278	n/a	n/a	n/a	3,350	3,350	n/a	n/a	n/a
Iron and Steel industry gas	TJ	1,198	n/a	1,198	n/a	n/a	1,503	n/a	1,503	n/a	n/a
Fuel for vehicle fleet	TJ	257	160	14	68	14	272	175	16	61	20
Electricity Consumption											
Generation internal consumption	MWh	2,604,713	1,918,657	615,083	19,778	51,194	2,079,218	1,486,680	528,542	12,963	51,033
Administrative services ⁽³⁾	MWh	40,946	21,230	6,288	10,992	2,435	43,918	21,146	5,334	14,359	3,077
Grid losses	%	9.0	8.4	3.6	11.7	n/a	7.2	7.2	3.4	11.3	n/a
Environmental Certification (ISO 14001)											
Production facilities certified	#	235	53	19	4	159	165	52	19	4	90
Net maximum installed capacity certified	MW	17,665	8,932	3,621	1,448	3,664	16,195	8,931	3,624	1,447	2,193
Net maximum installed capacity certified	%	76	90	97	73	48	70	86	97	81	31
Substations certified	#	135	73	57	5	n/a	93	40	50	3	n/a
Installed capacity of substations certified	MVA	7,843	2,414	5,145	284	n/a	5,769	1,255	4,313	201	n/a
Installed capacity of substations certified	%	27	14	100	4	n/a	21	7	98	3	n/a
Gas distribution certified	%	100	100	100	n/a	n/a	100	100	100	n/a	n/a
Revenues from certified installations	%	34	28	46	19	67	27	24	36	12	42
Atmospheric Emissions											
Total Emissions											
CO ₂ ⁽⁴⁾	kt	18,005	9,011	8,994	n/a	n/a	16,919	8,416	8,502	n/a	n/a
SO ₂	kt	16.0	3.8	12.2	n/a	n/a	9.4	3.0	6.4	n/a	n/a
NO _x	kt	16.0	4.5	11.5	n/a	n/a	15.1	5.8	9.3	n/a	n/a
Particles	kt	0.8	0.2	0.6	n/a	n/a	0.7	0.4	0.3	n/a	n/a
Mercury	kg	37	19	18	n/a	n/a	107	90	17	n/a	n/a
SF ₆	kg	296	144	108	42	3	279	169	33	78	0
Overall specific emissions											
CO ₂	g/kWh	323	487	854	n/a	n/a	285	345	826	n/a	n/a
SO ₂	g/kWh	0.29	0.21	1.15	n/a	n/a	0.16	0.12	0.62	n/a	n/a
NO _x	g/kWh	0.29	0.25	1.09	n/a	n/a	0.25	0.24	0.90	n/a	n/a
Particles	g/kWh	0.01	0.01	0.05	n/a	n/a	0.01	0.02	0.03	n/a	n/a
GHG emissions ⁽⁴⁾											
Direct Emissions (scope 1)	ktCO ₂ eq	18,046	9,026	9,013	5	1	16,957	8,435	8,514	6	1
Indirect emissions (scope 2) ⁽³⁾	ktCO ₂ eq	1,455	1,105	126	202	22	1,281	1,084	122	52	23
Other indirect emissions (scope 3)	ktCO ₂ eq	1,455	841	604	6	4	972	674	292	3	3
Avoid CO ₂	kt	22,024	4,404	539	2,560	14,521	21,086	6,924	367	1,702	12,093
Water collected by source											
Ocean	10 ³ xm ³	1,591,399	1,155,309	436,090	n/a	n/a	1,422,849	993,390	429,458	n/a	n/a
River or stream	10 ³ xm ³	22,572	11,244	11,320	8	n/a	21,799	13,331	8,457	10	n/a
Reservoir	10 ³ xm ³	174	174	0	n/a	n/a	168	168	0	n/a	n/a
Artesian well	10 ³ xm ³	116	116	n/a	n/a	0	120	96	n/a	23	0
Well	10 ³ xm ³	46	9	0	35	2	11	11	0	n/a	0
Municipal Services	10 ³ xm ³	4,001	3,130	799	69	12	3,028	2,114	844	62	8
Other private entity	10 ³ xm ³	4,353	3,210	1,143	n/a	1	4,323	3,203	1,120	n/a	0
Use of water											
Cooling water	10 ³ xm ³	1,613,929	1,166,998	446,930	n/a	n/a	1,444,350	1,006,868	437,482	n/a	n/a
Raw water	10 ³ xm ³	8,394	6,028	2,366	n/a	n/a	7,552	5,285	2,267	n/a	n/a
Potable water	10 ³ xm ³	308	164	27	102	15	259	163	26	62	8
Wastewater											
Wastewater from generation with treatment	m ³	4,083,090	1,227,433	2,855,657	n/a	n/a	3,673,065	1,139,795	2,533,270	n/a	n/a
Discharge into sea	m ³	1,593,327,555	1,156,257,373	437,070,182	n/a	n/a	1,424,502,958	994,234,339	430,268,619	n/a	n/a
Discharge into inland and estuary water	m ³	14,182,178	7,636,117	6,546,061	n/a	n/a	9,798,257	4,815,044	4,983,213	n/a	n/a
Waste sent to final disposal											
Total waste	t	647,166	252,478	380,171	13,324	1,194	554,796	134,314	412,687	7,035	760
Total hazard waste	t	4,765	2,845	1,194	169	557	22,145	20,411	487	854	393
Recovered waste	%	65	46	76	100	82	72	49	79	99	64
Main waste categories											
Fly ash ⁽⁷⁾	t	416,435	121,065	295,371	n/a	n/a	379,965	39,768	340,197	n/a	n/a
Used oils	t	698	117	181	127	273	698	330	36	111	221
PCB	t	181	118	37	26	0	115	58	58	0	0
Metals	t	2,817	612	352	1,758	96	2,828	689	530	1,572	36
Gypsum	t	25,415	2,382	23,033	n/a	n/a	39,185	14,022	25,162	n/a	n/a
By-products											
Gypsum	t	112,830	74,883	37,947	n/a	n/a	155,751	113,342	42,410	n/a	n/a
Ash and Slag	t	189,870	189,870	0	n/a	n/a	220,220	194,541	25,679	n/a	n/a
Distribution in protected areas											
High voltage distribution grid in protected areas	km	1,112	898	102	112	n/a	1,136	898	42	197	n/a
Medium voltage distribution grid in protected areas	km	13,451	8,683	765	4,003	n/a	13,042	8,582	622	3,837	n/a
Substations in protected areas	#	39	18	9	12	n/a	39	18	9	12	n/a
Environmental Investment and expenses	EUR thousands	80,514	32,675	21,467	18,122	8,250	77,422	45,224	9,139	11,228	11,831
Investment	EUR thousands	31,637	16,032	4,559	5,970	5,076	48,187	27,446	2,855	7,964	9,921
Expenses	EUR thousands	48,877	16,643	16,908	12,152	3,174	29,235	17,778	6,283	3,264	1,910
Compliance											
Environmental fines and penalties	EUR thousands	2,218	0	2,218	0	0	4	0	4	0	0
Environmental complaints	#	286	70	133	40	43	238	81	18	44	95

(1) Does not include the information on Pecém Power Plant which came into operation on December 1st 2012.

(2) Does not include data related with EDP Renewables.

(3) Figure for Spain was reviewed in order to include the administrative buildings of HC Energía Generación.

(4) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.

(5) More details on the Climate Change chapter.

(6) Figures for 2011 were reviewed due to a change in methodology, which now excludes production from nuclear sources (Spain, USA and rest of Europe) and cogeneration (Portugal).

(7) The indicator has changed, now EDP reports the total waste fly ash sent to final disposal.

3.4.1. MANAGEMENT SYSTEMS

In its environmental policy EDP is committed to the constant improvement of its environmental performance, particularly the prevention of pollution and minimisation of its impacts, meeting the requirements of environmental legislation applying to the different activities of the company, as well as other voluntary commitments it has undertaken.

A corporate environmental policy system (SIGAC) has been in place and certified, since 2008, according to ISO 14001:2004, the scope of which covers "the corporate management of environmental policies and strategic environmental plans, environmental information and the environmental performance of the EDP Group organisations". The system establishes and fosters alignment within the group and the objective of the maintenance and extension of the environmental certifications for installations and activities, on the basis of the ISO 14001:2004 standard and the European Commission's Eco-Management and Audit Scheme (EMAS).

Thus, in addition to maintaining the already existing ISO 14001 and EMAS certifications, the certification and registration plans of the various group companies were complied with, overall.

The effort invested in environmentally certifying the Group installations and activities is focused on activities in operation, with design and construction and decommissioning being managed in accordance with their different specificities and controlled in accordance with the SIGAC.

Operational objectives and targets with respect to the environmental certification systems are set annually and incorporated into the Group's Sustainability and Environment Operational Plan. These objectives and targets for all generation plants with EMAS registration can be found at www.edp.pt/sustainability/environment/environmental_management, in the respective environmental statements.

3.4.2. CLIMATE CHANGE

EDP maintains its strong commitment to combating climate change on two different fronts: mitigation and adaptation. In the area of mitigation one can highlight for 2012, on the supply side, the increase in the installed capacity in hydroelectric and wind energy power stations (~700 MW) and the decommissioning of fuel oil power stations in Portugal. EDP has likewise been promoting energy efficiency improvement initiatives and strengthening the provision of energy services on the demand side (see page 77).

As far as adaptation is concerned, EDP consolidated the Group's climate risk management strategy and was also an active participant, in Portugal, in the National Adaptation to Climate Change Strategy developed by the Portuguese Environmental Agency, which drew up the "Report of the Energy Sub-Group for a National Adaptation to Climate Change Strategy" under the coordination of the Directorate General for Energy and Geology.

The year under review was characterised by a number of exogenous and market circumstances that had a significant impact on the energy sector and a decisive influence on the energy/environmental performance of the EDP Group's supply. These circumstances were:

- low rainfall in Portugal and Spain (with a Hydroelectric Production Index [HPI] of less than 50%), which affected the generation mix and called for the more intensive operation of other thermal power stations

- the lack of an effective CO₂ market, with prices falling heavily in 2011 and 2012 (up to €6/ton in 2012) due to a strong divergence between supply and demand, and affecting the order of merit for the entrance of power stations into the electricity system
- the low price of CO₂ and coal in comparison to natural gas, which has naturally been reflected in the operation of the Iberian market and the increase of atmospheric emissions
- the economic and financial crisis in Europe, as well as the presence of the Troika (EC/ECB/IMF) in Portugal, leading to a contraction in the consumption of electricity in the country (-3.6%).

CO₂ EMISSION LICENSES

In the final year of what is known as the Kyoto period, a total of some 18 Mton (millions of tonnes) of CO₂ emission licenses were allocated to the EDP thermal power stations covered by the European Union Emissions Trading Scheme (EU-ETS). Given the conditioning factors mentioned above, EDP used up all its credits. Between 2013 and 2020 the allocation of emission license will be partially organised on an auction basis in accordance with Directive 2009/29/EC, which regulates the third phase of the EU-ETS.

CO₂ ALLOWANCES AWARDED TO THE GROUP IN 2012 (kt)

Power Plants	PORTUGAL			SPAIN		
	Licences Allocated	Real Emissions		Power Plants	Licences Allocated	Real Emissions
Sines	5,833.3	7,785.6		Aboño	4,681.9	6,208.6
Setúbal	1,119.0	17.0		Soto de Ribera	1,408.3	1,515.8
Carregado	377.2	0.0		Soto 4 e 5	658.0	308.0
Tunes	4.5	0.2		Castejón	627.4	322.3
Ribatejo	1,423.1	95.5		H. Central Oviedo	27.7	24.8
Lares	731.1	521.8		EITO Cogeneración	20.3	19.8
Energin	226.0	201.5		Tercia	52.9	66.1
Soporgen	239.3	260.7		Intever	29.8	60.4
Fisigen	170.4	127.4		Sinova	52.9	66.1
Ródão	2.0	0.5		Biogas y Energía	28.4	36.0
Mortágua	0.6	0.1		Sidergás Energía	314.1	314.1
Figueira da Foz	4.8	0.5		Tudela	28.4	17.3
Constância	2.0	0.2		Total	7,930.1	8,959.3
Total	10,133.2	9,010.6				

1- Emissions from the Biomass power stations (Ródão, Mortágua, Figueira da Foz and Constância) are reported at 50%.
 2- Includes CO₂ emissions by the Sidergás and Aboño plants, which are fired by waste gases. (emission rights given by Arcelor, corresponding to real consumption).
 3- The values concerning the "CO₂ licences" differ slightly from the ones in note 48 (financial statements) because the presented figures represent the best estimates at the date of accounts closing.

In comparison to 2011, in which 16.9 Mton of CO₂ were emitted, there was a 6% increase in emissions in the context of the EU-ETS, which can essentially be put down to greater use of coal-fired power stations to meet consumption demand.

For this very reason, the overall specific emissions for the EDP Group rose from 0.285 tCO₂/MWh in 2011 to 0.323 tCO₂/MWh in 2012, thus distancing the company from the target of 0.27 tCO₂/MWh set for the year

One should notice that this target, which was set in 2005, was based on generation mix projects that took into consideration mean water years (HPI=1). Therefore, if 2012 had been an average year, hydroelectric generation in Portugal would have increased by approximately 100% (-5,6 TWh) and we would have avoided the same amount of generation by thermal power stations, in particular coal-fired power stations that feature in the base line of the load diagram. If one takes into consideration an equal distribution of that drop in generation by the power stations belonging to EDP and the other companies operating in Portugal, one arrives at an overall

CARREGADO THERMAL POWER PLANT: DECOMMISSIONING PLAN

Carregado Thermal Power Plant (710 MW net installed capacity), equipped with a conventional steam turbine technology, used, during its lifespan, fuel oil and natural gas. The Plant ceased operation in March 2012.

The undergoing Decommissioning Plan includes actions that aim at minimizing possible environmental impacts related with the closure of the Plant. These actions comply with applicable legislation, apply the best practices and guarantee the fulfilment of every established safety procedures.

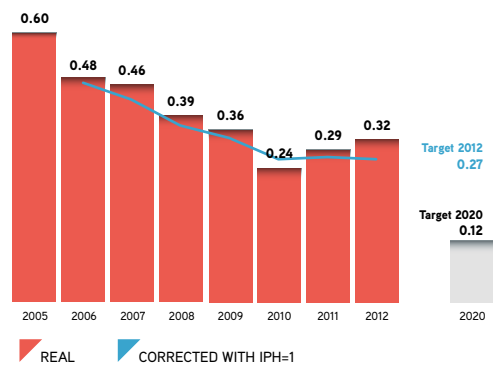
Presently, there is no decision regarding future use of both the terrain and the existing premises, which poses constraints to subsequent works.

As a consequence, the current action plan only addresses the decommissioning phase, in order to lower associated risks, specifically regarding environmental aspects. This phase is expected to be concluded by the end of the first quarter of 2013.

Once decided future use of the Plant's grounds and buildings, following stages, for environmental requalification, will be preceded by an asbestos presence and soil and underground water contamination assessment studies.

specific emissions figure for the EDP Group of 0.265 tCO₂/MWh, which would be in line with the set target. In addition to the real specific emissions figures for the 2005-2012 period, the graph above also shows, for comparison purposes, the estimated figures for said emissions based on projected mean water years.

SPECIFIC CO₂ EMISSIONS OF EDP (gCO₂/kWh) AND REDUCTION TARGETS



CARBON DISCLOSURE PROJECT

The Carbon Disclosure Project has become a global benchmark for the corporate reporting of direct and indirect CO₂ emissions. In 2012 EDP was given a 96/100 rating for reporting and a B in performance, which was the best reporting score in Portugal and the fourth best in the universe of electricity utilities worldwide.

The following table shows the direct (scope 1) and indirect (scopes 2 and 3) emissions broken down into categories and determined in accordance with the methodology defined in the GHG Protocol.

It is noteworthy that, under the LEAN project, which aims to promote a culture of ongoing improvement, the implementation of six initiatives were concluded, in order to reduce energy consumption on the premises of the EDP Group, and helped to approximately avoid emissions of 1,017 tCO₂.

CO₂ EMISSIONS OF THE EDP GROUP (kt)

	GROUP	PORTUGAL	SPAIN	BRAZIL	EDP RENOVAVEIS
SCOPE 1 (ktCO₂)	18,045.6	9,026.1	9,013.0	5,2	1.3
Stationary combustion	18,004.7	9,010.6	8,994.1	-	-
SF6 Emissions	6.8	3.3	2.5	1.0	0.1
Company fleet	18.2	11.9	1.1	4.2	1.0
Natural gas consumption	0.4	0.1	0.1	-	0.2
Natural gas losses (T&D)	15.6	0.3	15.3	-	-
SCOPE 2 (ktCO₂)	1,454.8	1,104.9	126.2	201.6	22.0
Electricity consumption in office buildings	8.8	4.9	2.1	0.8	1.1
Electricity losses (T&D)	1,157.3	854.2	103.6	199.5	-
Backfeed Power - Wind	288.6	245.9	20.4	1.4	21.0
SCOPE 3 (ktCO₂)	1,455.4	840.8	604.4	5.8	4.3
Business travel	10.8	3.1	1.0	3.5	3.1
Rented vehicles	0.5	0.2	0.3	0.0	0.0
Employee Commuting	4.5	0.1	0.8	2.3	1.2
Fuel and by-product transportation	1,405.7	803.4	602.2	0.0	0.0
Outsourcers (construction site)	33.9	33.9	0.0	0.0	0.0

CO₂ EMISSIONS AVOIDED

The use of renewable energy sources for the generation of electricity in the EDP Group has the environmental advantage of avoiding the use of fossil fuels (coal, fuel oil, natural gas) to produce the same energy and consequently reduce greenhouse gases emissions. In recent years, the strategy of commitment to renewable sources has resulted in a progressive increase in CO₂ emissions avoided, which in 2012 reached approximately 22 million tonnes.

MANAGEMENT OF THE CARBON CREDITS PORTFOLIO

EDP has maintained the strategy it adopted in previous years of using carbon credits acquired both in the primary market and the secondary market, in addition to the use of CO₂ emission licenses in order to meet the emission targets that apply to its combustion plants in Portugal and Spain.

In Brazil, where there is no carbon market in operation, EDP has been a pioneer in the electricity sector in developing carbon credit projects. It has five Clean Development Mechanism (CDM) projects registered with the Executive Board of the UNFCCC (United Nations Framework Convention on Climate Change): increasing the power of the fourth machine at its Mascarenhas hydroelectric power station; the São João and Paraíso hydroelectric power stations; and the Água Doce and Horizonte wind farms. To date, the UN has issued 40,426 Certified Emission Reductions (CERs).

PRIMARY ENERGY AND EFFICIENCY OF THERMAL POWER STATIONS

Primary energy consumption is heavily dependent (99.8%) on combustion of fossil fuels in thermal power stations. In 2012, it totalled 197,723 TJ, which is a slight increase (2.5%) on the preceding year. This was, once again, a result of the intensive use of coal-fired power stations in Portugal and Spain. In contrast, the primary energy consumption, in the form of fuel for the vehicle fleet, was reduced by approx. 8%.

THERMAL EFFICIENCY IN GENERATION FACILITIES (%)

	2012			2011		
	GROUP	PORTUGAL	SPAIN	GROUP	PORTUGAL	SPAIN
Coal and Fuel oil	36.2	37.3	34.8	35.8	37.1	34.4
CCGT	50.5	49.7	51.2	51.9	52.1	51.7
CHP and waste	76.0	82.9	67.4	73.3	81.7	63.9
Biomass	22.6	22.6	-	21.2	21.2	-

In comparison to 2011, the yield of the coal-fired power stations (conventional thermal power stations) increased, as they operated in a more favourable operating regime (load factor above 80%), but decreased for the natural gas plants for precisely the opposite reason (load factor of less than 10%).

3.4.3. BIODIVERSITY

EDP MANAGEMENT IN PROTECTED AREAS IN 2012

	UNIT	PORTUGAL	SPAIN	BRAZIL	
DISTRIBUTION GRIDS					
HV	Overhead	km	884	101	112
	Underground	km	14	1	0
MV	Overhead	km	7,836	725	3,993
	Underground	km	847	40	10
Substations	no.	18	9	12	

GENERATION ACTIVITY (ha) ⁽¹⁾

Flooded areas by reservoirs ⁽²⁾	ha	3,074	260	0
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(1) The affected areas concerning wind activity are available at: www.edprenovaveis.com > Sustainability > Corporate Social Responsibility > Wind Projects
 (2) In Portugal, area reduction compared to 2011 is explained by a revision process. This was due to an update of protected areas by national authorities and due to an update of EDP Production assets (previous values still included assets transferred to EDP Renewables). New power plants under construction are already included.

The loss of biodiversity, and consequent degradation of ecosystem services, is one of today's major concerns worldwide. Since 2007, EDP has published a Biodiversity Policy that outlines a management approach aimed at achieving an overall positive balance between the negative impacts of EDP operations and the minimisation, offsetting and scientific knowledge support measures that the company fosters and implements. Each year a biodiversity report is published, highlighting a number of initiatives in course. It is available at www.edp.pt > sustainability > environment > biodiversity.

In Brazil, EDP has no generation operations in areas classified as nature reserves or protection zones. Nevertheless, the location of the plants – particularly those in the Amazon Forest, Atlantic Forest and Cerrado savannah biomes – requires that they be closely monitored due to these areas' acute ecological sensitivity. These last two biomes are identified as biodiversity hotspots.

GENERATION ACTIVITY

In the generation activities in operation, biodiversity is globally approached in the context of the environmental management systems in place, with the focus on minimising and offsetting impacts on biodiversity maintained in the new generation plants in the design and/or construction phases, whether hydroelectric or wind energy. The following projects were of particular note in 2012 (see page 84 for more information):

- **Baixo Sabor Hydroelectric Power Plant**, which is located within a Natura 2000 reserve area. It features a wide range of impact minimisation and offsetting measures in an intervention in an area of over 1,200 ha that includes the planting of holm oak and juniper woods and riparian vegetation, installing mosaics of pasture and glades for deer, partridge and rabbit, and various actions to reduce the fire risk in priority habitats occupied areas. The other measures to be implemented include the reduction of human interference through the creation of non-hunting zones and animal refuge zones in areas that are critical for the conservation of the wolf packs of Souto da Velha, Paradela, Alfândega da Fé and Talhinhas, and for the preservation of Bonelli's Eagle and Golden Eagle, covering a total estimated area of 5,800 ha;
- **Foz Tua Hydroelectric Power Plant**, the dam for this plant will affect a total area of 457 ha of protected habitats (for rare, endemic, localised, threatened animals or animals in danger of extinction). In order to minimise and offset this impact, measures were developed to maintain or recover a total area of 686 ha with the same classification;
- One can also highlight the environmental care observed in **Venda Nova III** and **Salamonde II**, namely in terms of the control and monitoring of the impact of the works on underground water resources, as well as the development of an Integrated Acacia Control and Habitat Recovery Plan (in particular habitats in mixed woods, bogs and riparian galleries) in Salamonde and also the forestation plan to offset the increase in capacity at **Alqueva**;
- **Cachoeira Caldeirão Hydroelectric Power Plant** in Brazil, for which the reservoir lake will flood about 2,600 ha of land, including approximately 10 ha of the urban area of the municipality of Porto Grande and 1,161 ha of Amapá State Forest. The Environmental Impact Study makes provisions for 20 socio-environmental programmes to offset or mitigate the impacts, including. Among them, in the environmental aspects: the monitoring of the riparian forest and species affected by the filling of the dam reservoir and also the recovery of areas negatively affected by the construction work on the power generation unit. These measures are accompanied by financial compensation to affected municipalities and measures of social framework. During the licensing process, new compensatory measures are likely to be decided.

In Brazil, EDP has a total area of some 876 ha earmarked for environmental recovery and/or

offsetting measures in the surroundings of its hydroelectric plants, of which 635 ha have already been recovered, keeping currently monitoring and replanting when necessary. These processes guarantee the use of local species without alteration of the habitat type and are monitored by local authorities. Also in connection with these power plants, EDP is responsible for maintenance of the areas around the reservoir lake which have been classified as Permanent Preservation Areas; these areas total approximately 13,900 ha.

The construction of wind farms occupies little surface area and one estimates that, in a typical case, less than 1% of the surface area of a wind farm site is affected; this includes access routes and auxiliary facilities necessary for effective management of the farm. The regular monitoring practices and offsetting measures are mostly implemented through partnerships with environmental NGOs; these focus mainly on bird and bat wildlife. The construction phase is normally followed by a landscape recovery programme of the site. In 2012 a total area of 149.29 ha was recovered.

EDP Distribuição launched its Environmental Promotion Programme 2012, which includes the National Specific Programme for Wild Birds. The programme has a budget of EUR 461,000 and consists of three sub-projects: correction of potentially dangerous power lines, with 18 km of lines being corrected so far; interventions in white stork nests, with the transfer of some 100 nests from dangerous locations; and continuation of the collaboration between EDP Distribuição, the Portuguese Society for the Study of Birds (SPEA), Quercus and the Institute for the Conservation of Nature and Forests (ICNF) in a monitoring programme and other effectiveness assessment studies of measures taken.

In Spain, HC Energía produced a Good Practice Manual for Management of Protection Strips Alongside Power Lines. The manual seeks to ensure compatibility of the necessary safety maintenance work with the habitats and species included in the Natura 2000 programme, thus ensuring the protection of these eco-systems.

3.4.4. WATER

Water is a fundamental resource for EDP operations. The company takes a strategic and operational approach to the management of water. In 2012 EDP published a Corporate Water Management Policy that is aimed at promoting sustainability in water management, as well as assessing the exposure of operations to water stress. This process applied the Global Water Tool, which was developed by the World Business Council for Sustainable Development. The conclusion was that the only EDP facility located in an area that can currently be considered to be subject to water stress is the Sierra de Tercia cogeneration plant in Murcia, Spain, which accounts for approximately 0.07% of the Group's installed capacity. This plant uses waste from the local pig farming industry, reducing that industry's considerable environmental impact. The plant was built using the best water management processes, such as the reuse of condensate water from effluent treatment and the reuse of purge water to irrigate neighbouring fields.

Water is used in the power generation process in thermal power plants primarily for cooling circuits (99.4%). It is subsequently returned to the environment at a slightly higher temperature. This process is periodically checked by the plants. The temperature of discharge water during 2012 was within the limits set out in the various environmental permits.

FUEL OIL SPILL AT ABOÑO POWER PLANT

In July 2012, there was an accidental leak of fuel oil at the Aboño thermal plant owing to a burst pipe in one of the plant's generation units. Despite the rapid intervention of emergency teams, which managed to recover most of the spilled oil, an estimated 10 metric tons of fuel reached the sea via the Aboño river. The oil reached a number of beaches and rocky areas on a 13 km stretch of coastline from Cabo Torres to Antromero beach.

The accidental marine contamination emergency plan was activated for the beach cleaning work and to implement environmental damage prevention measures. Approximately 100 HC Energía employees volunteered to take part in the daily clean-up operations, which were completed in a period of roughly 15 days, although other recovery operations continued.

The accident was not classified at the environmental damage level because it did not result in significant damage to the natural resources and services affected, in accordance with the Legislation on Environmental Accountability.

The quality of effluents is regularly monitored in line with the provisions of the respective environmental permits and legislation in force. In the specific case of Soto Ribera, the water is discharged into the River Nalón, which is declared a Place of Community Interest, and so the effluents are bound to comply with temperature conditions and chemical-physical parameters that guarantee no change to the recipient environment. This information can be found at www.edp.pt/sustainability/environment. In 2012 there was a fuel oil spill at the Aboño thermal power plant which is briefly described in the highlighted box on the side.

Under the LEAN programme, EDP has undertaken local initiatives in its generation plants with the aim of reducing consumption and increasing efficiency in the use of this resource. Of particular note in 2012 were:

- **Castejon Thermal Power Plant** implemented a recirculation system for the extraction of water and automatization of the flow control, allowing for a substantial reduction in the water extracted, effluents produced and chemicals consumed;
- **Mortágua Power Plant** made improvements to the electrical circuit and the control air circuit of the sand filter valves, leading to a reduction in downtime for the raw water treatment system and also achieving reductions in water wastage and control air leaks;
- **Soporgén Cogeneration Plant** upgraded its demineralisation plant's water treatment system, resulting in improved water quality and a reduction in corrosion of the recovery boiler and steam turbine pipes.

In 2012 EDP once again participated in the **Water Disclosure Project** survey, being one of the 250 companies around the world who did.

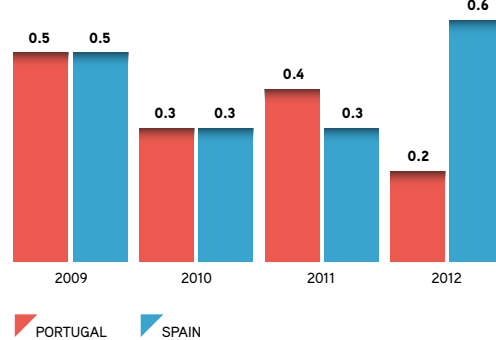
EDP continues to contribute to forums dedicated to the subject of water, such as the Water Work Group of BCSD Portugal, the EU's European Water Partnership and the Eurelectric water work group.

3.4.5. OPERATIONAL ACTIVITIES

ATMOSPHERIC EMISSIONS

Atmospheric emissions resulting from combustion to generate electricity are one of the most significant environmental aspects of the EDP Group operations.

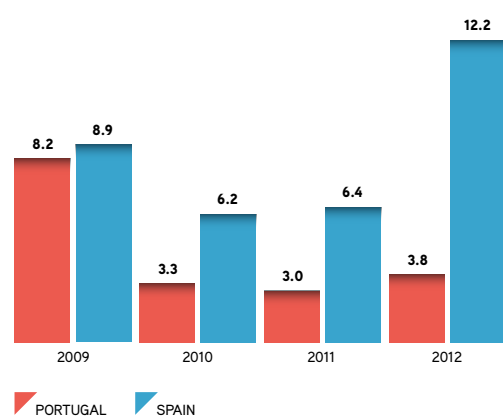
TOTAL OF PARTICLES EMISSIONS AT EDP GROUP (kt)



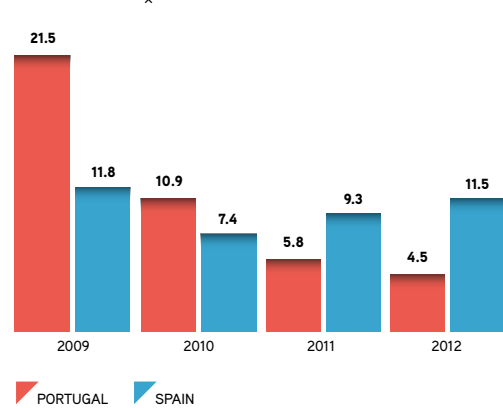
This environmental aspect is monitored regularly in order to verify compliance with the values established in the legislation and respective environmental permits.

Emissions into the atmosphere increased significantly in 2012 due to a low HPI and to market circumstances, which led to an increase in generation using coal-fired thermal power plants in comparison to similar previous years (for complementary information please see page 63).

TOTAL OF SO₂ EMISSIONS AT EDP GROUP (kt)



TOTAL OF NO_x EMISSIONS AT EDP GROUP (kt)



Detailed information on the atmospheric emissions of each plant can be found at www.edp.pt/about-edp/business-units/electricity-generation.

WASTE AND BY-PRODUCTS

In Europe, EDP has been reporting separately on waste and by-products (gypsum, coal fly ash and coal slag in Spain) since 2011, in line with the regulatory changes introduced in 2010.

In accordance with the Basel Convention, EDP limits the cross-border movement of waste. Export of waste is restricted to PCB waste or sporadic situations, i.e. situations where the country in which the waste is produced does not have the technical capability/facilities required for its disposal. There is no record of any cross-border movement in 2012.

Installations contaminated with PCBs at concentrations below 500 ppm may be kept in operation until the end of their service life, under the regulations in force. Nevertheless, EDP is prioritising the removal of such installations and equipment under the scope of its replacement plans. In 2012, a total of 118 metric tons containing PCBs were sent for final disposal.

ACCIDENT PREVENTION AND EMERGENCY RESPONSE

EDP has procedures in place to identify and respond to potential accidents preventively, ensuring an adequate response in order to avoid and minimise potential negative impacts. All facilities must have emergency plans and procedures which identify potential risks, the actions to be taken and the human and material resources available at the site, and they must ensure that employees or service providers are aware of these practices.

There were 295 cases of spills of diverse kinds in 2012, 292 of which were in the distribution activity. Most of these were the result of acts of vandalism in power transformers. It is estimated

that 117 m³ of oil were spilled. Some 1,585 metric tons of soil were removed in the cleaning and recovery operations.

In 2012, there was an accidental leak of fuel oil at the Aboño Power Plant, described on page 66.

ELECTRO-MAGNETIC FIELDS

EDP has committed itself to action in this area based on the principle of precaution, which, as defined by the WHO (World Health Organization), consists of "taking simple, easily achievable, low-cost measures to reduce exposure to electro-magnetic fields, even in the absence of a demonstrable risk".

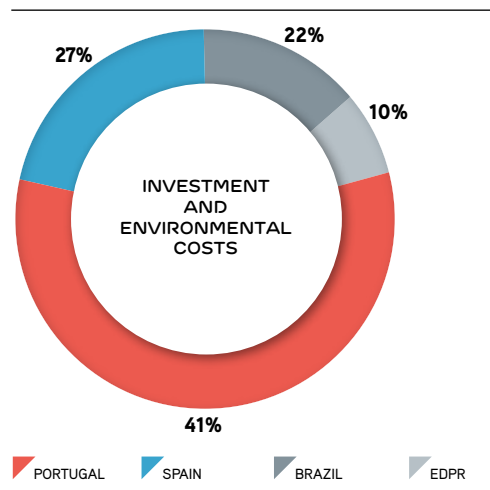
In 2012 EDP Distribuição continued its policy of providing information and clarification on this issue, both internally and in response to external requests. Public information sessions were held at a number of town halls and parish councils in areas where electricity infrastructures are currently being built.

The year 2012 also saw the launch of an initiative for the assessment of the electro-magnetic fields generated by the new smart grid installations, anticipating their future development and possible consequences.

3.4.6. ENVIRONMENTAL INVESTMENT AND EXPENDITURE

The total value of environmental investment and expenditure, in 2012, was EUR 80.5 million. Investment in the environment, EUR 31.6 million essentially encompassed actions and measures focusing specifically on atmospheric impact minimisation and reduction, and biodiversity and landscape protection. The investment in biodiversity (EUR 8.9 million) in its majority measures to offset and mitigate the environmental impacts of the new hydro-electric projects (Sabor and Foz Tua) and increases in installed capacity (Venda Nova III and Salamonde II) accounts for a substantial part (EUR 5.4 million) of the overall amount invested. Investment has been on a downward trend in the last 4 years, at an annual average rate of 29% of which can be explained by the completion of the desulphurisation and denitrification systems at the Sines, Aboño and Soto plants. Environment-related expenditure has, over the years, been linked essentially to thermal plants and the consumables involved in the operation of the desulphurisation and denitrification systems to reduce SO₂ and NO_x at the Sines, and the desulphurisation in Aboño (group 2) and Soto (group 3) plants. As far as the hydro-electric plants are concerned, the main highlight has been expenditure on water quality monitoring campaigns in the reservoir lakes.

For more detailed information on environmental investments and expenditure please see note 52 to the financial statements.



EDP incurred costs with fines and other penalties for non-compliance with environmental regulations amounting to EUR 2.2 million. This figure is mainly due to the accident in Aboño (page 66). The environmental revenue of EUR 4.8 million is related to the sale of environmental by-products (gypsum, ashes and slag) in the value of EUR 2.8 million and the sale of environmental waste in the value of EUR 1.9 million.

EDP has set up a provision of EUR 29.1 million (see note 37 to the financial statements) to cover the costs of pre-decommissioning the Trillo nuclear power plant, which is scheduled for 2015. The Group has also set up a provision of EUR 63.3 million for the decommissioning of wind farms, specifically to cover the costs of returning sites and land to their original state. To cover future environmental liabilities, EDP has also set up additional provisions to cover the potential cost of land recovery (EUR 56.0 million) and land decontamination (EUR 20.2 million).

3.5. EMPLOYEES

HUMAN RESOURCES 2012 ⁽¹⁾	UNIT GROUP	2012					2011				
		PORTUGAL ⁽²⁾	SPAIN ⁽³⁾	BRAZIL	EDPR	GROUP	PORTUGAL ⁽³⁾	SPAIN ⁽³⁾	BRAZIL	EDPR	
EMPLOYMENT ⁽⁴⁾											
Employees	#	12,275	7,132	1,635	2,648	860	12,168	7,170	1,684	2,518	796
Executive Board of Directors	#	7	7	0	0	0	7	7	0	0	0
Senior Management	#	724	427	92	70	135	692	420	93	65	114
Specialists	#	4,223	1,989	704	886	644	4,089	1,926	696	868	599
Middle technicians	#	207	207	0	0	0	205	205	0	0	0
Intermediate technicians	#	71	71	0	0	0	90	90	0	0	0
Qualified and highly qualified professionals	#	6,891	4,309	839	1,676	67	6,931	4,399	895	1,567	70
Semi qualified professionals	#	152	122	0	16	14	154	123	0	18	13
Permanent	#	12,123	7,020	1,630	2,623	850	12,039	7,079	1,680	2,493	787
Fixed-term contract	#	97	83	4	3	7	80	63	3	7	7
Part-time	#	27	5	4	0	18	27	4	4	0	19
Male employees	%	78	80	77	78	68	78	80	77	77	68
Executive Board of Directors	%	100	100	0	0	0	86	86	0	0	0
Senior Management	%	82	81	86	81	82	83	81	89	82	84
Specialists	%	70	70	74	66	70	70	71	74	67	69
Middle technicians	%	89	89	0	0	0	88	88	0	0	0
Intermediate technicians	%	85	85	0	0	0	82	82	0	0	0
Qualified and highly qualified professionals	%	52	83	78	83	16	82	83	78	82	29
Semi qualified professionals	%	68	84	0	75	100	84	85	0	67	100
Employees with special needs	#	194	107	16	70	1	195	103	11	80	1
Foreign employees	#	146	20	7	26	93	129	18	7	20	84
Turnover	%	5.6	2.7	1.5	13.9	12.6	5.7	2.8	2.3	12.4	18.8
New employees	#	741	170	8	425	138	728	177	44	365	142
Employees leaving	#	620	214	41	295	70	660	226	33	244	157
Employees' average age	years	46	49	46	39	37	46	49	45	39	37
Average age of new admissions	years	31	30	34	30	31	30	29	33	29	32
Average age of leaving	years	46	54	59	41	36	45	52	58	39	40
Seniority	years	20	31	30	14	3	17	30	29	11	4
M/F ratio of new admissions		2.76	2.15	0.33	3.52	2.21	2.14	1.81	0.42	2.88	2.23
Absenteeism rate	%	3.16	3.15	3.76	3.40	1.26	3.35	3.20	3.53	4.04	1.88
EDP minimum wage/national minimum wage ⁽⁵⁾	n/a	1.42	1.98	1.55	n/a	n/a	1.39	1.88	1.44	n/a	n/a
Pay ratio by gender (M/F)		0.98	0.97	1.03	0.93	1.20	1.02	0.97	1.21	1.05	1.13
TRAINING											
Total hours of training	hours	503,272	207,609	59,795	218,085	17,784	477,091	179,121	77,676	181,705	38,589
Environment	hours	4,639	1,806	670	1,316	847	5,595	3,534	1,173	800	88
Sustainable development	hours	967	891	16	60	0	825	464	0	80	281
Ethics	hours	195	98	85	0	12	4,290	0	4,198	57	35
Quality	hours	9,036	6,574	250	2,212	0	12,389	10,334	1,002	934	119
Languages	hours	32,618	10,473	15,649	3,784	2,713	52,172	7,384	18,615	6,050	20,123
Health and Safety	hours	40,630	26,751	7,592	3,784	2,503	75,078	15,824	10,750	45,592	2,912
Information systems	hours	23,240	15,419	4,879	2,480	462	36,297	26,032	6,878	1,946	1,441
Other	hours	391,948	145,597	30,654	204,449	11,248	290,446	115,548	35,061	126,247	13,590
Average training per employee ⁽⁴⁾	h/p	41.00	29.11	36.57	82.36	20.68	39.21	24.98	46.13	72.16	48.48
Senior Management	h/p	31.28	40.85	42.97	7.52	5.36	39.00	47.67	34.22	20.31	21.58
Specialists	h/p	46.22	50.70	42.87	60.96	15.77	51.54	51.72	71.77	34.62	51.98
Middle technicians	h/p	18.45	18.45	n/a	n/a	n/a	25.27	25.27	n/a	n/a	n/a
Intermediate technicians	h/p	21.89	21.89	n/a	n/a	n/a	12.83	12.83	n/a	n/a	n/a
Qualified and highly qualified professionals	h/p	40.22	19.20	30.59	96.65	100.97	33.21	11.82	27.42	94.96	69.53
Semi qualified professionals	h/p	19.24	10.10	n/a	97.08	9.93	18.41	9.48	n/a	85.58	9.93
LABOUR RELATIONS											
Collective employment agreements	%	83	83	99	94	23	84	85	99	94	18
Trade union membership	%	51	65	25	44	2	53	67	26	47	2
Union Structures	#	36	24	4	8	0	39	26	6	6	1
Hours lost due to strikes	hours	8,475	4,263	4,095	0	117	2,582	2,529	53	0	0
Staff engaged in further study	#	13	13	n/k	n/k	n/k	29	29	n/k	n/k	n/k
Professional Internships	#	348	182	0	160	6	285	136	0	145	4
Academic internships	#	505	203	219	0	83	437	164	205	0	68
HEALTH AND SAFETY											
Net maximum installed capacity certified by OSHAS 18 001	MW	16,679	8,939	3,587	1,446	2,707	13,407	8,922	843	1,448	2,194
Net maximum installed capacity certified by OSHAS 18 001	%	72	90	96	73	36	58	86	23	81	31
On-duty accidents	#	38	28	3	7	0	46	28	5	11	2
Fatal on-duty accidents	#	5	5	0	0	0	2	0	0	2	0
EDP frequency rate (Tf)		1.82	2.40	1.07	1.49	0.00	2.17	2.36	1.77	2.20	1.31
EDP severity rate (Tg)		109	172	16	46	0	180	260	65	102	22
Total days lost due to accidents	#	2,269	2,009	45	215	0	3,815	3,084	185	512	34
Occupational health rate		0.29	0.43	0.00	0.21	0.00	0.33	0.25	1.06	0.20	0.00
Fatal accidents of contracted workers	#	13	8	0	5	0	4	3	0	1	0
Contractors working days	#	5,230,811	2,504,273	537,820	1,755,881	432,837	4,444,208	2,436,426	506,395	1,113,402	387,985
Contractors frequency rate (Tf)		5.35	6.79	5.35	3.06	6.35	6.13	6.87	3.70	5.73	5.80
EDP and contractors frequency rate (Tf_total)		4.17	5.17	3.66	2.67	4.21	4.65	5.17	2.91	4.46	4.32
Fatal accidents involving non-workers ⁽⁶⁾	#	8	0	0	8	0	21	12	0	9	0

(1) Pécém Powerplant has not been considered for the purposes of detailed Human Resources information (107 employees).

(2) Includes information regarding an expatriate employee, presently in the People's Republic of China.

(3) Does not include data from EDP Renewables.

(4) 2011 results have been reviewed due to changes in headcount methodology, presently including corporate bodies, and to modifications regarding the calculation methodology of professional categories, the calculation methodology of professional categories.

(5) The detail of this indicator by country is available in the chart on the next page.

(6) Accidents with people – the general public, most of which are related to acts of vandalism or theft committed in facilities or equipment from the grids.

EDP has undertaken the commitment to combine ethical conduct and professional rigor with valuation of teamwork, promotion of skills and merit and work-life balance.

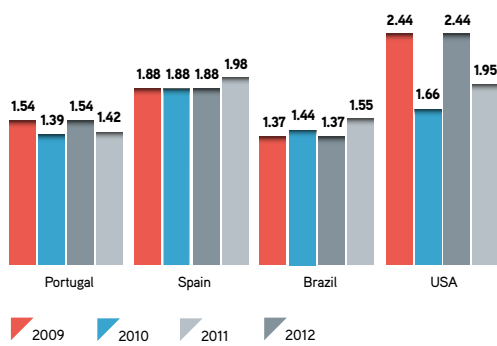
The company's centrally defined human resources policies cover areas such as attractiveness, improvement and development, recognition, reconciliation, occupational health and safety, innovation, management of opportunities, diversity, volunteering and private data protection.

A Social Report is published each year detailing the company's organisational model, the benefits given to employees and the practices in course. That report is available at www.edp.pt > edp > about edp > human resources.

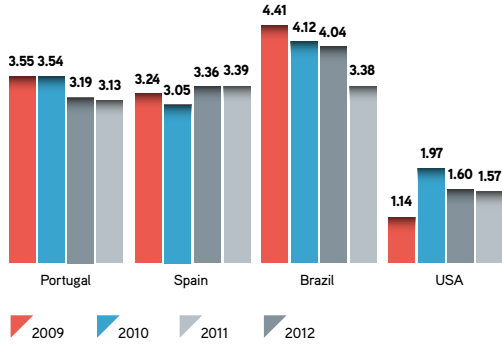
3.5.1. EDP EMPLOYEES

In 2012 the number of EDP employees rose slightly to 12,274 (does not include employees from Pecém power plant), continuing the growth curve over the last three years. The explanation for this development can be found in the balance between rejuvenation of the workforce and the number of workers who left the company due to situations of retirement, pre-retirement or early retirement. The turnover is 5.6%, reflecting the departures referred to above, with the reduction in this figure in relation to the previous year being a result of an increase in new recruits at EDP.

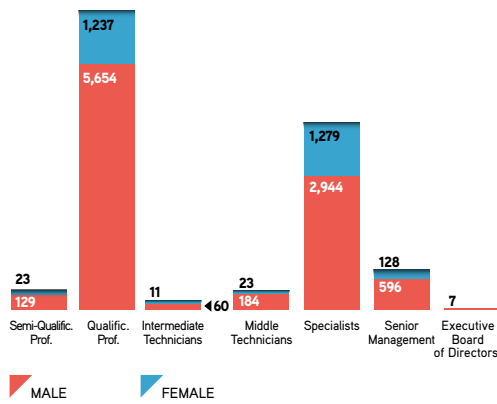
EDP MINIMUM WAGE/NATIONAL MINIMUM WAGE



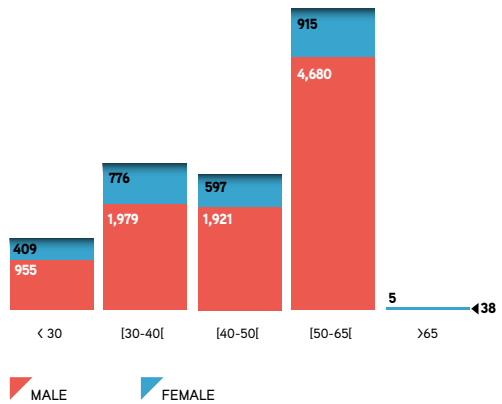
ABSENTISM RATE BY COUNTRY



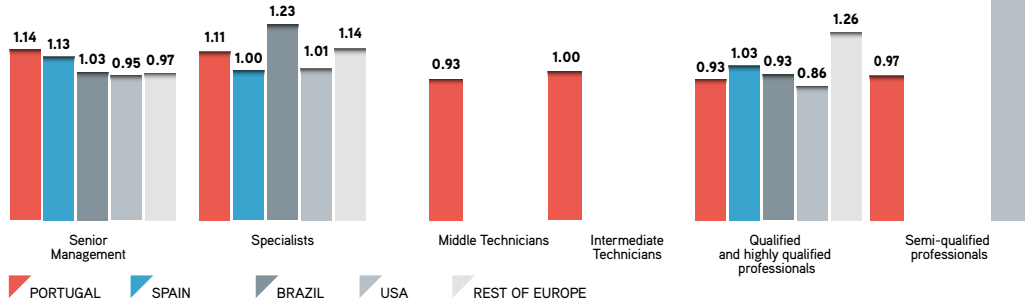
DISTRIBUTION OF EMPLOYEES BY PROFESSIONAL CATEGORY (No.)



DISTRIBUTION OF EMPLOYEES BY AGE GROUP (No.)



SALARY RATIO (M/F) BY PROFESSIONAL CATEGORY



Note: In 2012 a process of standardization of different segments of the professional categories has begun. Two segments have been eliminated in all countries, except in Portugal.

3.5.2. ATTRACT AND COMMIT

ATTRACTIVENESS

With the aim of positioning itself as a benchmark organisation in the labour market, EDP has supported the development of certain practices and consolidated its relations with institutions such as the CEMS – Community of European Management Schools/New University of Lisbon and the Lisbon MBA and Magellan MBA programmes.

In 2012 the following programmes were carried out:

- **IST Management Challenge** is a strategy and management competition supported by EDP and organised by SDG – Simuladores e Modelos de Gestão – in collaboration with the Instituto Superior Técnico, from Universidade Técnica de Lisboa. The competition is open to management students only.
- **Global Management Challenge** is a simulated business management challenge where each team has to manage a company with the goal of achieving the highest stock exchange quotation for its shares. In the last edition of the challenge, one of the mixed EDP teams – made up of an EDP Produção employee and three University of Porto students – won the national final and represented Portugal in the international final.
- **Power Trade** is a game that simulates the electric energy market in a competitive environment. This is an initiative that promotes closer links between the universities and the business world and was launched for final year master's students of engineering and management.
- **FabLab Challenge** is a competition for final year students in secondary and vocational schools. The first edition was held in 2012.

RECRUITMENT AND SELECTION

Attracting, selecting, recruiting and retaining talents is one of the main goals of the EDP recruitment and selection process, which takes into account not only the specific job skills for a certain position but also the behavioural skills, which are at the base of the organisational culture. Implementation of this process has been based on development of a number of practices, of which the following can be highlighted for 2012:

- **ON TOP - EDP Recruitment Programme** - This programme, which is being implemented in Portugal, seeks to attract and retain young people with potential, promoting the company amongst students and fostering close relations between the company and the education community. An action plan is drawn up for each year. For 2012, this included EDP's presence at eight employment fairs, a programme of talks to approx. 500 students, as well as consolidation of the company's presence in Talent City, which currently has roughly 35,893 users.
- **EDP Trainee Programme** - This programme seeks to help young workers at the beginning of their professional career to achieve a group-wide vision of EDP, acquire professional experience and develop their own skills. It is based on three fundamental pillars: training, job rotation and project development. The programme is planned to run over 20 months and the trainees are monitored throughout the programme by a tutor and a mentor. In 2012 this initiative was launched between February and July. Some 3,000 enrolments were received and, after seven phases of a rigorous selection process, 16 trainees were chosen.

INDUCTION AND INTEGRATION

Induction and integration is a decisive phase in the professional life of a new employee. With this in mind, EDP has a Welcoming Programme in place that runs for 12 months and features a number of activities for all new employees. This programme is complemented by specific initiatives for the business area in which the new employee is employed. The target group for this process is made up of interns, new employees, employees with fixed-term contracts, employees that have switched job/position and/or Group company and employees that have come from other countries.

INTERNSHIPS AT EDP

As part of its social responsibility, attractiveness and employee prospecting strategy, EDP offers an internship programme aimed at giving young professionals work experience and potentially identifying future employees with growth potential who can contribute to the future development of the business. In 2012 EDP organised a total of 853 internships, of which 441 were curricular internships, 348 were vocational internships and 64 were summer internships.

3.5.3. VALUE AND DEVELOPMENT

POTENTIAL AND PERFORMANCE ASSESSMENT

Potential and performance assessment is a fundamental tool in people management. It is fundamentally based on two dimensions: strategic skills (the behaviour of the employee in terms of realisation of the company vision, values, principles and strategy); and objectives/results (the employee's effective contribution to the results is measured). The expansion of the 360° assessment to all upper management levels was concluded in 2012.

TRAINING AND DEVELOPMENT

EDP has in place a number of initiatives that contribute to the qualification and personal and professional advancement of its employees. To this end, each year a Training Plan is drawn up, which, proceeding from individual needs diagnostics obtained during the potential and performance assessment, provides a guiding reference framework for managing training within the Group, in close alignment with the business strategy and close cooperation with the business units and EDP University (UEDP). UEDP is made up of seven schools, two of which are transversal in nature and 5 are business oriented (generation, distribution, gas, renewables and supply).

Since mid-2012 UEDP has been responsible for defining and monitoring the EDP Group Training Plan and Budget and coordinating the initiatives for professional development, addition of skills and acquisition and retention of knowledge amongst the Group employees.

The implementation of the UEDP schools is accompanied by the provision of the Campus Online, a web environment platform for providing flexible access to training, enabling learning adapted to individual paces and availabilities, promoting self-training, reducing costs and time consumption with travel and facilitating knowledge sharing and interaction amongst the EDP workforce.

One can also highlight other initiatives that provide each employee with alternatives and choices in the career path they aspire to:

- **Mobility** - In the context of fostering workers' growth through diversity of experience, EDP

VALUING EXPERIENCE

This is a programme aimed at employees with more than 30 years of service with the company. The goal is to foster the sharing of knowledge and experience of the senior employees. Since the first edition in 2010, over 900 employees have already been involved and there are plans to extend the initiative to 2,660 more workers. In the context of the European Year for Active Ageing and Solidarity Between Generations, EDP was invited to share this senior talent management project, receiving an accolade at the Closing Session held in Braga in December 2012.

The programme, which is already in operation in Portugal and Brazil, is currently being analysed for extension to the EDP Group's remaining business units.

encourages professional mobility (intra-company, inter-company and geographic). In 2012 there were 588 such cases of mobility (305 of which were intra-company, 283 inter-company and nine were between geographic regions). For 2012 one can also highlight the mobility policy in International Work.

- **Career Routes Pilot Project** - Launched in 2012, this project enables employees to outline paths identifying career progression routes and the possibilities for natural or alternative movement (an alternative move being one to a different job context), with the aim of providing information that fosters internal mobility and the accountability of the workers and hierarchy in the management of careers and self-development, thus aligning individual and organisational needs.

CAREER AND SUCCESSION

Since 2009, EDP has been drawing up a succession management document, which is revised on a yearly basis, with the aim of identifying potential successors for senior management positions in all geographic regions. In 2009 successors were identified for 219 strategic positions, with this figure growing to 376 in 2012.

LEADERSHIP

EDP attaches maximum importance to the notion of leaders as people coordinators. For this reason, it has been developing a set of dynamics, instruments and tools to support the demanding exercise of leadership.

One example of this is the “EDP Leader Guide”, a practical manual that compiles the main human resources questions a leader has to deal with in his/her day-to-day work and gathers information on leader profiles and the main human resources processes.

3.5.4. RESPECT AND MOBILISE

WORK-LIFE BALANCE

At EDP we believe that the family and private life of each employee should be fostered and recognised as an integrative complement within the organisation.

The EDP policy on work-life balance takes the form of a range of agreements, initiatives and measures carried out in the context of the Conciliar (Reconciliation) programme. This initiative, which was launched in 2007, aims at implementing contemporary measures to promote the balancing of work and private life. It is implemented throughout all business units.

Recognition of the EDP practices in this field was particularly visible in 2012, with the conclusion of the certification of EDP in Portugal as a family-responsible company and a promoter of equal opportunities by the MasFamília Association.

The EDP Group companies in Spain (HC Energía, Naturgás and EDP Renováveis) are also already certified. In the context of this process more than 150 measures that go beyond the labour-related obligations established by law were audited. These are structured in five pillars: quality in the workplace, family support, professional development, time and spatial flexibility and equal opportunities.

CORPORATE VOLUNTEERING

The EDP Volunteering Programme, which was launched in 2011, is being implemented in all geographic areas where EDP operates, and has been responsible for a number of joint campaigns,

such as Parte de Nós/It's up to us. The volunteering portal was launched in 2012. Please see page 83 for more information.

DIVERSITY

In 2012, EDP initiated its participation in an External Forum, energized by CITE - Comissão para a Igualdade no Trabalho e Emprego (Commission for Equality in Labour and Employment) - sharing Good Practices, which led, in February 2013, to the formal accession of the EDP Group intending to promote Gender Equality, one of the axes of our Diversity Policy. Simultaneously EDP has undertaken a public commitment to explicitly adopt a Diversity Policy based on the values and practices that have guided its operations. This Policy was approved in January 2013 and is founded on the following principles:

- promotion of mutual respect and equal opportunities in the context of diversity;
- recognition of difference as a source of strengthening the human potential and valuing diversity in the organisation, management and strategy;
- adoption of positive discrimination and internal awareness raising measures with the community with a view to achieving full, and effective, implementation of the diversity policy.

Consecutively, EDP publicly committed itself to develop, during 2013, three actions that help to leverage the professional development of women, including facilitating access to management positions, promoting cultural change among young university and highschool students, making courses usually considered masculine as appealing and neutral.

The four priority areas in matters of diversity are: gender, nationality, disability and inclusion of disadvantaged groups in the labour market. In 2012, 194 company workers had some level of physical disability and there were people from 27 nationalities working at EDP, with a total of 146 employees having a nationality different to that of their country. Female representation in the workforce has been growing slowly but surely, and is currently 22% of the total. Internally, between 2013 and 2015, EDP plans to implement a set of 10 to 15 measures focused on the cited priorities areas.

LABOUR RELATIONS

EDP has regular contacts with official entities as well as with worker representative structures, workers' committees and trade unions when introducing, changing or abolishing rules or regulatory procedures and also during negotiations on the revision and update of collective regulations.

The company held, and continues to hold, meetings with the social partners and trade unions representing approximately 63% of the employees, with a view to negotiating the new Collective Labour Agreement (ACT) for the EDP Group in Portugal. These meetings are being accompanied by information and clarification sessions for employees around the country.

There was no industrial conflict of any kind for internal reasons in the EDP Group during 2012.

The collective labour agreements currently in force in the countries where EDP operates do not include a specific clause defining the period for informing employees of operational changes that have an impact on the workforce. Nevertheless, EDP informs its workforce of all organisational changes that impact them, going beyond its obligations under national labour laws in some geographic areas. In Portugal, the trade unions, workers' committees and employees are informed of such changes never less than 30 days in advance. In Brazil, notification

THE EDP VOLUNTEERING PROGRAMME (PVEDP)



it's up to us

The PVEDP was set up to promote citizenship amongst employees in all geographic regions. EDP gives each of its employees the opportunity to perform voluntary work during company working hours for between 4 and 8 hours per month. This potential is managed on the basis of an “hours bank” concept through the “volunteering portal” platform, where requests for voluntary work from accredited partners and the volunteer enrolments are registered. In 2012 this tool was expanded to include Naturgás Energia, HC Energia and EDP Renováveis.

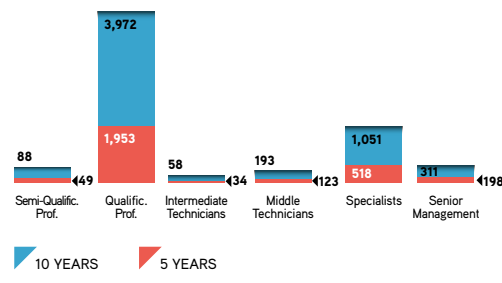
As part of the programme, EDP carries out specific training to guarantee the good performance of its workers, with 174 volunteers receiving a total of 261 training hours in 2012.

More information at www.voluntariado.edp.pt

of organizational changes is first made by the trade unions, followed by EDP communicating changes relating to each stage of the negotiations and establishing a time period for the clarification of doubts. The minimum period in other geographical areas is that established in national laws.

EMPLOYEE EXIT MANAGEMENT

EMPLOYEES ELIGIBLE FOR RETIREMENT (No.)



A total of 620 employees with an average age of 46 and average service duration of 20 years left EDP in 2012. EDP expects about 2,800 workers to exit the company due to retirement within 5 years and around 5,600 workers to do so within 10 years, confirming the need for EDP to provide dignified and responsible exit management.

For a number of years now the company has been offering support in an outplacement scheme to employees who leave due to early retirement or early pre-retirement. For a year, support is provided to workers who voluntarily sign up to this programme to help them reflect on, analyse and define new and interesting life proposals.

WORKER SATISFACTION

EDP conducts studies every two years to gather, register and analyse the opinions and motivations of the workforce and, on the basis of the conclusions reached, to propose actions aimed at improving areas with the greatest potential for improvement and development.

The last study was carried out in 2011 and covered all employees. The results obtained – be it in terms of the participation rate (87.9%) or the overall satisfaction rate (81.1%) – show a high level of motivation and liking to work at EDP. In Portugal this was the year with the best ever results. From data analysis derive improvement action plans for companies with defined goals to achieve in the short, medium and/or long term. Monitoring of actions is centrally established by corporate Human Resources Department.

3.5.5. OCCUPATIONAL HEALTH AND SAFETY

EDP maintains its “Zero accidents, no personal injury” policy as a strategic objective. In order to strengthen the support for management of this commitment, EDP has an Occupational Health and Safety Management System based on the OSHAS 18001 standard, thus following the guidelines of the International Labour Organisation expressed in internal regulations. More information on the commitments assumed by the company and the management system adopted in the area of occupational health and safety is available at [www.edp.pt/sustainability/occupational health and safety](http://www.edp.pt/sustainability/occupational-health-and-safety).

MANAGEMENT SYSTEM

The EDP Corporate Safety Management System (SGSC) reflects the company’s safety policy

and reinforces the principle that occupational health and safety matters are managed on the basis of common, collective criteria in the Group companies that are also expanded to include the employees of its service providers.

At the local level, each business unit directly adopts the corporate management system or uses it as a reference framework for developing its own specific safety management system or one that also integrates environmental and/or quality aspects, depending on the business unit’s specific activities.

The areas of accident prevention, safety and the health and well-being of the workforce are covered in the agreements established with the trade unions.

EDP employees participate in the occupational health and safety management system through their representation on the Safety Committees and Sub-committees. There were 649 meetings held in 2012 with 90.8% of the workforce being represented at them.

WORKERS’ HEALTH AND WELL-BEING

In line with its commitment to safety and the health and well-being of its employees, EDP takes responsibility for the provision of medical care in the context of occupational medicine and health. The benefit “medical care” is provided in all businesses/geographies and exist, for reasons connected with labour ties, conventions, and other applicable law, including fiscal and para-fiscal, forms and different levels to provide this benefit. By rule, it is extended to household, with lower reimbursement than the workers.

As particular aspects of the policies for reducing occupational risks, one can highlight, in 2012, the continuation of the programme of information and awareness raising sessions as part of the Prevention and Control of Alcohol Policy. Twenty training sessions involving some 400 EDP employees were carried out during the year in Portugal.

In order to ensure preventive action in the efforts to reduce health risks and with the aim of launching an occupational stress management programme at EDP, 2012 saw the beginning of a study on determinant factors in psychosocial risks, which is being conducted in partnership with the Preventive Medicine Institute at the University of Lisbon’s Faculty of Medicine. The programme includes a diagnostic sampling phase, awareness sessions and a programme of monitoring through occupational medicine. The diagnostics phase took place during 2012 and included the sampling of some 5,000 employees.

In 2012 there were seven recognised cases of occupational disease in Portugal, of which only 5 leading to incapacity to work, and one case in Brazil.

Given the number of cases resulting in incapacity, the rate of occupational diseases with incapacity per million working hours is 0.42 in Portugal, 0.21 in Brazil and 0.29 for the EDP Group.

ACCIDENTS AND NEAR-MISSES

In 2012 there were 38 occupational accidents involving EDP employees resulting in an absence of one or more working days. This is a reduction of 17% in relation to 2011. A total of 308 near-accidents were also reported. With the strategic goal “Zero Accidents, no personal injury,” EDP defined, for 2013, a reduction target of 5% of the indicator frequency of accidents for both EDP and service provider employees.

The set of indicators published by EDP reflect the results of the actions and initiatives carried out over the year to improve safety conditions at work, namely in the areas of training and awareness, risk assessment and control, preventive measures in our service providers and the increased audit and inspection programme.

Despite these efforts, we regrettably have to report five EDP employee deaths in road accidents in Portugal. As far as external service providers are concerned, there were 13 fatal accidents reported, 3 of which due to a sudden and unforeseen landslide, 1 for road accident and the other by acts or unsafe situations. For more information go to www.edp.pt > sustainability > occupational health and safety > safety in numbers.

Eight people outside EDP also died in accidents involving EDP electrical installations or equipment, mainly in situations of construction work in the vicinity of power lines in tension.

HIGHLIGHTED ACTIVITIES IN 2012

Execution of the EDP annual occupational health and safety programme was based on a set of actions aimed at preventing work accidents and occupational diseases. These actions included in particular: the training and education of EDP and service provider employees, permanent assessment and control of occupational risks and execution of a programme of internal and external inspections and audits of the EDP premises and work sites.

Training and awareness

The occupational health and safety training programme administered to EDP workers in 2012 included an extensive schedule of 1,811 sessions involving 17,202 employees and 92,014 training hours.

In 2012 there were 170 first aid training courses for EDP and service provider employees, involving a total of 1,491 trainees.

In collaboration with local fire brigade units, vocational and secondary schools, business associations and trade unions, some 65 information actions were held on procedures for fighting fires in electrical installations, gas networks and installations, or in places close to such installations, as well as the care to be taken in handling electrical equipment.

Preparation for response to emergency situations

With the aim of testing the effectiveness of internal emergency plans, in 2012 a total of 212 emergency drill exercises were carried out in a range of industrial and administrative facilities and works in progress (49 in Portugal, 94 in Spain, 40 in Brazil, 18 in the US and 11 in other geographic regions). These exercises involved external entities such as civil protection agencies and the fire and police/public safety authorities. In this context one can highlight an emergency drill on the WindFloat platform with the collaboration of the Portuguese Air Force aimed at testing the response of rescue resources in an evacuation scenario for a seriously injured person.

3.6. CUSTOMER AND PRODUCT

3.6.1. EDP CUSTOMERS

EDP Group ended 2012 with 9,866,839 electricity customers and 1,090,874 natural gas customers. In 2012 in mainland Portugal there was a significant migration to the free market – more than 700,000 – as a result of the termination of the regulated electricity and natural gas tariffs.

Almost all domestic customers – 4.7 million for electricity and 1.1 million for natural gas – have a transitional period of 3 years, up to the end of 2015, to change to a free market supplier. Economically vulnerable consumers, having the right to adhere to types of contracts offered in the market, may choose to have contracts with the Suppliers of Last Resort (www.edpsu.pt/pt/destaques/Pages/TarifaSocialAsece.aspx). At the end of 2012, EDP maintained its leading position in the liberated electricity market in Portugal, both in terms of customer numbers – 80.2% of the total number –, and consumption figures – 42.1% of supplies.

EDP CUSTOMERS BY TYPE OF MARKET (No.)

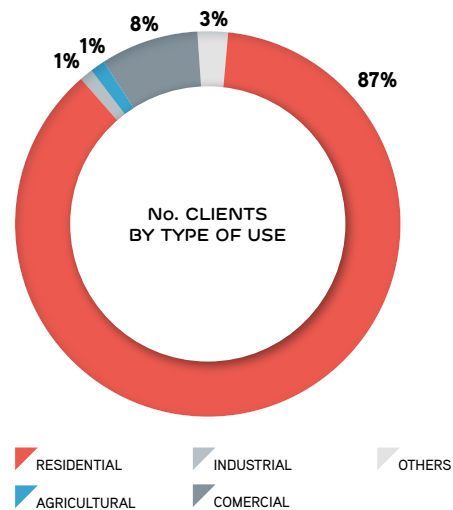
	2012				2011			
	PORTUGAL	SPAIN	BRAZIL ⁽¹⁾	TOTAL	PORTUGAL	SPAIN	BRAZIL ⁽¹⁾	TOTAL
ELECTRICITY								
Last Resort	5,031,323	277,527	2,933,715	8,242,565	5,771,900	316,728	2,831,205	8,919,833
Free Market	853,119	770,903	252	1,624,274	281,609	698,815	137	980,561
Total	5,884,442	1,048,430	2,933,967	9,866,839	6,053,509	1,015,543	2,831,342	9,900,394
GAS								
Last Resort	262,993	87,595	n/a	350,588	270,053	110,773	n/a	380,826
Free Market	55,559	684,727	n/a	740,286	1,523	677,087	n/a	678,610
Total	318,552	772,322	n/a	1,090,874	271,576	787,860	n/a	1,059,436

(1) Excludes generation internal consumption and supplies.

The end of the regulated tariffs for electricity and natural gas in Portugal was processed in two distinct phases:

- **on 30 June**, for electricity consumers with contracted power equal to or greater than 10.35 kVA and for natural gas consumers with an annual consumption of more than 500 m³;
- **on 31 December**, for electricity consumers with contracted power of up to 10.35 kVA and natural gas consumers with an annual consumption of up to 500 m³.

DISTRIBUTION OF CLIENTS IN THE REGULATED MARKET BY TYPE OF USE



CUSTOMER OMBUDSMAN

Electricity and gas customers in Portugal continued to avail of the Customer Ombudsman services in 2012, via the website www.provedordocliente.edp.pt. Information about the assignments of the Ombudsman on see page 155.

Over the course of the year, the Ombudsman received 1,519 requests for examination of complaints, 94% of which related to electricity. Most of the requests (75%) were regarding matters related to supply and meter readings/billing/payment. Of the total number of complaints, 86% received a reply by the end of the year. The Ombudsman upheld complaints in 35% of cases and disagreed in 25% of cases. 40% did not deserve concurring opinion or dissenting: in 23% of cases the advice was partially concordant and in 14% of cases, the matter had been resolved; however, in 3% of cases, the Ombudsman requested additional information from the EDP, informing the customer of this due diligence.

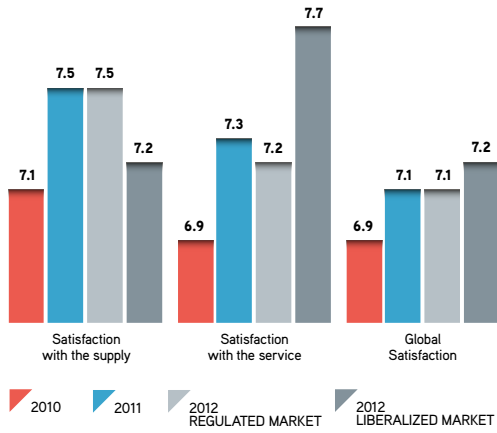
At the end of 2102, improvements to the process were introduced with the aim of raising overall customer satisfaction levels, essentially through reductions in response times.

VOICE OF THE CUSTOMER

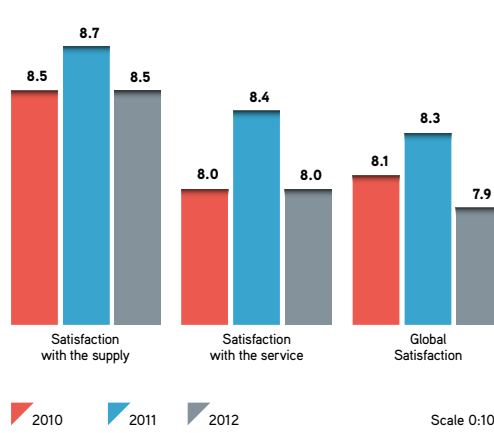
In collaboration with external certified bodies, EDP listens to its customers and carries out "voice of the customer" studies in the geographic areas in which it operates. These studies are an important source of information, providing insight into the customers' experience and furthering

initiatives for improving that experience. The customers' experience is translated to a set of macro-indicators, which include: Global Satisfaction; Satisfaction with Energy Supply (electricity and/or gas); and Satisfaction with the Service.

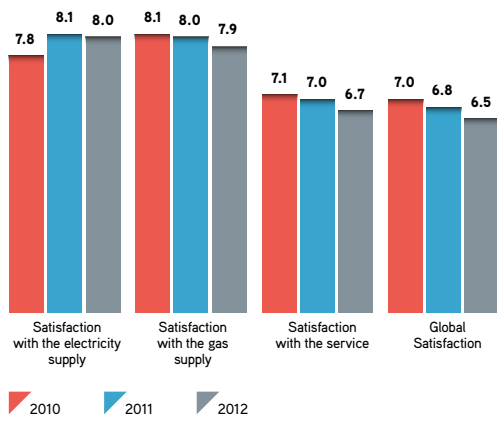
SATISFACTION INDICATORS OF ELECTRICITY DOMESTIC CUSTOMERS - PORTUGAL



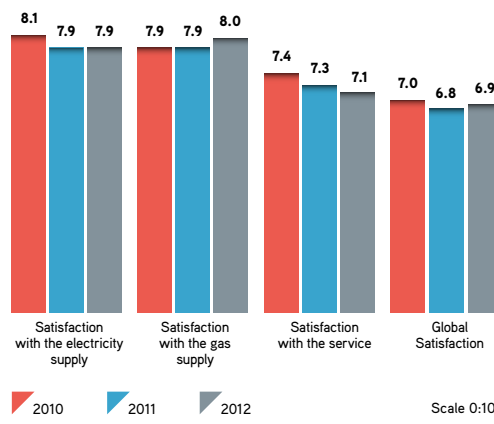
SATISFACTION INDICATORS OF NATURAL GAS DOMESTIC CUSTOMERS - PORTUGAL



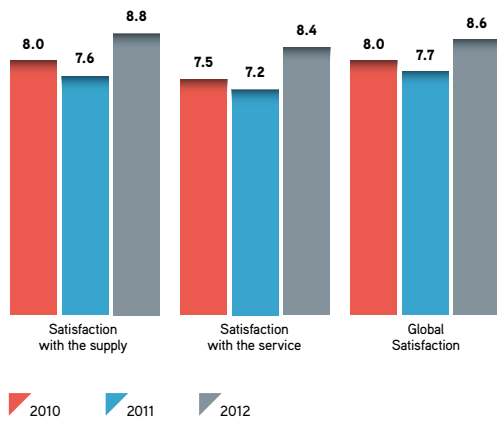
SATISFACTION INDICATORS OF DOMESTIC CUSTOMERS IN HC ENERGÍA - SPAIN



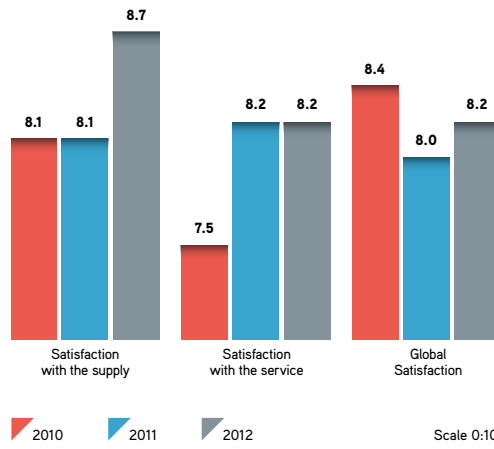
SATISFACTION INDICATORS OF DOMESTIC CUSTOMERS IN NATURGÁS - SPAIN



SATISFACTION OF DOMESTIC CUSTOMERS BRAZIL - BANDEIRANTE



SATISFACTION OF DOMESTIC CUSTOMERS BRAZIL - ESCELSA



3.6.2. ACCESS TO ENERGY

Investments have been reflected in the maintenance, contribution to energy universal access, and modernisation of the grid infrastructures and the incorporation of technologies that provide greater quality in supply and better service to customers.

In Spain, HC Energía has been involved in successive Electrification Plans implemented by the Government of the Principality of Asturias, aimed at giving rural areas, where access is more difficult, adequate supply infrastructures. In Portugal, EDP Distribuição has also participated in the Agris Rural Development Programme, providing support to the electrification of rural zones.

In Brazil, after conclusion of the Luz Para Todos (Light for All) Programme, EDP has been leading projects aimed at mitigating the effects of energy exclusion experienced by communities that are still without access to the electricity distribution grid. The **Luz Portátil (Portable Light) Project**, which is coordinated by the Instituto EDP Energias do Brasil, in partnership with the ONG Ideaaas and with the financing of BID, will donate photovoltaic panels to isolated communities living in Tapajós Reserve - Arapiuns, Pará. Furthermore, EDP Institute will enlarge its participation with energy efficiency measures.

ECONOMICALLY VULNERABLE CUSTOMERS

In Portugal there are three different, but cumulative, forms of social assistance available: the social tariffs for natural gas and electricity and the Extraordinary Social Support for the Energy Consumer (ASECE). Customers that qualify for these benefits make formal applications to their respective suppliers, which then confirm their entitlement status with the social security institutions. Customers that benefit from these support measures may continue to be supplied by the Suppliers of Last Resort. In 2012, the discount rates in force were:

- **Electricity:** € 0.24/kVA for contracted power up to 4.6 kVA;
- **Natural gas:** from 1 July 2012 to 30 June 2013 – 13% discount on annual consumption up to 500 m³.

The ASECE, which came into force on 1 October 2011, represents a 13.8% discount on electricity and natural gas bills, excluding VAT and other applicable taxes, levies and charges. To these customers, the period to payment for their invoices was extended to 20 days, and, in case of delayed payment the interruption in supply may occur only after a notice of 15 days.

In Spain, the Last Resort Tariff (TUR), which is adjusted regularly by the Ministry of Industry, Energy and Consumption, has been in place since 2009. It covers socio-economically disadvantaged customers with contracted power of less than 3 kVA.

SOCIAL TARIFF AND SPECIAL NEEDS CUSTOMERS (No.)

	SOCIAL TARIFF		SPECIAL NEEDS	
	2012	2011	2012	2011
Portugal	68,194	89,795	589	582
Spain	60,900	57,910	0	0
Brazil	135,517	106,612	285	254
Total	264,611	254,317	874	836

In Brazil, the social electricity tariff is applied to low-income families. These tariffs provide discounts that vary depending on the conventional tariff agreed upon for each company. The rates are normally around 4%, 14%, 40% and 65% for

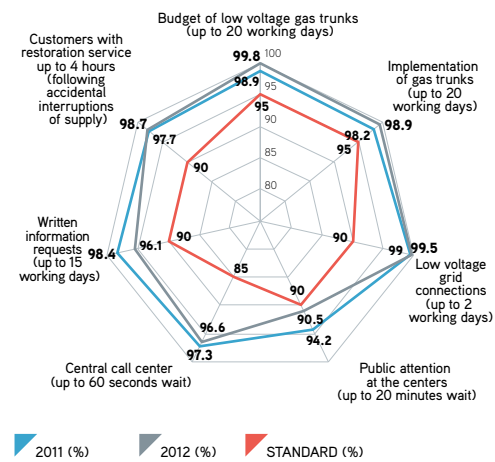
monthly consumption levels above 220 kWh, 101 kWh to 220 kWh, 31 kWh to 100 kWh and up to 30 kWh respectively. With a view to a more agile application of this tariff, protocols are established with the municipalities in the respective concession areas.

3.6.3. QUALITY OF SERVICE

In 2012, the Equivalent Interruption Time Related to Installed Capacity in the distribution operations in the Iberian Peninsula was 58 minutes for Portugal and 28 minutes for Spain. These figures represent a drop of almost 28% in relation to 2011. The SAIFI (System Average Interruption Frequency Index) was 1.75 interruptions for Medium Voltage, and 1.88 for Low Voltage.

In Brazil, the Technical Service Quality Indicators - Equivalent Interruption Duration per Consumer Unit (DEC) and Equivalent Interruption per Customer Unit (FEC) - were 9.42 hours and 6.03 hours for EDP Bandeirante and 9.88 hours and 6.37 hours for EDP Escelsa, figures below the targets set by the Regulatory Authority.

GENERAL INDICATORS OF SERVICE QUALITY - EDP DISTRIBUIÇÃO, PORTUGAL (%)



In Portugal high levels of service quality were maintained by the distribution grid operator, with all General Indicators for Supply Service Quality defined in the Service Quality Regulations (RQS) exceeding the standard levels.

Here one can highlight the restoration of service up to 4 hours after accidental supply interruptions, which has reached a compliance level of 98.8%.

In Spain the compliance rate for reconnection in less than 24 hours was 98%.

In Brazil service interruptions due to non-payment were reconnected in less than 24 hours in 73% of cases (average for the two EDP distributors). More detailed information is available in the EDP no Brasil Annual Report.

3.6.4. ACCESS TO COMMUNICATION SERVICES

EDP provides a range of communication channels in its various geographic regions with the aim of giving its various customer segments rapid and effective access to its services. These include dedicated telephone lines, stores and agents, and digital channels.

In Portugal, bills can be issued in Braille and Customer and Energy Efficiency Guides in Braille, produced in collaboration with the Portuguese Association for the Blind and Visually Impaired

(ACAPO), are also available. Customers also have at their disposal a telephone line for access to services from abroad, an e-mail address and a dedicated telephone line providing information and support on Social Tariffs and the ASECE.

In Spain, brochures on safe energy use are published in the Basque and Catalan languages. The Naturgas Energía site is bilingual: customers can access content in Spanish and Basque. The EDP websites in Portugal and Spain are accessible for people with disabilities, with the level WAI-AA.

In Brazil, in addition to service points, customers have a range of services in Virtual Agency, where registered customers can view debits, issue a duplicate bill, supply meter readings, see consumption history, among others (www.edpbandeirante.com.br and www.edpescelsa.com.br). Customers with hearing impairments still have a dedicated telephone channel.

PRODUCT SAFETY

In the EDP Group, information on safe energy use is provided in all geographic regions on the Company websites and in brochures and customer guides, etc. Any citizen can report, via the internet or by telephone, situations that constitute a hazard or imminent accident risk, such as downed lines, open switchboard cabinets, tree branches close to power lines, etc. (see page 83 for more information on public awareness initiatives.)

In Brazil, the Good Energy in the Community Programme organises conferences on safe energy consumption and the dangers and risks involved in improper use of electricity. The appeals for safe behaviour are reinforced in festive periods. In 2012 the Escelsa and Bandeirante distributors took part, for the seventh consecutive year, in the 7th **National Safety with Electric Energy Week**, which had the motto **Safety – Choose Life** and was organised by the Association of Brazilian Electricity Distributors (ABRADEE). In addition to radio spots and other advertisements in the media, information was also spread via electricity bills and educational talks in schools and on building sites.

PRIVACY

The privacy of customers' personal data is guaranteed in the general terms and conditions of electricity and gas supply contracts in the various geographic areas. All information is protected by the best practices and procedures with a view to guaranteeing the confidentiality, integrity and availability of the information.

For customer prospection or direct marketing purposes the customer's authorisation is sought to store and use their personal data and to provide it to third parties.

More information on the guarantee of data protection can be found at [www.edp.pt/about edp/ principles and policies](http://www.edp.pt/about-edp/principles-and-policies).

3.6.5. ENERGY EFFICIENCY PROMOTION

Promoting energy efficiency in consumption is a responsibility EDP undertakes in relation to its customers in the various geographic regions in which it operates.

The Portuguese website www.eco.edp.pt publishes projects and actions for the residential, business and corporate segments and also specific initiatives aimed at younger audiences.

In 2012 EDP and the Confederation of Portuguese Industry (CIP) signed a cooperation protocol for the joint launch and dynamisation of a programme to promote and support the implementation of

major energy efficiency projects in companies. In the scope of the programme – known as Save to Compete – EDP identifies energy consumption reduction measures in companies that have signed up to the programme and supports their implementation and costs through the savings generated. Applications are registered at www.savetocompete.com. In 2012, 68 applications were received and two individual protocols were drawn up with two business associations – ATP and APICER.

In the context of the Programme for the Promotion of Efficiency in Electricity Consumption (PPEC) 2011-2013, which is an ERSE competition, the year 2012 saw a number of actions aimed specifically at business and residential customers

PPEC Business:

- replacement of discharge lamps with T5 fluorescent tubes;
- electronic speed variation for cooling, ventilation and pumping systems.

In all, 100 projects were supported and EUR 1.2 m in financing was awarded (up 62% from 2011), with total estimated savings of 9,364 MWh. The first projects for high performance motors and freecooling were also launched.

PPEC Residential:

- distribution of 1 million energy-saving light bulbs to social welfare institutions and their respective users, allowing for energy savings of some EUR 34 million, the equivalent of the annual consumption of 93,000 Portuguese households for one year;
- a co-creation initiative in the area of energy efficiency and smart grids networks in which guest customers participated.

Since the launch of the PPEC in 2007 it is estimated that, all in all, the tangible actions carried out by EDP have resulted in accumulated reductions in energy consumption of 5.2 TWh, the equivalent of the average annual electricity consumption of almost 2 million Portuguese households, and prevented the emission of 1.8 Mton CO₂.

Also since 2007, EDP has been monitoring domestic consumer attitudes and behaviours in Portugal and reflecting these in an Energy Efficiency Index. This index continues on its upward path, finishing at 74.7% in 2012, up two pp from 2011. Energy savings continues to be a great motivator for efficient behaviour.

In Spain, HC Energía and Naturgás promote energy efficiency through the web page <http://eficiencia.hcenergia.com>, which provides detailed information on initiatives and specific products and services per segment and technology, as described in page 78.

In Brazil, investment in energy efficiency reached EUR 9.5 million in 2012, resulting in energy savings estimated at 29,305 MWh/year and a reduction of 19,729 kW in demand in peak periods. The following projects are particularly noteworthy:

- **Good energy in the community:** conservation actions aimed at low-income consumers, with the donation of efficient appliances;
- **Good solar energy:** conservation actions for residential and low-income customers, promoting the replacement of the traditional electric shower unit with solar heating systems with intelligent electric showers;
- **Good energy in schools:** empowerment actions for teachers as multipliers of conservation and

INITIATIVES FOR CHILDREN/ YOUTHS

- **A TUA ENERGIA/YOUR ENERGY:** www.geracaoedp.edp.pt/atuaenergia/
- **TWIST Project** – aimed at secondary school pupils with the goal of raising their awareness to energy efficiency and climate change. The schools compete for total prize money of EUR 100,000 for the implementation of energy efficiency measures in their premises. [www.edp.pt/sustainability/society/science and education/twist](http://www.edp.pt/sustainability/society/science-and-education/twist).
- **ECO CHALLENGE Project** – a project that provides an in-school electricity consumption monitoring system. Thirty-six secondary schools from all over the country are taking part in this project. They have access to all their consumption data through the installed web platform. The winning school will receive EUR 10,000 for the implementation of energy efficiency measures in its premises.
- **EnergyBus** – a travelling bus that brings home the importance of energy efficiency through educational interactive media. The bus has been on the road since 2007; in 2012 it visited 119 schools and received more than 36,000 visitors. [www.edp.pt/sustainability/society/science and education/energybys](http://www.edp.pt/sustainability/society/science-and-education/energybys).

Know more at www.eco.edp.pt

the rational use of energy concepts for state basic education pupils;

- **Energy efficiency in Aparecida:** energy efficiency actions for residential installations in the context of the InovCity project, promoting the replacement of inefficient appliances with more energy-efficient ones with the Procel A seal (lamps, refrigerators and shower units).

3.6.6. VALUE-ADDED PRODUCTS AND SERVICES

The year 2012 was one of consolidation of the energy efficiency services offer for the corporate segment in Portugal. Here one can highlight:

- the **PIEE**, or Integrated Energy Efficiency Projects, which had a major impact on reducing the energy bills for the premises and installations of large companies from the Industry and Commerce and Services sectors. The results achieved in 2012: an estimated EUR 2.5 m in savings for the PIEE proposals accepted; a reduction of 15 GWh/year in energy consumption and emission more than 4,000 tonnes of CO₂/year prevented;
- **ease:** - a service provided in house that allows companies to view their electricity, gas and water consumption in real time online; historical analyses, consumption forecasts and benchmark analyses are also possible. This service already has more than 2,000 meters being monitored;
- in the area of distributed generation, the largest ever mini-generation project in Portugal, and one of the fifteen largest in Europe, was launched in 2012 in partnership with SONAE. The project consists of the installation of 46 photovoltaic plants on the roofs on Modelo Continente stores, which will generate 125 GWh of electricity over 25 years, avoiding the emission of more than 42.000ton of CO₂.

As a leader in the micro-generation market with more than 1,000 systems installed in Portugal, EDP is strengthening its commitment to clean energy sources with the launch, in early 2013, of an offer, which, in addition to providing additional income for the sale of energy generated, allows customers to save on their gas and electricity bills every month.

In Spain, the products and services offered to companies includes, amongst other things, energy audits, consumption management, installed power optimisation and reactive energy correction systems and energy infrastructure maintenance.

In Brazil, the EDP no Brasil Group supplier includes in its activity portfolio the provision of value-added services to free market electricity customers: technical services – the building of 88/138 kV substations and 88/138 kV distribution lines – and consultancy and management services.

There is also a diversified offer for the residential and business segment

- **Electronic Bill** – there were 163,983 new subscriptions to the electronic billing system in Portugal and Spain in 2012, with the penetration rate growing from 12% to 14.5%. By the end of the year the number of Electronic Bill subscribers exceeded 1 million (1,096,093).
- **Casa Total and Total Negócios** – a dual gas and electricity offer. Already available in Spain, the dual offer was launched in Portugal in 2012 in the form of the Casa Total 10+2 product;
- **FUNCIONA** – revision and maintenance of gas and electricity equipment. In 2012 this service was expanded to include air conditioning

equipment, with the FUNCIONA CLIMA product. This product is set to launch in Portugal in early 2013;

- **Energy Certification** – EDP is the market leader, having already issued more than 45,000 certificates. An energy certificate is valid for ten years;
- **Energy Audit** – a service launched in 2012 that makes it possible for customers to track and optimise their consumption. Energy efficiency measures, tariff optimisation and contracted power proposals are also made and the potential for installation of renewable energies is studied;
- **HC Powerhome** – This is an innovative device offered by HC Energía, allowing customers to reduce their contracted power to the minimum level required. The device identifies a number of priority domestic appliances and keeps them running, while managing the others in an optimised way and in time periods when prices are lower, especially for customers with dual-tariff plans;
- **Car-e** – A solution offered by HC Energía for charging electric vehicles, with the installation of a charging point in single family homes;
- **Mobile Applications** – New apps for iPhone, Android and Windows8 were developed in 2012. These apps converge in the functionalities offered through traditional channels: consulting bills; consulting current accounts; consulting data for ATM payments; reading meters and sending readings; and a virtual assistant – known as “The light’s gone out” – that helps the customer with traditional screening when there is no electricity at a facility;
- **Green Electricity** – In 2012, EDP reached 519,124 customers, increasing in 22% facing 2011. The greatest consumption is in the US, where all electricity sold is certified as green electricity. In Spain, under the Source Guarantee System and Labelling of Electricity, HC Energía and Naturgas received 5,042 GWh as Guarantees of Source. Of this amount, 4,857 GWh were used to certify renewable consumption (“green” consumption) of 514,564 supply points, thus ensuring that the power consumption of all residential customers and small businesses was 100% renewable. The Guarantees of Source available in 2013 to certify consumption of 2012 are not known until the Spanish regulator publishes the results, which is expected to be in April 2013.



3.7. SUPPLIERS

The performance of its suppliers is crucial to the EDP Group's success. A relationship with suppliers based on trust, collaboration and the creation of shared value results in the joint capacity to innovate, strengthen Corporate Social Responsibility policies and improve the quality of service provided to customers. This will, in turn, significantly contribute to helping EDP maintain its leading position in the areas it operates in and promote the competitiveness factor in the markets in which it is present.

In 2012, the EDP Group overall procurement reached EUR 2,872 Million. This figure doesn't include fuel purchase, since this process is a key-factor in the energy sector business

3.7.1. OVERALL PROCUREMENT

Given the size, types and recurrent nature of many of the EDP Group purchases, the company has a very positive influence on the local economy, in that it can help advance the quality and competitiveness of the economic agents in the areas in which it operates. The distribution of the procurement activity is more or less in line with the Group business in the countries in which it operates. Accordingly, in 2012 purchases from foreign suppliers accounted for only 13% of total procurement.

LOCAL SUPPLIES

SUPPLIERS 2012			
	TURNOVER (EUR Million)	LOCAL (%)	FOREIGN (%)
Portugal	1,216	92	8
Spain	281	94	6
Brazil	387	100	0
EDPR	988	72	28

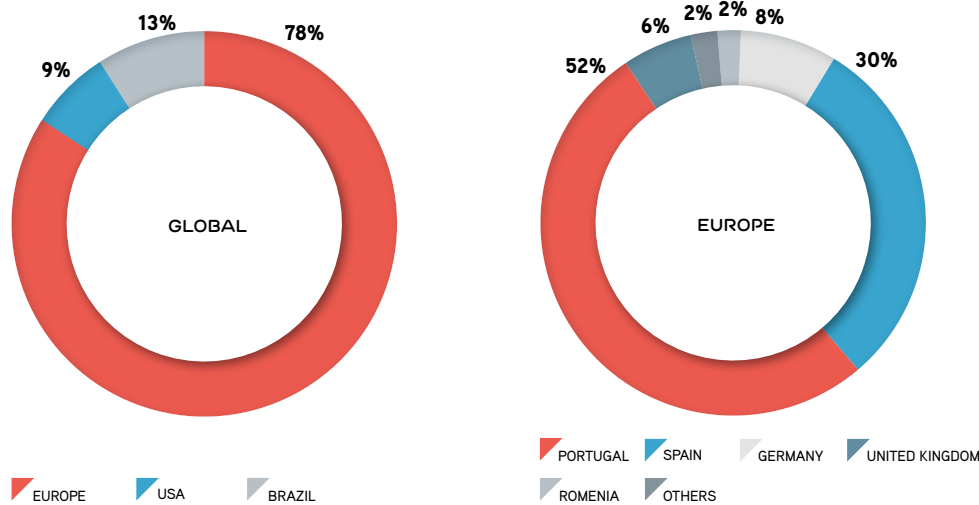
In 2012, around 59% of our suppliers that supplied goods and services worth more than EUR 75,000 were registered in the Supplier Registration System (see Good Practices). Of these, 60% have quality management systems in place that have been certified by independent bodies. With regard to environmental and safety management systems, 36% and 30% of the companies are certified, respectively.

3.7.2. FUELS

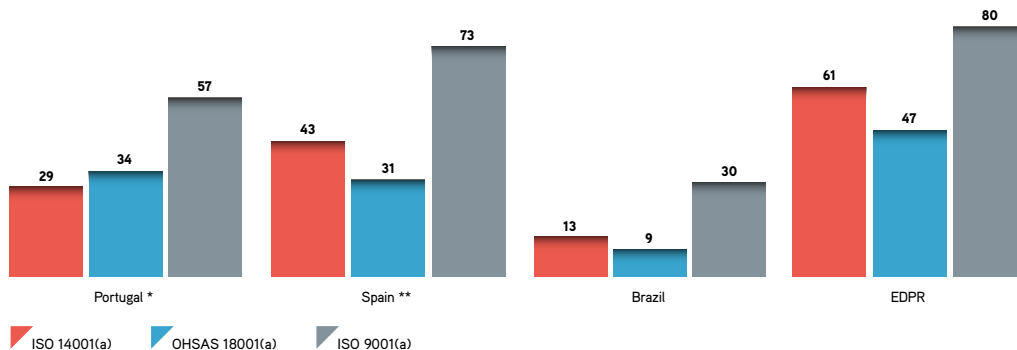
The strategy adopted by the company for coal and gas procurement is essentially based on establishing long-term contracts, with short-term consultation processes being launched to cover any additional needs that may arise.

The contracts agreed upon provide a degree of comfort in legal terms and in terms of credit risk, liquidity, material adverse alterations and non-performance provisions. In order to reduce exposure to operational risks, the company seeks to address the need to follow best practices in its contracts. By way of example, in the specific case of coal, automatic sampling is carried out and only ships aged 20 and younger may be used in the shipping of coal. In line with the International Maritime Organisation (IMO) recommendations and the European Union regulatory framework, CO₂ emission threshold limits for the maritime transport of coal also apply.

GEOGRAPHIC DISTRIBUTION OF PROCUREMENT OPERATIONS

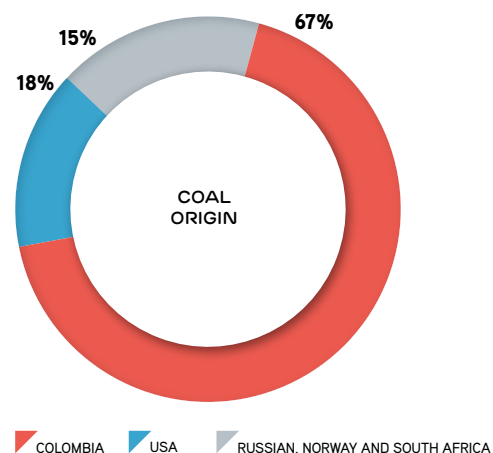


MAJOR CERTIFIED SUPPLIERS (%) 2012



(a) Number of Suppliers registered with the Corporate Supplier Registration System of the EDP Group.
 * Values referring to EDP companies, except EDP Renewables.
 ** Values referring to HC Energia and Naturgas.

A considerable part of the coal and gas purchased by EDP comes from outside Europe.



In 2012, roughly one-half of all coal purchased by EDP was bought directly from companies that produce the raw material. Of the other 50%, purchased from coal traders, the greater part was sourced from suppliers that have advanced Corporate Social Responsibility policies in place, and have also signed up to the Bettercoal initiative. Bettercoal is a non-profit organisation that works towards creating a code of practice based on continuous improvement and a set of social, environmental and ethical principles that companies in the supply chain are encouraged to implement, particularly coal mining companies. EDP plans to join this initiative in 2013.

In overall terms, most of the fuels purchased came from suppliers with ISO 14001, OHSAS 18001 and ISO 9001 certifications.

Examples of initiatives included in the close monitoring of coal suppliers are visits to the most important mines, participation in meetings in the sector to get to know best practices and the frequent use of inspectors for the observation of loading procedures, the taking of samples for analysis and general handling of coal.

3.7.3. MANAGEMENT AND DIALOGUE

EDP has developed an Integrated Supplier Management System (excluding fuel suppliers) using Supplier Relationship Management (SRM) tools. The adopted model is based on five different phases: Registration, Selection, Assessment, Management and Development.

This solution fosters proximity with the Group's business partners, permitting the sharing of methodologies and promoting closer relations between both parties. The suppliers' familiarity with the company's business fosters better procurement conditions and optimises the entire supply process.

In this context a risk analysis programme for strategic suppliers is also being implemented, enabling EDP to identify critical or rupture situations in time and ensure the continuity of contracted supplies.

EDP has a system in place for the search, selection and segmentation of Suppliers (excluding fuel suppliers) – the EDP Group Supplier Registration System (SRF). This system enables EDP to act in a clear, transparent and efficient manner, enhancing partnership relationships in which both parties are winners.

The SRF is based on a philosophy of centralisation and sharing of information in the supplier database. The information is checked,

managed and maintained centrally, and is accessible to the members of the community (more information at <http://achilles.com/pt/Portugal/Sectores/Utilities/RePro/Solicite-o-registo/>).

Registered suppliers likewise benefit from a number of advantages, which include:

- equal opportunities for equivalent/different business areas
- increased business opportunities
- the guarantee that their clients have quick and reliable access to information
- one single register with visibility for various companies
- no need to submit a wide range documentation in bidding/application processes or qualification requests.

Regardless of their country of origin, suppliers are registered in a single database that is shared not only by all EDP Group companies but also by other utilities companies around the globe that have adhered to the system.

In contrast to the previous registration philosophy, where registration was based merely on segmentation by supply category, regardless of whether a business relationship with the EDP Group existed or not, this approach establishes a tiered differentiation system based on the annual business dealings with the EDP Group.

The system is now organised into three registration levels; suppliers can move up or down levels depending on their annual turnover with the EDP Group, as described below:

I – Basic level – potential suppliers or suppliers with an annual turnover with the EDP Group of less than EUR 10,000;

II – Standard level – suppliers with an annual turnover with the EDP Group of between EUR 10,000 and EUR 150,000;

III – Strategic level – suppliers with an annual turnover with the EDP Group of more than EUR 150,000.

In 2012, 20 356 suppliers were registered with the EDP Group, representing a growth of 19% in relation to 2011.

REGISTRATION



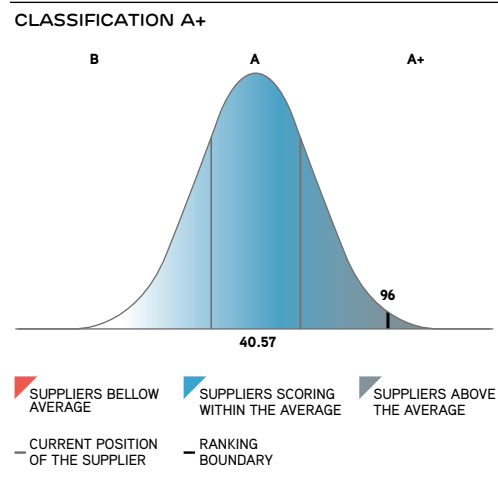
In order to better tailor the registration system to the knowledge and supply chain management needs, EDP participated in a global working group, headed by Achilles, for the evaluation and scoring of the areas of Corporate Social Responsibility: Dialogue; Communication and

Transparency; Leadership and Management Systems; Organisation; Quality; Environment; Safety; Corporate Social Responsibility and Technical Capacity. This new model provides improved supplier management and performance information and allows EDP to verify the information reported by suppliers.

CORPORATE SOCIAL RESPONSIBILITY

In the scope of the SRM and in the follow-up to the questionnaire on corporate social responsibility that is taken when suppliers register, a new functionality has been implemented in Portugal that makes it possible to gather information on the following dimensions of Corporate Social Responsibility: Leadership; Dialogue; Communication and Transparency Management Systems – including the sub-themes of bribery, corruption, integrity and ethics.

On the basis of the information introduced in these dimensions, each supplier is given an RSC rating in line with the assessment matrix defined for the EDP Group (shown in the figure below).



This classification system was already being implemented in Spain and will also be applied in Brazil.

In the follow-up to the “More Sustainability in the Supply Chain” pilot programme in the areas of health and safety developed in collaboration with a supplier – Siemens – to improve performance in the supply chain, we may highlight the following activities developed in 2012: preparation of an action protocol for the works in Venda Nova III, using as source a letter of commitments regarding health and occupational safety, signed by the contractor and main stakeholders in the consortium. The aim is to promote and reinforce good hiring practices through the supply chain.

Also in 2012 work began on preparing an ethics and integrity training/awareness creation plan in Portugal for suppliers classified as major risks. The plan is to enter into operation in 2013.

In the context of the Group Volunteering Programme, EDP invited business partners to join its social responsibility initiative, “Parte de Nós” [It’s up to us]. The specific challenge here is to help Portuguese forests by drawing attention to the importance of biodiversity and the threat of invasive species.

EDPARTNERS

EDP has established a system for recognising the merits of its suppliers. The aim is to identify the company’s best suppliers and adopt good practices in key areas for the competitiveness of both the suppliers and the EDP Group.

On the occasion of the first edition of the EDPartners Awards (www.edpartners.edp.pt), EDP awarded its “Supplier of the Year” accolade for excellence to the Portuguese company Sodalid. This was the first exclusive event for suppliers, the aim being to strengthen already existing relations between EDP and its partners and identify and promote good practices in key areas for competitiveness of the EDP Group and its stakeholders.

Focusing on operations in Portugal for the first edition of the awards, EDP received 164 applications from 120 suppliers. The supplier assessment process was supported by the Catholic University of Portugal (Porto) at the technical/scientific level. A number of acknowledged figures in the field of assessment were invited to be members of the jury.

In addition to a trophy and a certificate for participation, the winners in the four competition categories (Relationship with the Client; Sharing Good Practices; Innovation; and Corporate Social Responsibility) and the Award for Excellence were also rewarded with an energy efficiency audit to be carried out by EDP Comercial.

All the prize winners received a cash prize of 25,000 € (50,000 € in the case of Excellence Award) to be allocated to charities with which the EDP Foundation has projects in place and are included in the Lisbon Social Stock Exchange.

Given the multinational profile of the Group, EDP plans to expand the scope of this competition beyond the borders of Portugal in coming editions, allowing it to carry out an international benchmarking exercise and contribute to the improvement of business management and practices and strengthen the competitive capacities of both EDP and its partners. The next edition of the EDPartners Awards is scheduled for 2014 on a global scale.

Supplier Roadshow

As part of the EDPartners concept, and aimed at enhancing existing partnerships and continuing to acknowledge the work carried out by our partners, EDP is planning a “Supplier Roadshow” initiative.

The aim of this initiative is twofold:

- to focus on and strengthen relationships between the EDP Group and its suppliers by contributing to the creation of value for suppliers and, consequently, for EDP, using the leverage of the internationalisation of its business relationships and opportunities
- to promote dialogue and interaction between suppliers and buyers in the Group’s various geographic regions and stakeholders, providing privileged contacts through exchanges and/or partnerships that will foster opportunities for international business operations in emerging markets; these can be in the areas of export, import and joint venture partnerships.

Given that business opportunities in the coming years will be concentrated mostly in the Asian and Latin American markets, EDP will be organising two roadshows in 2013 – one in São Paulo and one in Beijing. These roadshows will focus on increasing exports, growing the export base, diversifying markets and strengthening the presence of Portuguese companies in strategic markets, with the aim of giving the companies the knowledge and tools necessary for the development and success of their international business operations, be it in partnerships or strategic alliances.

RISK MANAGEMENT

In 2012 EDP developed in its supplier registration system a risk information database to support the consultation and negotiation processes. The information now includes a historical evolution of the risk classification in graphic form, and enables the more rapid updating of content. Also available are complementary business information reports that are updated by third parties operating in this sector, thus giving the users a more effective tool in reducing associated risks.

EDP analysed the incidences of diverse risks in the various supply categories of relevance for the group and assessed their respective importance, as well as the adequacy of the current monitoring/mitigation practices. The analysis revealed that the management systems in place – namely at the level of internal control, the environment and health and safety – enable adequate monitoring and minimisation of the risks involved. Opportunities for improvement were identified at the level of positive contributions in the supply chain and support for the capacitation and development of skills of suppliers.

For more information please visit the EDP website: www.edp.pt.

3.7.4. CONTRACT WORK

The use of external companies necessarily calls for strict controls on service quality at every stage, as part of a strategy based on the following principles:

- integration of the environment and safety into the qualification system for service providers (including a questionnaire on environmental matters);
- compliance with environmental and safety policies and with all legal requirements applicable to service providers;
- implementation of new prevention and control instruments, in particular in promoting and requiring basic training in environmental and safety matters for all employees;
- monitoring and assessment of environmental and safety performance at work by means of inspections and audits.

EDP has implemented qualification systems designed exclusively for subcontractors, particularly for more critical tasks such as the construction and maintenance of high, medium and low voltage electricity grids and live work.

EDP supplier qualification programmes and contract specifications now include criteria that oblige subcontracted companies to commit to certain policies, such as not using illegal labour, having quality assurance systems in place and implementing environmental protection policies. EDP continues to regard excessive subcontracting as a penalising criterion in contract award processes.

In the course of 2012 in the EDP Group as a whole, 11,635 accident prevention and safety training and awareness courses were carried out involving 127,169 external service provider workers in a total of 973,665 training hours.

In Portugal, some of these courses also addressed environmental training.

A total of 3,159 accident prevention and safety audits were also carried out in 3,632 external service providers. These cover topics related to working conditions and respect for human rights within the framework of SA8000. In addition, 215 environmental audits were carried out to EDP's most important suppliers, in Portugal.

The results of the actions and initiatives carried out during 2012 to improve conditions of

occupational safety, namely in the areas of training and awareness, risk assessment and control, and accident prevention in the service providers and the increase in the audit and inspection programme, are also reflected in the accident frequency and severity indices.

The accident frequency index was 5.4 accidents per million working hours, which is a reduction of 11% in relation to 2011. The severity index was 298 days lost per million working hours, which is down 2% from the previous years. Despite these efforts, we regrettably have to report 13 fatal accidents during the year, 8 of them in Portugal and 5 in Brazil.

For 2013 EDP is planning a programme of information days on occupational health and safety involving its service providers.

For additional information go to www.edp.pt/sustainability.

3.8. COMMUNITY

3.8.1. MEASURING THE IMPACT ON THE COMMUNITY

SOCIAL INVESTMENT

As part of its corporate patronage and sponsorship policy, EDP supports initiatives and projects in the areas of the environment, culture and heritage, education, energy efficiency, entrepreneurship, health, social welfare and tourism in the regions in which it operates.

The main agents in this voluntary engagement with the community are the EDP Foundation in Portugal, the Fundación Hidrocarbónico in Spain and the EDP Institute in Brazil.

EDP's voluntary social investment has been reported since 2008 in accordance with the LBG (London Benchmarking Group) method. For detailed information on this method please go to: <http://www.edp.pt/en/sustentabilidade/sociedadeecultura/avaliar/Pages/Avaliar.aspx>.

In Brazil the support provided also includes 0.25% of the profits of the distribution companies, which are invested in measures aimed at assisting low-income customers, particularly in the areas of energy efficiency and access to electricity.

In the other geographic areas a number of community initiatives are implemented to offset the impacts caused by new EDP projects.

EDP has been using the standard London Benchmarking Group (LBG) method to measure and assess voluntary contributions since 2008.

Parallel to this, the EDP Foundation has also applied the SROI (Social Return on Investment) technique to measure the social impact of some of the foundation's partner organisations' initiatives. In 2012 this method was applied to 7 projects that have been previous winners in the EDP Solidária Nacional and Solidária Barragens Programmes.

The following table presents the various voluntary initiatives in accordance with the LBG method:

CONTRIBUTIONS ^(a) TO THE COMMUNITY ^(b) (EUR)	2012	2011	2010
CATEGORY			
Nonstrategic Investment	2,775,159	1,677,376	2,263,399
Strategic Investment	12,036,133	14,220,185	13,942,765
Commercial Initiative	3,338,156	4,493,958	3,456,009
Not applicable		5,720	
NATURE			
Education	3,299,820	3,335,096	3,104,213
Health	1,245,351	723,878	465,709
Economic development	1,250,488	2,909,176	895,514
Environment	696,939	1,877,078	2,435,853
Art and Culture	5,964,980	5,526,203	5,288,359
Social welfare	4,250,715	1,602,737	1,806,032
Emergency response	31,072	65,300	215,054
Others	1,410,083	4,357,773	5,451,440
CASH CONTRIBUTIONS			
Value	18,149,448	18,889,685	18,152,182
VOLUNTEER STAFF			
Employees involved in volunteer work during working hours (n ⁹)	1,680	984	379
Volunteer work during working hours (hours)	13,594	7,423	10,886
Value of volunteer time	272,220	177,239	442,172
CONTRIBUTIONS IN KIND			
Value of contributions in kind	23,559	1,330,315	1,067,820
MANAGEMENT COSTS	2,652,758	306,851	121,064
TOTAL VALUE OF CONTRIBUTIONS (INCLUDING MANAGEMENT COSTS)	21,097,986	20,704,090	19,783,237

(a) Values of 2012: not yet validated by Corporate Citizenship

(b) Excluding management costs

The total investments figure in 2012 (EUR 18 million) is the equivalent of about 1% of the EBIT.

The total amount leveraged was EUR 1.6 million.

A large number of social investment projects were carried out in 2012 in the areas of social innovation, access to energy and education, cultural, sports and environmental promotion, and entrepreneurship.

The following are particularly noteworthy:

INVESTMENT AREA	TYPE	PROJECTS	RESULTS
SOCIAL INNOVATION	COMBATING SOCIAL EXCLUSION	Soul Kitchen - Solidarity "To Go", a project run by Associação Cozinha Solidária Refeições com Alma (PT) - total support: EUR 10,000. The project aims at fighting hunger. The social profit is invested in a Social Exchange that provides support to families in grave economic difficulties selected by Cascais Parish Council's Social Committee. The price per meal paid by the Social Exchange beneficiary varies depending on each family's financial situation.	Launched in February with 20 meals a day for the Social Exchanges at an average price of EUR 1.00. Since October it has been providing 54 meals a day for the Social Exchanges.
	EDP SOLIDÁRIA	Cheese-production/Smokehouse, ADFP Foundation (PT) - total aid of EUR 75,000 given to develop production activities and to integrate people with disabilities into the labour market, making the most of the endogenous resources of the Biological Park.	The aim is to support 12 persons with special needs. The project was launched in late 2012. First results are expected in 2013.
ENERGY, SCIENCE AND EDUCATION	EDUCATION	"Here's A Story" Project (BR) - financial support of EUR 31,100 given to Instituto Crescer para a Cidadania to improve school pupils' performance in writing through teacher training and capacity building.	Three municipalities received aid (Aparecida, Roseira and Ferraz de Vasconcelos), covering 54 teachers and 1,310 pupils. A book was published featuring stories written by the pupils and there were improved performance rates in the schools.
		Oviedo University - "Becas" (ES) A total of EUR 719,100 awarded in the form of scholarship grants.	150 university students received scholarship grants.
		"Long Live our Energy" School Programme (ES) - EUR 227,700 awarded to promote education in sustainability through the development of teaching materials on the origins of energy, advice on energy efficiency and recommendations for using energy safely.	A total of 146 schools and 20,500 children were involved in the Basque and Murcia regions.
	ENERGIES FOR DEVELOPMENT	"Energies Without Borders" (ES) a project implemented by the Fundación Sin Fronteras with the aim of replacing diesel generator-based power generation with solar energy, with environmental and economic advantages coming from the fuel savings. In 2012 EDP provided EUR 7,100 in aid.	Installation of more than 200 photovoltaic panels in the village of Nyumbani, Kenya. The village houses 1,000 orphaned children and 100 adults, who are grandparents to some of the children. It has 100 houses, a primary school, secondary school, and carpentry, metalworking and textiles workshops. There are also some 30 social buildings.
VOLUNTEERING	ENVIRONMENT	"Osprey Project" (PT) - EUR 123,100 awarded to a project to bring 10 birds to Portugal to enable reproductive recovery of this species.	10 ospreys (5 from Sweden and 5 from Finland) have been brought to the natural surroundings of the Alqueva lake.
	EDP VOLUNTEERING PROGRAMME (PVEDP)	To promote citizenship amongst the workforce. Two large-scale campaigns were carried out, amongst others: Part of Us - Forests and Part of Us - Christmas. Parte de Nós Florestas (PT) : volunteers removed invasive plants on 6 forests located in classified areas and two neighboring businesses EDP; The programme was extended to all the countries where the Group operates with initiatives in environmental protection. www.partedenos.com Parte de Nós Natal : volunteers humanized Christmas for institutionalized children and the elderly through activities planned and executed as a group.	More than 24,969 volunteering hours by EDP employees and family members/friends. The actions carried out in the Forest and Christmas 2012 campaigns brought together employees, family members and business partner employees, with a total of 1,867 people involved in the actions and achieving a value equal to €264,600.
OTHER PROJECTS	SPORTS	Bat Basque Team (ES) - A total of EUR 150,000 awarded to this project in partnership with the Basque government and broadcaster EITB for the support, promotion and training of Olympic and Paralympic athletes.	Olympic Games in London 2012, with the participation of 24 Olympic athletes (14 men and 12 women) and 5 Paralympic athletes. Results: 3 Olympic bronze medals; 1 silver and 1 bronze in the Paralympics.

IMPACT OF NEW PROJECTS

In the construction of new hydroelectric projects, EDP has implemented participative decision-making processes that involve the various stakeholders, such as public and private bodies and the local communities. EDP seeks to maintain close relationships with these stakeholders, keeping them up to date on the different project phases and their impacts and benefits and listening to them in an effort to integrate their expectations and satisfy their needs. EDP policy in this area also includes investments in the form of community impact minimisation programmes for new projects.

Of the projects in construction phases, one can highlight:

- **Baixo Sabor Hydroelectric Power Plant, Portugal** – For this project a financial fund was set up to which EDP Produção will contribute yearly 3% of annual net value of the generated output. The funds will go to projects promoting sustainable development, particularly the conservation and enhancement of natural resources and heritage resources that create socio-economic value and employment in the region. Also planned is the building of an Environmental and Animal Recovery Interpretation Centre (CIARA) that can function as an animation and pedagogic space and play an active role in the local community as an instrument of communication, based on a visiting and demonstration approach.

The building of this plant calls for the submersion of two important religious buildings, the São Lourenço Chapel and the Santo Antão da Barca Sanctuary. Together with the local councils and population two new locations were defined for the translocation of these buildings. The relocation projects are scheduled for 2013.

- **Foz Tua Hydroelectric Plant, Portugal** – EDP Produção is donating 3% of the annual net value of the plant's output to a Nature and Biodiversity Conservation Fund, which will also be responsible for creating the Tua Valley Regional National Park (approx. 25,000 hectares). Also in the context of this project, the Tua Valley Regional Development Agency was set up, to which EDP Produção will donate EUR 1.5 m to help cover operation and management costs. As compensation for the impacts on the Tua railway line, a mobility plan was presented that responds to two distinct transportation needs – daily resident mobility and tourist transport. The plan includes improvements to the Brunheda – Miradela line (33 km), which is not affected by the reservoir. Also in planning are the construction of the Tua Valley Memory Nucleus and the implementation of a heritage development project for the region.
- **Capacity increase for Venda Nova III and Salamonde II, Portugal** – In 2012 three measures for offsetting social impacts were implemented: the Cávado II Park (in Montalegre), involving improvement works on the banks of the River Cávado and the creation of a leisure zone on the right bank, which is expected to attract 2,500 beneficiaries a year; the installation of 4 bungalows in the Cabreira camping site (Vieira do Minho), with 2,000 guests expected each year, allowing for maintenance of jobs at the site; and construction of an office building for the Ruivães Parish Council (Vieira do Minho).
- **Fridão Hydroelectric Plant, Portugal** – Offsetting the socio-economic impacts of this project will be a more complex task. A total of 48 homes will be affected, as well as hundreds

of various other buildings. EDP has carried out an extensive programme of engagement and consultation with the local communities, as well as public consultation of the various local government bodies and other entities involved in the management of the affected structures. During 2012 the Execution Project Environmental Conformity Report (RECAPE) was delivered and awaits a reply by Agência Portuguesa do Ambiente.

- **Ribeiradio-Ermida Hydroelectric Plant, Portugal** – This project will directly affect 6 persons. In 2012 all expropriation processes were amicably concluded. Relocation of the persons affected has already begun, but four of them (two couples) are still living in the expropriated dwellings, where they may remain up to 6 months before the dam filling phase. A plan for monitoring the local socio-economic effect of the expropriation process has also been put in place.
- **Jari Hydroelectric Plant, in Santo Antônio do Jari (PA), Brazil** – The dialogue between the company and the local community has involved, to date, some 50,000 people. Construction of the plant will lead to the relocation of 23 families, 16 from the village of São Francisco do Iratapuru and 7 families living along the banks of the Rio Jari. At the request of the community, all 34 houses in the village of São Francisco will be rebuilt in a new site using the same building standards. The educational campaigns on STDs/AIDS, vocational improvement and integration between the construction site workers and the community involved 5,000 people in the region. In 2012 the community was kept informed of the progress in the construction work through leaflets, individual and collective information sessions, guided tours of the work site, radio programmes and awareness actions on environmental protection, which, all in all, reached 40,000 people.
- **Pecém Thermoelectric Power Station, in São Gonçalo do Amarante, Brazil** – The first machine began operating in late 2012. During the year one can highlight the promotion of technical qualification courses in the areas of construction, industrial mechanics and industrial welding in partnership with CENTEC/CVTEC, resulting in 76 newly qualified workers ready to enter the labour market. Other initiatives, such as the distribution of information leaflets on the power station's activities, the organisation of an "Environment Week" and other educational actions, involved roughly 16,000 people from the neighbouring community.
- **Cachoeira Caldeirão Hydroelectric Plant, in Amapá State, Brazil** – Creating the dam reservoir will submerge 2,600 hectares of land, including approx. 10 ha of the urban area of Porto Grande and 1,611 hectares of the Amapá State Forest. Some 20 socio-environmental impact offsetting or mitigation programmes have already been defined for implementation by the company. In the environmental impact assessment process, the possibility of relocating some families was identified but the number can only be finalised after completion of the socio-economic diagnosis for the project, which is scheduled for 2013 second quarter.
- **Construction of the Itapeti São José High Voltage Line by EDP Bandeirante in Brazil** – This project will also entail the relocation of a number of families living in clandestine housing within the safety strip along the future power line. Given this situation, an action plan was drawn up to share the responsibilities

between the local authorities and the company, guaranteeing the construction of new housing and social assistance for the respective families.

3.8.2. NGO

Non-Governmental Organisations (NGOs) working in the field of social assistance have a specialised channel for relations with EDP in the form of the EDP Foundation. Environmental NGOs favour direct contact with the Group's environmental areas. There are several diverse projects currently in progress, particularly those arising from EDP's Biodiversity Fund and the construction of new hydroelectric projects. Further information in www.edp.pt/sustainability/environment/biodiversity/initiatives and www.anna-energia.edp.pt.

3.8.3. EDP IN THE MEDIA

The EDP Group was the subject of a total of 58,914 news items in the media in 2012, exceeding news coverage in the preceding year.

An analysis of 35,243 of those news items resulted in a favourability index of 3.2 on a scale of 1 to 5. All in all, 82% of the news reports were balanced, 16% were considered negative and 2% positive.

The privatisation process and purchase of 21.35% of EDP by China Three Gorges, which was completed in late 2011, was one of the main topics in 2012. Other contents that featured prominently were the appointment of new governing bodies, the securing of financing and the sale of minority assets in wind energy generation. The early period of the year had the heaviest news coverage, with January to March being the peak quarter.

The financial reports and accounts, stock exchange performance, conclusion of the terms of the partnership agreed with the new shareholder, investments in renewable energies and social responsibility initiatives account for the greater part of the flow of information in the first quarter. These reports generally reflected positive connotations. The opposite is the case for reports on rating downgrades, share prices, copper thefts, complaints about power outages and pricing and the accident on the works to build the Foz Tua dam.

The overall positive media presence of EDP had the equivalent financial value of over EUR 49 million.

3.8.4. INITIATIVES WITH OTHER IMPORTANT STAKEHOLDERS

In 2012 EDP updated the mapping of its main stakeholders, identifying a set of stakeholders that were considered priority cases because, despite their importance, they did not yet have a formal and consistent channel for interaction with the Group or there was no EDP-internal coordination of the various discussion partners. For this group of stakeholders a range of actions was defined and implemented with a view to strengthening relations and finding common themes of interest and thus developing joint initiatives in the future.

- **Cycle of talks with stakeholders** – The aim of this initiative was to bring the EDP Group macro-structure together with representatives of certain stakeholder segments, with a view to fostering open and informal debate on materially relevant topics and sharing at times differing knowledge and approaches. The guest of the first of these sessions was the Portuguese Consumer Protection Association, DECO. A new session in this cycle has already been held in 2013, furthering debate between

the EDP macro-structure, the president and secretary-general of the National Association of Portuguese Municipalities.

- **Parliamentary groups** – The relations with this group were strengthened, providing it with information on the electricity and energy sectors, with a view to contributing to more substantive and transparent debate of these matters. In this context, in addition to the permanent dialogue, EDP also organised, and will continue to organise, visits to its power stations by parliamentary committees. By way of example, the Environment, Land Use Management and Local Power Parliamentary Committee visited the Picote power station in 2012.
- **Conference cycle with Portuguese universities** – With the same aim of improving the information flow to important stakeholders, EDP has been organising a series of conferences for teaching staff and students at the leading Portuguese universities. At these conferences we explain and debate our vision for the energy sector in Portugal. The first session was held at the Economics Foundation of the Instituto Superior de Economia e Gestão and similar initiatives are planned for early 2013 at the Instituto Superior Técnico and the University of Porto's Faculty of Engineering.
- **Training regarding the Involvement of Local Communities – ComPRO** – in Portugal, around 150 Superior Technicians have already received specific training towards the development of an open, close relationship with local communities, thus allowing for operations coherent with the company's values.

For 2013 a survey of the main concerns/opportunities in terms of the relations with the various stakeholder segments is planned, which is to be systematised in a quarterly internal report. The aim is to guarantee sharing and the strategic coordination of these relations, which indeed should be close and optimised to the full, managing them in such a way as to seek synergies and opportunities for partnerships in developing solutions to common challenges.







**EDP RENOVÁVEIS AND
EDP BRASIL CELEBRATE
TRAMANDAÍ WIND FARM
COMING INTO OPERATION**

31 TURBINES

84 MW
INSTALLED CAPACITY
IN BRAZIL

INSTALLED
CAPACITY **70
MW**



Tramandaí Wind Farm has made Brazil surpass the barrier of 1,000 MW capacity from wind power. In the construction of this wind farm, EDPR has taken into consideration environmental issues, such as protect and control of routes of migratory birds and species preservation.

CORPORATE GOVERNANCE

89 statement of compliance

- 89 0.1. Corporate governance code
- 89 0.2. Adoption of the recommendations contained in the Corporate Governance Code of the Portuguese Securities Market Commission ("CMVM")
- 94 0.3. Overall assessment of the degree of adoption of the recommendations of the Corporate Governance Code
- 94 0.4. Divergence from the recommendations of the CMVM Corporate Governance Code

95 general meeting of shareholders

- 95 i.1. Members of the Board of the General Meeting
- 95 i.2. Start and end of term of office
- 95 i.3. Remuneration
- 95 i.4. Participation in the General Meeting of Shareholders
- 96 i.5. Suspension of the General Meeting of Shareholders
- 96 i.6. Voting rights
- 96 i.7. Restrictions on voting rights
- 96 i.8. Statutory rules on the exercise of voting rights
- 97 i.9. Exercising postal voting rights
- 97 i.10. Standard postal voting ballot form
- 97 i.11. Deadline for receiving postal votes
- 97 i.12. Exercising electronic voting rights
- 97 i.13. Minutes of the General Meeting of Shareholders
- 97 i.14. Archive of decisions of the General Meeting of Shareholders
- 97 i.15. Representative of the remuneration committee at General Meetings of Shareholders
- 97 i.16. Intervention of the General Meeting of Shareholders regarding remuneration policy of the company
- 97 i.17. Intervention of the General Meeting of Shareholders on plans to award shares or share purchase options
- 98 i.18. Intervention of the General Meeting of Shareholders regarding the approval of the retirement benefits system
- 98 i.19. Statutory provision limiting the number of votes
- 98 i.20. Defensive measures
- 98 i.21. Change of company control
- 98 i.22. Agreement with the holders of positions in the management body or officers that provide for compensation in the event of termination of office following a change of control of the company

98 management and supervisory bodies

98 section I – general

- 98 ii.1. Identification and composition of the corporate bodies
- 101 ii.2. Specialised committees with responsibilities for the management or supervision of the company
- 103 ii.3. Organisation chart, delegation and division of powers
- 116 ii.4. Annual report of the General and Supervisory Board
- 116 ii.5. Risk management and internal control systems
- 119 ii.6. Responsibility of the management and supervision in the creation and operation of internal control systems and the company's risk management
- 120 ii.7. Regulations governing the company's bodies

120 section II – executive board of directors

- 120 ii.8. Chairman of the Executive Board of Directors
- 120 ii.9. Economic, financial and legal risks
- 122 ii.10. Powers of the management body to decide on share capital increases
- 123 ii.11. Policy on rotation of positions – appointment and replacement of members
- 123 ii.13. Meetings of the Executive Board of Directors
- 123 ii.14. Incompatibility rules and independence criteria
- 124 ii.15. Rules on assessment of independence of members of the Executive Board of Directors
- 124 ii.18. Professional qualifications and work activities performed in at least the last five years by members of the Executive Board of Directors
- 125 ii.19. Positions held in other companies by members of the Executive Board of Directors

126 section II – general and supervisory board

- 126 ii.12. Meetings of the General and Supervisory Board
- 126 ii.25. General and Supervisory Board and Evaluation Committee
- 127 ii.26. Rules on assessment of independence and incompatibilities of members of the General and Supervisory Board
- 127 ii.27. Professional qualifications and number of shares held by members of the General and Supervisory Board
- 129 ii.28. Positions held in other companies by members of the General and Supervisory Board
- 129 ii.29. Remuneration policy for directors other than members of the General and Supervisory Board and the Executive Board of Directors

129 section IV – remuneration

- 129 ii.30. Remuneration policy for the Executive Board of Directors and the General and Supervisory Board
- 130 ii.31. Annual individual remuneration of the members of the Executive Board of Directors, General and Supervisory Board, Environment and Sustainability Board and Remuneration Committee of the General Meeting of Shareholders
- 132 ii.32. Remuneration structure: alignment with the company's long-term interests
- 132 ii.33. Remuneration of executive directors
- 133 ii.35. Whistle-blowing policy

133 section V – specialised committees

- 133 ii.36. Performance assessment and governance system committees
- 134 ii.37. Number of meetings of management and supervisory committees
- 134 ii.38. Knowledge and experience of one member of the Remuneration Committee on remuneration policy
- 134 ii.39. Independence of people hired by the Remuneration Committee

135 disclosure and audits

- 135 iii.1. Capital structure
- 135 iii.2. Qualifying holdings
- 136 iii.3. Holders of special rights
- 137 iii.4. Restrictions on transfer of shares
- 137 iii.5. Shareholder agreements
- 137 iii.6. Rules on amendments to the company's Articles of Association
- 137 iii.7. Control mechanisms of employees' shareholdings
- 138 iii.8. Factors that influence the company's share price
- 141 iii.9. Dividend distribution policy
- 142 iii.10. Stock option / stock purchase option plans
- 142 iii.11. Business and operations between the company and members of the management and supervisory bodies or subsidiary or group companies
- 142 iii.12. Business and operations with owners of qualifying holdings
- 143 iii.13. Intervention of the supervisory body in the prior assessment of business between the company and the owners of qualifying holdings
- 143 iii.14. Statistics on business subject to prior intervention by the supervisory body
- 143 iii.15. Disclosure of the Committee on Financial Matters's annual reports
- 143 iii.16. Investor Relations Department
- 147 iii.17. Remuneration of external auditor and Statutory Auditor
- 146 iii.18. Rotation of the external auditor

O. STATEMENT OF COMPLIANCE

O.1. CORPORATE GOVERNANCE CODE

EDP – Energias de Portugal, S.A. (“EDP”) is a listed company that issues securities listed for trading on the NYSE Euronext Lisbon stock market.

EDP, pursuant to article 1(1) of CMVM Regulation No. 1/2010, regarding the governance of companies issuing securities traded on a regulated market located or operating in Portugal, follows the recommendations of the “Corporate Governance Code” (Código de Governo das Sociedades), approved by the CMVM in January 2010. EDP has decided not to follow any other code making recommendations in such area.

This report is organised in accordance with the provisions of Article 2(1) of CMVM Regulation No. 1/2010. No mention is made to the sections not applying to the corporate governance model in force in EDP.

O.2. ADOPTION OF THE RECOMMENDATIONS CONTAINED IN THE CORPORATE GOVERNANCE CODE OF THE PORTUGUESE SECURITIES MARKET COMMISSION (“CMVM”)

The following table lists the CMVM recommendations on corporate governance established in the referred Corporate Governance Code and indicating whether or not they were fully adopted by EDP, as well as where more detailed information can be found in this report on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
I. GENERAL MEETING OF SHAREHOLDERS			
I.1 BOARD OF THE GENERAL MEETING			
I.1.1 The Chairman of the Board of the General Meeting shall be equipped with the necessary and adequate human resources and logistical support, taking the company’s economic situation into consideration.	Adopted		I.1.
I.1.2 The remuneration of the Chairman of the Board of the General Meeting shall be disclosed in the Annual Report on Corporate Governance.	Adopted		I.3.
I.2 PARTICIPATION IN THE GENERAL MEETING			
I.2.1 The antecedence imposed for the acceptance, by the Board, of share deposit or share block declarations for participation in the General Meeting, shall not exceed five working days.	Adopted		I.4.
I.2.2 In case of the General Meeting being suspended, the company shall not oblige shareholders to block shares for the whole period in between until the session is resumed. The period required for the first session shall suffice.	Adopted		I.5.
I.3 VOTING RIGHTS AND VOTING			
I.3.1 Companies should not impose any statutory restrictions on postal voting and, when adopted and admissible, on electronic voting.	Adopted		I.8. I.9. I.10. I.12.
I.3.2 The statutory antecedence deadline for receiving postal vote declarations shall not exceed three working days.	Adopted		I.11.
I.3.3 Companies shall ensure proportionality between voting rights and shareholder participation, preferably through a statutory provision ensuring one vote per share. The companies which do not meet the proportionality requirements are those which, in particular: i) have shares without voting rights; ii) establish that, above a certain threshold, voting rights cast by one single shareholder or shareholders related to him/her should not be accounted for.	Not adopted	EDP considers that, pursuant to the “one share one vote” principle, adequate shareholders’ participation is ensured, even though there might be limitations on the number of shares each shareholder may use to vote. The principle of proportionality between the number of shares held and the corresponding voting rights must be assessed in relative terms rather than in absolute terms. Especially relevant in this context is the fact that the limit above which votes are not considered, as established in number 3 of article 14 of EDP’s articles of association, was always defined and amended according to the express intention of EDP’s shareholders through general shareholders meetings resolutions, approved by qualified majorities, and in line with EDP’s specific interests: (i) the increase from 5% to 20% was approved by shareholders in the General Shareholders Meeting held on August 25, 2011, with the participation of 72.25% of the share capital, and the resolution was approved by a majority of 94.16% of the votes cast; (ii) the increase to the current limit of 25% was approved in the General Shareholders Meeting dated February 20, 2012, with the participation of 71.51% of the share capital and the resolution was approved by a majority of 89.65% of the votes cast. Thus, taking into consideration the degree of representation reached in said General Shareholders Meetings, the characteristics of EDP’s shareholding structure and the fact that such matter must be exclusively resolved on by the shareholders, EDP considers that the shareholders interests are adequately respected in general terms.	I.6. I.7. I.8. I.19.
I.4 QUORUM AND DECISIONS			
Companies shall not establish a quorum for deliberation greater than that laid down by law.	Adopted		I.8. I.20.
I.5 MINUTES AND INFORMATION ON DECISIONS			
Extracts of the General Meeting’s minutes or documents of equivalent content shall be made available to shareholders on the company’s website within five days of the General Meeting, even if they are not inside information. The disclosed information shall contain the deliberations taken, the represented capital and voting results. This information shall be maintained on the company’s website for at least three years.	Adopted		I.13. I.14.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
I.6 COMPANY CONTROL MEASURES			
I.6.1 Measures adopted to prevent the success of takeover bids shall respect the interests of the company and its shareholders. Companies Articles of Association which, while respecting the principle set forth in the previous paragraph, limit the number of votes that can be held or exercised by a single shareholder, individually or jointly with other shareholders, shall also set forth that, at least every five years, the maintenance or not of that statutory provision shall be put to deliberation by the General Meeting – without the need for a quorum greater than the legal quorum – and that, all the votes cast shall count in this deliberation without that limitation.	Non adopted	Even though EDP considers that the absence of measures which may unjustifiably conflict with the success of a takeover bid is a correct corporate governance practice, it disagrees with this CMVM Recommendation since it is EDP's understanding that it is not reasonable to relate such principle with the existence of limitation mechanisms on the exercise of voting rights in line with the terms of the recommendation (furthermore, the former matter is governed by a different recommendation). Thus, the interests of EDP's shareholders, protected under the limitation established by article 14 of EDP's articles of association, justify the option of not following such recommendation. In fact, the establishment of this limitation is in line with the express intention of EDP's shareholders through the approval of General Shareholders Meetings resolutions with substantial majorities, in accordance with EDP's specific interests: (i) the increase from 5% to 20% was approved by the shareholders in the General Shareholders Meeting dated August 25, 2011, with the participation of 72.25% of the share capital, and the resolution was approved by a majority of 94.16% of the votes cast; (ii) the increase to the current percentage of 25% was approved in the General Shareholders Meeting dated February 20, 2012, with the participation of 71.51% of the share capital and the resolution was approved by a majority of 89.65% of the votes cast. Additionally, in what concerns measures of control by the company, EDP considers that: a) in the event of a takeover bid, the Executive Board of Directors and the General and Supervisory Board shall analyze such bid in line with the company's interests; b) the Executive Board of Directors' position shall be subject to a favourable prior opinion by the General and Supervisory Board; and c) the Executive Board of Directors and the General and Supervisory Board shall prevent from adopting any measure or position which may be deemed an unjustified obstacle to the correct evaluation of the takeover bid by the shareholders.	I.20.
I.6.2 Defensive measures shall not be taken if they have the effect of automatically causing serious erosion of the company's assets in the event of transfer of control or a change in the membership of the Board of Directors, thereby affecting the free transferability of shares and the free assessment by shareholders of the performance of the members of the Board of Directors.	Adopted		I.21.
II. MANAGEMENT AND SUPERVISORY BODIES			
II.1 GENERAL MATTERS			
II.1.1 STRUCTURE AND DUTIES			
II.1.1.1 The Board of Directors shall assess, in its annual Corporate Governance Report, the adopted model identifying any constraints to its functioning and recommending the appropriate measures to overcome them.	Adopted		II.36.
II.1.1.2 Companies shall set-up internal control and risk management systems, in order to safeguard their assets and ensure the transparency of their corporate governance, which allow them to identify and manage the risk. These systems shall include, at least, the following components: i) determination of the company's strategic objectives on risk-taking; ii) identification of the main risks linked to the specific activity being exercised and the events capable of originating risks; iii) analysis and measurement of the impact and the probability of occurrence of each one of the potential risks; iv) risk management in view of the alignment between the risks actually incurred and the society's strategic choice on risk-taking; v) control mechanisms of the execution of the risk management measures adopted and their effectiveness; vi) adoption of internal mechanisms of information and disclosure on the system's various components and risk alerts; vii) cyclic evaluation of the implemented system and adoption of any necessary modifications.	Adopted		II.5.
II.1.1.3 Management and supervisory bodies shall ensure the creation and operation of internal control and risk management systems, lying with the supervisory body the responsibility for the assessment of these systems' operation and the proposal of any adjustments to the company's needs.	Adopted		II.5. II.6.
II.1.1.4 Companies shall, in the annual Corporate Governance Report: i) identify the main economic, financial and legal risks to which the company is exposed in the exercise of its activity; ii) describe the operation and effectiveness of the risk management system.	Adopted		II.5. II.9.
II.1.1.5 Management and supervisory bodies shall have their own regulations, which shall be posted on the company's website.	Adopted		II.7.
II.1.2 INCOMPATIBILITIES AND INDEPENDENCE			
II.1.2.1 The Board of Directors shall include a number of non-executive members to ensure an effective capacity to oversee, supervise and evaluate the executive members.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.1.2.2 Within the non-executive directors there shall be an appropriate number of independent directors, taking into account the company's size and its shareholder structure, which cannot, in any case be less than one quarter of the total number of directors.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.1.2.3 Within the non-executive directors there shall be an appropriate number of independent directors, taking into account the company's size and its shareholder structure, which cannot, in any case be less than one quarter of the total number of directors.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	
II.1.3 ELIGIBILITY AND APPOINTMENT			
II.1.3.1 Depending on the applicable model, the Chairman of the Supervisory Board, Audit Committee or Committee on Financial Matters shall be independent and have the appropriate competences to the performance of his/her duties.	Adopted		II.1. II.5. II.14.
II.1.3.2 The selection process for non-executive directors' candidates shall be conceived in a way such as to impede the interference from the executive directors.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
II.1.4 WHISTLE-BLOWING POLICY			
II.1.4.1 The company shall adopt a whistle-blowing policy for reporting alleged irregularities with the following elements: i) indication of the means by which whistle-blowing reports can be made within the company, including the people qualified to receive them; ii) indication of the treatment to be given to the reports, including confidentiality if the whistleblower so requires.	Adopted		II.35.
II.1.4.2. The general lines of this policy shall be disclosed in the Corporate Governance Report.	Adopted		II.35.
II.1.5 REMUNERATION			
II.1.5.1 The remuneration of the members of the Board of Directors shall be structured in such a way as to ensure the alignment between their interests and the long-term interests of the company, be based on performance evaluation and discourage excessive risk-taking. To that effect, the remuneration shall be structured according to the following: (i) The remuneration of directors, who perform executive duties, shall integrate a variable component, which determination depends on a performance evaluation, by the company's competent bodies, according to pre-determined measurable criteria, which considers the real growth of the company and the wealth, in fact, generated for shareholders, its long-term sustainability and the assumed risks, as well as the compliance with rules applicable to the company's activity. (ii) The variable component of the remuneration shall be globally reasonable when compared to the fixed remuneration component, and maximum limits shall be determined for all components. (iii) A significant part of the variable remuneration shall be deferred for a period not inferior to three years, and its payment shall depend upon the continuation of the positive performance of the company during that period; (iv) The members of the management body shall not enter into contracts, either with the company, or with third parties, which have as effect, to mitigate the risk inherent to the remuneration variability that is determined by the company; (v) until the term of their mandate, the executive directors shall keep the company's shares, which they have accessed by way of variable remuneration schemes, until the limit of twice the value of their global annual remuneration, with the exception of those which need to be divested in order to pay taxes resulting from the capital gains regarding those shares; (vi) In cases where the variable remuneration includes the award of options, the beginning of the fiscal year shall be deferred for a period of no less than three years. (vii) Adequate legal instruments shall be established so that the determined compensation for any form of unjust dismissal of a director is not paid if the dismissal or termination by agreement is due to the director's inadequate performance; (viii) The remuneration of the non-executive members of the Board shall not include any component which value depends on the company's performance or the company's value.	Adopted		II.30. II.32. II.33.
II.1.5.2 The statement on the remuneration policy of the managing and supervisory bodies set forth in article 2nd of Law n.º 28/2009, of 19th of June, shall contain, beyond the contents there referred, sufficient information: i) regarding which companies groups remuneration policy and practices were taken as a comparative element to the determination of the remuneration; ii) regarding payments related to the dismissal or termination by agreement of director's functions.	Adopted		II.30. II.33.
II.1.5.3 The statement on remuneration policy set forth in article 2nd of Law n.º 28/2009 shall also include the remunerations of other managers, in the sense of number 3 of article 248-B of the Securities Code, whose remuneration contains an important variable component. The statement shall be detailed and the policy presented shall take into account, namely, the company's long-term performance, the compliance with norms applicable to the company's activity and the contention in risk-taking.	Not applicable	EDP does not have people with regular access to inside information that participates in decision making (i.e. other managers) besides the members of the corporate bodies.	II.30.
II.1.5.4 A proposal on the approval of share distribution and/or a share option plan based on variations in share price to members of the managing and supervisory bodies and other company officers, as set forth in number 3 of article 248 of the Securities Code, shall be submitted to the General Meeting. The proposal shall contain all the information necessary for a proper assessment of the plan and shall be accompanied by the plan's regulation, or, in case this has yet to be drafted, by the general conditions that shall govern it. Likewise, the main features of the pension benefits system established in favour of members of the managing and supervisory bodies and other company officers, as set forth in number 3 of article 248th of the Securities Code, shall be approved by the General Meeting.	Adopted	There is only one share distribution plan in force, referring to the financial years corresponding to the time period between 2003 and 2005, and the members it applied to terminated their duties on March 30, 2006. Thus, said plan refers to a period previous to the publication of the recommendation under analysis, which was not yet in force at that moment. EDP did not establish any specific pension benefits system in favour of the members of its management and supervisory boards. The members of the Executive Board of Directors benefits from a financial product similar to a pension saving plan which is an effective complement to the pension, corresponding to 10% of the fixed component of their fixed annual income. Additionally and pursuant to number 3 of article 248-B of the Portuguese Securities Code, there are no managers other than the members of its governing bodies. In fact, apart from the members of such bodies, there is no other person who has regular access to privileged information and participates in decisions regarding the management or the company's negotiating strategy.	I.17. II.30. II.33. III.10.
II.1.5.6 At least one representative from the Remuneration Committee shall attend the Annual General Meetings.	Adopted		I.15. II.1.
II.1.5.7 The amount of remuneration received, in aggregate and individual form, in other companies of the group and the pension rights acquired in the fiscal year in question shall be disclosed in the annual Corporate Governance Report.	Adopted		II.19. II.28. II.30. II.31.
II.2. BOARD OF DIRECTORS			
II.2.1 Within the limits established by law for each management and supervisory structure, and unless the company is very small, the Board of Directors shall delegate the day-to-day running of the company. The powers delegated shall be described in the annual Corporate Governance Report.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP. This recommendation is not applicable, given the corporate governance model adopted by EDP. Although, for functional reasons, the Executive Board of Directors has established a certain allocation, regarding areas of responsibility, to its members, there is no delegation of competences on them. In fact, on the Executive Board of Directors of EDP there is only a functional allocation of the management areas to each of the members, but it competes to the Board, as a collective body, to resolve all matters that fit within the scope of the respective responsibility.	II.3.
II.2.2 The Board of Directors shall ensure that the company acts in accordance with its objectives and shall not delegate its powers, particularly, with respect to: i) defining the company's general strategy and policies; ii) defining the group's business structure; iii) decisions that should be considered strategic due to the amount or risks involved or their special characteristics.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	II.1.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
II.2.3 If the chairman of the Board of Directors has executive duties, the Board shall find efficient mechanisms for coordinating the work of the non-executive members so as to ensure that they can make independent and informed decisions and shall duly explain those mechanisms to the shareholders in the Corporate Governance Report.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	II.1.
II.2.4 The company's annual management report shall include a description of the work done by the non-executive directors and mention any constraints encountered.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP.	II.1.
II.2.5. The company must explain its policy on rotation of offices within the Board, particularly in what concerns the financial office, and give information regarding that policy in the Corporate Governance Report.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP. In fact, this recommendation is intended to apply to listed companies which are governed in accordance with the so called Anglo-Saxon and Latin models. Where the Corporate Governance Code refers to the German model, it explicitly identifies such model (as provided, for instance, in recommendations II.3.2 and II.3.3).	II.11.
II.3 CEO, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS			
II.3.1 When asked to do so by other members of the corporate bodies, executive directors shall provide all information required in a timely fashion and appropriate form.	Adopted		II.3.
II.3.2. The chairman of the Executive Committee shall send respectively to the chairman of the Board of Directors and, as applicable, the chairman of the Supervisory Board or the Audit Committee the notices to and minutes of their meetings.	Not applicable	This recommendation is not applicable, given the corporate governance model adopted by EDP	II.1.
II.3.3 The chairman of the Executive Board of Directors shall send to the chairman of the General and Supervisory Board and the chairman of the Committee on Financial Matters the notices to and minutes of their meetings.	Adopted		II.13.
II.4. GENERAL AND SUPERVISORY BOARD, COMMITTEE ON FINANCIAL MATTERS, AUDIT COMMITTEE AND SUPERVISORY BOARD			
II.4.1 In addition to the exercise of its supervisory duties, the General and Supervisory Board shall advise, monitor and continuously assess the management of the company by the Executive Board of Directors. The matters on which the General and Supervisory Board shall give opinion include: i) the definition of the company's strategy and general policies; ii) the group's business structure; and iii) decisions that should be considered strategic due to the amounts or the risks involved or their special characteristics.	Adopted		II.3.
II.4.2 The annual reports on the activities developed by the General and Supervisory Board, the Committee on Financial Matters, the Audit Committee and the Supervisory Board shall be published on the company's website along with the respective financial statements.	Adopted		II.4.
II.4.3 The annual reports on the activities developed by the General and Supervisory Board, the Committee on Financial Matters, the Audit Committee and the Supervisory Board shall include a description of their supervisory activity and refer any constraints encountered.	Adopted		II.4.
II.4.4 The General and Supervisory Board, the Audit Committee and the Supervisory Board, depending on the applicable model, shall, for all purposes, represent the company in all dealings before the external auditor, and shall also make suggestions as to the providers of these services and their remuneration, and ensure that the right conditions exist within the company for the services to be performed as well as act as the company's interlocutor and first recipient of their reports.	Adopted		II.3. II.11. III.17.
II.4.5 The General and Supervisory Board, the Audit Committee and the Supervisory Board, depending on the applicable model, shall evaluate the external auditors every year and shall propose their dismissal to the General Meeting whenever just cause is given to that effect.	Adopted		II.3. III.17.
II.4.6 The internal audit services and those who ensure the compliance of the norms applied to the company (compliance services) shall functionally report to the Audit Committee, the General and Supervisory Board or, in case of companies that adopt the Latin model, to an independent director or the Supervisory Board, regardless the hierarchical relation that those services have with the executive administration of the company.	Adopted		II.5. II.6.
II.5. SPECIALISED COMMITTEES			
II.5.1 Unless the company is very small, the Board of Directors and the General and Supervisory Board, depending on the model adopted, shall set up any committees necessary for: i) ensuring a competent and independent assessment of the executive directors' performance as well as for the evaluation of their own overall performance and that of other committees; ii) reflecting on the adopted system of governance, checking its effectiveness and proposing, to the competent bodies, measures aimed at improving it; iii) identifying in a timely fashion, potential candidates with the necessary high profile for the performance of director's functions.	Adopted		II.25. II.36. II.37.
II.5.2 The members of the Remuneration Committee or equivalent shall be independent from the members of the Board of Directors and include, at least one member with knowledge and experience in remuneration policy matters.	Adopted		II.38.
II.5.3 Any individual or legal person that provides or has provided, in the past three years, services to any structure in the dependency of the Board of Directors, the Board of Directors itself or that has a present relation with the company's consultant, shall not be hired to support the Remuneration Committee in the performance of its duties. This recommendation is also applicable to any individual or legal person that is connected to those referred to above by an employment or service contract.	Adopted		II.39.
II.5.4 All the committees must keep minutes of their meetings.	Adopted		II.37.
III. DISCLOSURE AND AUDITS			
III.1 GENERAL DISCLOSURE OBLIGATIONS			
III.1.1 Companies shall ensure a permanent contact with the market, in respect of the principle of shareholders' equality of and in prevention of imbalances in the access to information by investors. In order to achieve this, the company shall have an investor relations office.	Adopted		III.16.
III.1.2 The following information on the company's website must be published in English: a) The company's name, status as public limited company, registered office and all other elements mentioned in Article 171st of the Companies Code; b) The Articles of Association; c) The names of the members of the corporate bodies and market liaison officer; d) The Investor Relations Office, its functions and contact information; e) The financial statements; f) Half-yearly calendar of company events; g) Motions submitted for discussion and voting at general meetings; h) Notices to general meetings	Adopted		III.16.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
III.1.3 The companies shall promote the rotation of the auditor at the end of two or three terms, according to them being of four or three years respectively. Their maintenance after this period shall be reasoned in a specific opinion from the supervisory body which consider expressly the conditions of the auditor's independence and the advantages and costs of his/her substitution.	Adopted		III.18.
III.1.4 The external auditor shall, within its competencies, verify the application of remuneration policies and systems, the efficiency and the functioning of internal control mechanisms and report any deficiencies to the company's supervisory body.	Adopted		III.17.
III.1.5 The company shall not give to the external auditor, or any other entities in a relation of participation with that auditor or that are part of the same network, any services other than auditing. If the engagement of such services is required – which must be approved by the supervisory body and explained in its annual report on Corporate Governance – they should not account for more than 30% of the total value of services provided to the company.	Adopted		III.17.
IV. CONFLICTS OF INTEREST			
IV.1 RELATIONS WITH SHAREHOLDERS			
IV.1. The company's businesses with shareholders with a qualified stake, or with entities with any relation with those shareholders shall be performed in normal market conditions, as set forth in article 20th of the Securities Code.	Adopted		III.11.
			III.12
IV.1.2. The business of significant relevance with shareholders of a qualified stake, or with entities with any relation to those shareholders, shall be submitted to prior opinion of the Supervisory Board, as set forth in article 20th of the Securities Code. This body shall establish the necessary procedures and criteria for the definition of the relevant level of significance of these businesses and the further terms of their intervention.	Adopted		III.11.
			III.12.
			III.13.

0.3. OVERALL ASSESSMENT OF THE DEGREE OF ADOPTION OF THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

EDP adopts all the recommendations contained in the aforementioned "Corporate Governance Code" that apply to it, except for Recommendations I.3.3 and I.6.1 of such code, which are not adopted for the reasons given in section 0.2.

EDP suggests consulting the "EDP Corporate Governance Manual" ("Corporate Governance Manual") for a broader reflection on the recommendations contained in the "Corporate Governance Code". This manual is available to shareholders and the general public at the EDP website (www.edp.pt).

0.4. DIVERGENCE FROM THE RECOMMENDATIONS OF THE CMVM CORPORATE GOVERNANCE CODE

The explanation of the CMVM recommendations that are not adopted with or that EDP considers do not apply to it, the reasons for those positions and other relevant observations, as well as an indication of the section of this report where the description can be found, are listed in the table of section 0.2.

I. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the body in which the shareholders participate or are represented. This body is attributed the following duties, pursuant to and for the purposes of Article 11 of EDP's Articles of Association:

- Assess the annual report of the Executive Board of Directors, discuss and vote on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Financial/Audit Committee and vote on proposals for the appropriation of profits;
- Elect and remove from office the members of the Board of the General Meeting, the Executive Board of Directors and the General and Supervisory Board as well as their respective chairman and vice-chairman, if any, the Statutory Auditor, on proposal of the General and Supervisory Board or, by its delegation of powers, the Committee on Financial Matters/Audit Committee, and also the members of the Environment and Sustainability Board;
- Decide on any amendments to the Articles of Association, including share capital increases;
- Appoint a Remuneration Committee responsible for establishing the remuneration of members of the corporate bodies. The majority of this committee's members should be independent;
- Assess the annual report of the General and Supervisory Board;
- Deal with any other matters for which it has been convened;
- Perform other duties as assigned by law, in particular with regard to the general assessment of the management and supervision of EDP and approval of the remuneration policy for members of those bodies.

I.1. MEMBERS OF THE BOARD OF THE GENERAL MEETING

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

The Chairman and Vice-Chairman of the General Meeting, in office until 17 April 2012, were first elected to their positions by the General Meeting of 12 April 2007, and the Company Secretary was first appointed to perform that role on 7 April 2006.

The members of the General Meeting, in office until 17 April 2012 were the following:

BOARD OF THE GENERAL MEETING

CHAIRMAN	Rui Eduardo Ferreira Rodrigues Pena
VICE-CHAIRMAN	António Bernardo de Menezes e Lorena de Sêves
COMPANY SECRETARY	Maria Teresa Isabel Pereira

At the Annual General Meeting of 17 April 2012 the Chairman and Vice-Chairman of the General Meeting were elected to office for 2012-2014 triennium. The Company Secretary was appointed to the position on 22 February 2012:

BOARD OF THE GENERAL MEETING

CHAIRMAN	Rui Eduardo Ferreira Rodrigues Pena
VICE-CHAIRMAN	Rui Pedro Costa Melo Medeiros
COMPANY SECRETARY	Maria Teresa Isabel Pereira

The Chairman of the Board of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21(2) of EDP's Articles of Association.

The Chairman of the Board of the General Meeting has the internal human and logistic resources that are appropriate for his/her needs, namely the support of the General Secretariat and Legal Department, the Investor Relations Office and the Brand and Communication Department, as well as external support from a specialised entity hired by EDP for the collection, processing and counting of votes. The logistic and administrative resources for holding the General Meeting are provided by the Company, with the respective organisation being supervised by the Chairman of the Board of the General Meeting.

I.2. START AND END OF TERM OF OFFICE

The members of the Board of the General Meeting were elected for a term of three years at the Annual General Meeting of 17 April 2012, relative to the 2012-2014 triennium.

I.3. REMUNERATION

The Chairman and Secretary of the Board of the General Meeting do not earn any remuneration in that capacity, given that they are remunerated as a member of the General and Supervisory Board and Company Secretary, respectively. The Vice-Chairman of the General Meeting receives a remuneration of EUR 2,000 per year, plus the amount of EUR 2,000 for each meeting that he will chair.

I.4. PARTICIPATION IN THE GENERAL MEETING OF SHAREHOLDERS

The entry into force of Decree-Law 49/2010 of 19 May meant that the meetings of the General Meeting could now have a minimum notice period of 21 (twenty-one) days. However, EDP's Articles of Association establish a minimum notice period of 30 (thirty) days. The statutory rule was applied in 2012 and it will continue to be applied in 2013. Consequently, notice of the meetings of the General Meeting are published at least 30 (thirty) days in advance, with explicit mention on the notice of the matters to be examined (Article 13 of the Articles of Association). Only shareholders with voting rights are legally permitted to attend General Meetings, in addition to other individuals whose presence at the meeting is considered justifiable by the Chairman of the Board of the General Meeting. (Article 14 (1) of EDP's Articles of Association).

EDP shareholders may only attend, discuss and vote at the General Meeting in person or through a representative, if they own at least one share on the registration date, corresponding to 00:00 (GMT) of the fifth trading day preceding the date on which the General Meeting is to be held (Article 14 (10) of the Articles of Association).

Proof of ownership of shares is provided by sending to the Chairman of the Board of the General Meeting, prior to the end of the fifth trading day preceding the date of the General Meeting, a certificate issued, authenticated and forwarded by the financial intermediary entrusted with the registration of the shares in an account. That certificate must include information on the number of shares registered as well as the date of registration. E-mail communication may be used for this purpose (Article 14 (13) of EDP's Articles of Association).

Participation in the General Meeting also requires that the shareholder expresses its desire to attend the meeting, which must be sent to the Chairman of the Board of the General Meeting and to the financial intermediary with which the individual registration account is opened by the end of the sixth trading day preceding the date of the General Meeting. E-mail communication may be used for this purpose (Article 14 (11) of the Articles of Association).

Shareholders who have declared their intention to attend the General Meeting, pursuant to statutory requirements, and who have transferred ownership of the shares between the fifth trading day preceding the date of the General Meeting and the end of such meeting, should immediately notify the Chairman of the Board of the General Meeting and the CMVM of such (Article 14 (11) of the Articles of Association).

Shareholders may be represented by persons with full legal capacity. The Chairman of the Board of the General Meeting must be notified of such representation by 5.00 p.m. of the second last day prior to the date of the General Meeting, at the latest (Article 14 (15) of EDP's Articles of Association).

I.5. SUSPENSION OF THE GENERAL MEETING OF SHAREHOLDERS

Even before publication of Decree-Law 49/2010, of 19 May, in the event of suspension of the General Meeting, the best interpretation of the law was understood to be the same as the recommendation, i.e. that it should not be compulsory to block shares until the session was resumed, and that the time limit required for the first session should be sufficient. The entry into force of Decree-Law 49/2010 of 19 May meant that the blocking requirement became prohibited, therefore the adoption of recommendation I.2.2 of the CMVM is currently a legal requirement. Hence, participation in EDP's General Meeting, including when it is suspended, does not require the blocking of shares in the period preceding the meeting.

I.6. VOTING RIGHTS

Pursuant to Article 14 (2) of EDP's Articles of Association, each share represents one vote.

Holders of rights representing shares under ADR programmes are subject to the same legal and statutory provisions, pursuant to and for the purposes of Article 14 (9) of the Articles of Association.

I.7. RESTRICTIONS ON VOTING RIGHTS

Up to 20 February 2012, the votes cast by a shareholder, on his own behalf or in representation of another, exceeding 20% (twenty percent) of all votes representing the share capital were not counted. This restriction applied to all decisions voted on by the General Meeting, including those for which legislation or EDP's Articles of Association required a qualified majority of the company's share capital. At the General Meeting of 20 February 2012, this limit was raised to 25% (twenty five percent).

I.8. STATUTORY RULES ON THE EXERCISE OF VOTING RIGHTS

Pursuant to the provisions of Article 14 (4) of EDP's Articles of Association, all the voting rights attributable to a shareholder, pursuant to the

provisions of Article 20 (1) of the Portuguese Securities Code, or any legal provision that amends or replaces it, are deemed to have been cast.

The EDP shareholders are duty bound to provide to the Executive Board of Directors – in writing and in a complete, objective, clear and truthful fashion, and in a form that is satisfactory to the Board – all information that the latter requests on matters relating to them and related with Article 20(1) of the Portuguese Securities Code. Failure to comply with this duty shall result in prevention of the exercise of voting rights relative to the shares held by the defaulting shareholder Article 15 (2) and (3) of EDP's Articles of Association.

In the event that the discounting of votes affects more than one shareholder, the referred restriction shall apply proportionally to the ordinary shares held by each shareholder (Article 14 (5) of the Articles of Association).

Article 15 (1) of EDP's Articles of Association establishes that shareholders who, under the referred Article 20 (1) of the Portuguese Securities Code, or any legal provision that amends or replaces it, become the holders of, or have allocated to them, a shareholding equal to or greater than 5% (five per cent) of the voting rights or the share capital, must inform the Executive Board of Directors of that fact within a period of five business days of the date such ownership takes effect. They cannot exercise the respective voting rights if they have not made this communication.

EDP has adopted measures aimed at encouraging the exercise of voting rights by the shareholders, namely through the elimination of financial obstacles that may affect the exercise of voting rights. These measures include:

- General dissemination of the notice of the General Meeting, with express reference to the means available for voting, namely through publication on the websites of CMVM (www.cmvm.pt) and EDP (www.edp.pt), the Share Prices Bulletin of NYSE Euronext Lisbon, and the sending of mailings to shareholders;
- The payment of the costs associated with the issue of certificates of ownership of shares for all the shareholders taking part in the General Meeting (directly or through distance voting);
- Payment of the costs involved in distance voting, including postal voting.

The decisions of the General Meeting are reached by a majority of the votes cast, unless there is legal or statutory provision requiring a qualified majority (Article 11 (3) of the Articles of Association).

EDP's Articles of Association do not define any constitutive quorum for the General Meeting, adopting the rule in the Portuguese Companies Code.

As regards the decision-making quorum, and pursuant to EDP's Articles of Association, the General Meeting may take decisions on the first or second convening, whatever the number of shareholders present or represented, including any decisions on amendments to the Articles of Association, and the merger, demerger or transformation of the company (Article 11 (4) of the Articles of Association). It should be noted that, in relation to these subject matters, the deliberative quorum adopted is even lower than that provided for in the Portuguese Companies Code, (see Article 383 (1) of the Portuguese Companies Code) which requires, additionally, that shareholders holding shares corresponding to at least one-third of the capital are attending or represented at the meeting.

In all other cases, the deliberative quorum established in the Portuguese Companies Code applies, namely the provisions of Article 383 (2) of the referred law.

I.9. EXERCISING POSTAL VOTING RIGHTS

EDP shareholders may exercise their voting rights by post on each of the items of the agenda. In the event such shareholder is a natural person, their signature must be identical to the identification document and accompanied by a legible photocopy of this. In the event the shareholder is a legal person, the signature of its representative must be certified by notary as having such powers. In either case, the letter should be addressed to the Chairman of the Board of the General Meeting, and sent by registered mail with acknowledgment of receipt, and sent to the registered office (Article 14 (6) of the Articles of Association).

The Chairman of the Board of the General Meeting is responsible for verifying the authenticity and legality of postal votes, in addition to ensuring they remain confidential until the actual vote is taken. Postal votes on motions submitted after the date on which these votes were cast will count as negative votes (Article 14 (8) of the Articles of Association).

It is to be noted that EDP informs its shareholders in advance on the forms of participation in the General Meeting through the provision of draft versions of the intention to participate, letter of representation, voting ballot and the instructions required to vote by e-mail.

I.10. STANDARD POSTAL VOTING BALLOT FORM

Shareholders can find a standard form for postal voting on the EDP website (www.edp.pt).

I.11. DEADLINE FOR RECEIVING POSTAL VOTES

EDP shareholders can exercise their postal vote by letter addressed to the Chairman of the Board of the General Meeting sent by registered mail to the registered office with acknowledgement of receipt. The letter must be delivered at least 3 (three) business days in advance of the date of the respective General Meeting, unless a longer advance period is stated on the notice for the meeting (Article 14 (6) of EDP's Articles of Association).

I.12. EXERCISING ELECTRONIC VOTING RIGHTS

Pursuant to Article 14 (7) of EDP's Articles of Association, voting rights can be exercised by electronic means in accordance with requirements that assure their authenticity, which must be defined by the Chairman of the Board of the General Meeting in the notice of the respective General Meeting.

I.13. MINUTES OF THE GENERAL MEETING OF SHAREHOLDERS

EDP makes available for consultation on its website (www.edp.pt), in Portuguese and English, extracts of the minutes of EDP General Meetings within 5 (five) days of their being held, as well as the relevant notice of meeting, agenda, proposals

submitted to the General Meeting and information on how to participate. EDP also provides on its website relevant information related to the convening of the General Meeting and the decisions taken during it, including the proposals made and any explanations of voting.

I.14. ARCHIVE OF DECISIONS OF THE GENERAL MEETING OF SHAREHOLDERS

Shareholders can consult the archive on the EDP website (www.edp.pt) for information relating to the General Meetings held since 2005.

I.15. REPRESENTATIVE OF THE REMUNERATION COMMITTEE AT GENERAL MEETINGS OF SHAREHOLDERS

The Annual General Meeting of 17 April 2012 was attended by members of the Remuneration Committee of the General Meeting, which is responsible for defining the remuneration policy for members of the corporate bodies, except for the Executive Board of Directors, and members of the Remuneration Committee of the General and Supervisory Board, which is responsible for defining the remuneration policy of the members of the Executive Board of Directors.

I.16. INTERVENTION OF THE GENERAL MEETING OF SHAREHOLDERS REGARDING REMUNERATION POLICY OF THE COMPANY

In compliance with the provisions of Law 28/2009 of 19 June and EDP's Articles of Association, the Remuneration Committee of the General Meeting submitted to the Annual General Meeting, held on April 17, 2012, the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors, for appraisal by the Annual general Meeting. The proposal was approved by the shareholders.

At the same AGM, the Chairman of the Remuneration Committee of the General and Supervisory Board also submitted a statement on the remuneration policy of the members of the Executive Board of Directors for the three-year period underway. This proposal was approved by shareholders.

I.17. INTERVENTION OF THE GENERAL MEETING OF SHAREHOLDERS ON STOCK OPTION/STOCK PURCHASE OPTIONS PLANS

No stock option and/or stock purchase options plan was awarded to the current members of the corporate bodies.

The only stock option and/or stock purchase options plan currently in force is the plan is applicable to the members of the management body in office during the three year period from 2003 to 2005. This plan was awarded as part of the variable remuneration of the Chairman of the Board of Directors, the Chairman of the Executive Committee and the other members of the Executive Committee who held office during the referred three year period, and it was approved by the Remuneration Committee in office at the time.

I.18. INTERVENTION OF THE GENERAL MEETING OF SHAREHOLDERS REGARDING THE APPROVAL OF THE RETIREMENT BENEFITS SYSTEM

There is no specific system of retirement benefits for the members of the corporate bodies.

The retirement savings plan attributed to members of the Executive Board of Directors does not comprise a supplementary retirement pension paid by the company, but is rather a financial product benefiting those members through a financial investment of an amount equivalent to 10% (ten percent) of their fixed annual remuneration. This plan does not entail any burden to the company in the future. It solely consists of the subscription of a financial product for the members of that body while in office.

I.19. STATUTORY PROVISION LIMITING THE NUMBER OF VOTES

EDP's Articles of Association include a limitation on the counting of votes in the sense that the votes cast by a single shareholder holding ordinary shares on its own behalf or as a representative of another shareholder, exceeding 25% (twenty-five percent) of the total share capital of EDP, are not counted. This restriction applies to all decisions voted on by the General Meeting, including those for which legislation or EDP's Articles of Association require a qualified majority of the company's share capital.

The shareholders of EDP have not established any statutory provision for the General Meeting to, at least once every five years, vote on keeping or removing the statutory provision providing for the limitation of the number of votes that a single shareholder, individually or jointly with other shareholders, can cast.

I.20. DEFENSIVE MEASURES

EDP has not adopted any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk.

Although EDP's Articles of Association establish a restriction on the exercise of voting rights, according to which the votes cast by a single shareholder on its own behalf or as a representative of another (pursuant to the allocation of voting rights established in Article 20(1) of the Portuguese Securities Code) that exceed 25% (twenty-five percent) of all votes corresponding to the share capital shall not be counted. That limit was 20% (twenty percent) until it was altered by decision of the General Meeting held on 20 February 2012.

This restriction on voting rights is not a measure adopted with the intention of preventing the success of takeover bids.

The unlikelihood of the restriction of voting rights preventing the success of a takeover bid is due to the current capital structure of EDP, in which the highest shareholding stands at 21.35%, and the relative weight of Category A shares in that capital, as well as the fact that the requirement of a deliberative quorum of two-thirds of the votes cast, as established in EDP's Articles of Association for the amendment of this provision in the memorandum of association, is in conformity with the provisions of Article 182-A (2) of the Portuguese Securities Code.

Defensive measures with the aim, or that have the consequence, of causing grave erosion of the

EDP assets in the case of change of control of the company or a change in the composition of the Executive Board of Directors, thus impairing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors, have also not been adopted.

I.21. CHANGE OF COMPANY CONTROL

To the best knowledge of the Executive Board of Directors, EDP is not party to any significant agreements which take effect, are amended or terminate on the change of control of the company following a takeover (except for normal market practice relating to debt issues).

I.22. AGREEMENT WITH THE HOLDERS OF POSITIONS IN THE MANAGEMENT BODY OR OTHER MANAGERS THAT PROVIDE FOR COMPENSATION IN THE EVENT OF TERMINATION OF OFFICE FOLLOWING A CHANGE OF CONTROL OF THE COMPANY

EDP is not party to any agreement with the members of the management body, which provides for the payment of compensation by EDP in the event of resignation, unfair dismissal or termination of the employment bond following a change of control of the company. As already mentioned, EDP does not have people with regular access to inside information that participates in decision making (i.e. other managers) besides the members of the corporate bodies.

II. MANAGEMENT AND SUPERVISORY BODIES

SECTION I - GENERAL

II.1. IDENTIFICATION AND COMPOSITION OF THE CORPORATE BODIES

Pursuant to Article 8 of EDP's Articles of Association, the corporate bodies of the company are the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Statutory Auditor. The company has also the following corporate bodies: Board of the General Meeting, the Environment and Sustainability Board, the Remuneration Committee and the Financial Matters Committee/Audit Committee.

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 20 February 2012, for the three year period from 2012 to 2014.

The Statutory Auditor and alternate auditor and members of the other corporate bodies, including the Board of the General Meeting, the Remuneration Committee of the General Meeting and the Sustainability and Environment Board were elected at the Annual General Meeting held on 17 April 2012 also for a 3-year term of office, for the period from 2012 to 2014.

II.1.1. CORPORATE BODIES

GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – cf. Article 441 of the Portuguese Companies Code and Article 22 of EDP's Articles of Association – the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other bodies and corporate bodies in pursuit of the company's interests, pursuant to the provisions of the Portuguese Companies Code and the company's Articles of Association. It is elected by the shareholders in the General Meeting.

The General and Supervisory Board had the following members until 20 February 2012:

GENERAL AND SUPERVISORY BOARD		INDEPENDENT MEMBERS	FIRST APPOINTMENT DATE
CHAIRMAN	António de Almeida		30-03-2006
VICE-CHAIRMAN	Alberto João Coraceiro de Castro	Independent	30-03-2006
	António Sarmento Gomes Mota	Independent	15-04-2009
	Carlos Jorge Ramalho Santos Ferreira		10-04-2008
	Diogo Campos Barradas de Lacerda Machado	Independent	30-03-2006
	Eduardo de Almeida Catroga	Independent	30-03-2006
	Farid Boukhalfa (as representative of Sonatrach)		04-02-2010
	Joaquim José de Oliveira Reis (as representative of Parpública)		14-04-2011
	José Manuel dos Santos Fernandes	Independent	15-04-2009
	José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)		02-06-2008
	José Maria Espírito Santo Silva Ricciardi		30-03-2006
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)		14-04-2011
	Manuel Fernando de Macedo Alves Monteiro	Independent	30-03-2006
	Mohamed Ali Ismael Ali Al Fahim (as representative of Senfora SARL)		16-04-2010
	Ricardo José Minotti da Cruz Filipe	Independent	15-04-2009
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12-04-2007
	Vitor Fernando da Conceição Gonçalves	Independent	30-03-2006

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

The General and Supervisory Board took on the following composition after the General Meeting held on 20 February 2012, at which the members of the General and Supervisory Board were elected for the term of office corresponding to the three year period from 2012 to 2014:

GENERAL AND SUPERVISORY BOARD		INDEPENDENT MEMBERS	FIRST APPOINTMENT DATE
CHAIRMAN	Eduardo de Almeida Catroga	Independent	30/03/2006
VICE-CHAIRMAN	Dingming Zhang (as representative of China Three Gorges Corporation)		20/02/2012
	Guojun Lu (as representative of China International Water & Electric Corp.)		20/02/2012
	Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)		20/02/2012
	Shengliang Wu (as representative of China Three Gorges International (Europe) S.A.)		20/02/2012
	Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)		02/06/2008
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)		14/04/2011
	Mohamed Ali Ismael Ali Al Fahim (as representative of Senfora SARL)		16/04/2010
	Carlos Jorge Ramalho Santos Ferreira		10/04/2008
	Harkat Abderezak (as representative of Sonatrach)		20/02/2012
	José Maria Espírito Santo Silva Ricciardi		30/03/2006
	Joaquim José de Oliveira Reis (as representative of Parpública)		14/04/2011
	Alberto João Coraceiro de Castro	Independent	30/03/2006
	António Sarmento Gomes Mota	Independent	15/04/2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20/02/2012
	Fernando Masaveu Herrero	Independent	20/02/2012
	Ilídio da Costa Leite de Pinho	Independent	20/02/2012
	Jorge Braga de Macedo	Independent	20/02/2012
	Manuel Fernando de Macedo Alves Monteiro	Independent	30/03/2006
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Independent	20/02/2012
	Vasco Joaquim Rocha Vieira	Independent	20/02/2012
	Vitor Fernando da Conceição Gonçalves	Independent	30/03/2006
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12/04/2007

The representatives of the companies China Three Gorges Corporation ("China Three Gorges"), China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges International (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

Between 29 May 2012 and 17 September 2012, the independent member of the General and Supervisory - Ilídio da Costa Leite de Pinho - suspended the term of office for personal reasons.

On 11 October 2012, following the resignation of Chairman of the Board of Directors of Parpública - Participações Públicas (SGPS), SA ("Parpública"), Joaquim José de Oliveira Reis presented his resignation as member of the General and Supervisory Board. Parpública did not appoint a new representative.

EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is the body

responsible for the company's business activities and representing the company, in accordance with Article 431 of the Portuguese Companies Code and Article 17 of the Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors is currently made up of 7 members.

The Executive Board of Directors had the following members until 20 February 2012:

EXECUTIVE BOARD OF DIRECTORS		FIRST APPOINTMENT DATE
CHAIRMAN	António Luís Guerra Nunes Mexia	30/03/2006
	Nuno Maria Pestana de Almeida Alves	30/03/2006
	João Manuel Manso Neto	30/03/2006
	António Manuel Barreto Pita de Abreu	30/03/2006
	António Fernando Melo Martins da Costa	30/03/2006
	Ana Maria Machado Fernandes	30/03/2006
	Jorge Manuel Pragana da Cruz Morais	30/03/2006

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

After 20 February 2012, the Executive Board of Directors has the following members:

EXECUTIVE BOARD OF DIRECTORS		
		FIRST APPOINTMENT DATE
CHAIRMAN	António Luís Guerra Nunes Mexia	30/03/2006
	Nuno Maria Pestana de Almeida Alves	30/03/2006
	João Manuel Manso Neto	30/03/2006
	António Manuel Barreto Pita de Abreu	30/03/2006
	António Fernando Melo Martins da Costa	30/03/2006
	João Manuel Veríssimo Marques da Cruz	20/02/2012
	Miguel Stilwell de Andrade	20/02/2012

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

STATUTORY AUDITOR

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for terms of office of three years, pursuant to and for the purposes of Article 25 of EDP's Articles of Association and Article 446 of the Portuguese Companies Code.

According to the Portuguese Companies Code and the company's Articles of Association, the Statutory Auditor is in particular responsible for (see Article 446 (3) of the Portuguese Companies Code):

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

The Statutory Auditor and alternate auditor in office until 17 April 2012 were the following:

STATUTORY AUDITOR	
PERMANENT	KPMG & Associados, SROC, S.A. represented by Jean-éric Gaign, ROC
ALTERNATE	Vitor Manuel da Cunha Ribeirinho, ROC

At the Annual General Meeting of 17 April 2012 the Statutory Auditor and alternate auditor were elected for the term of office from 2012 to 2014:

STATUTORY AUDITOR	
PERMANENT	KPMG & Associados, SROC, S.A. represented by Vitor Manuel da Cunha Ribeirinho, ROC
ALTERNATE	Susana de Macedo Melim de Abreu Lopes, ROC

II.1.2. OTHER CORPORATE AND STATUTORY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

The Environment Board was set up in 1991 as a company body. Its name was changed to Environment and Sustainability Board by decision of the Annual General Meeting of Shareholders of 30 March 2006.

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

(Article 28 (1) of EDP's Articles of Association).

The Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, is currently made up of persons with acknowledged competence in the field of environmental protection and sustainability.

The Environment and Sustainability Board in office up to 17 April 2012 was composed of the following members:

ENVIRONMENTAL AND SUSTAINABILITY BOARD	
CHAIRMAN	João Martins Ferreira do Amaral José de Sousa Cunhal Sendim Maria da Graça Madeira Martinho Maria Madalena Monteiro Garcia Presumido Miguel Pedro Brito St. Aubyn

At the Annual General Meeting of 17 April 2012 the following members of the Environment and Sustainability Board were elected for the term of office from 2012 to 2014:

ENVIRONMENTAL AND SUSTAINABILITY BOARD	
CHAIRMAN	Augusto Mateus Alberto da Ponte António José Tomás Gomes de Pinho José Manuel Viegas Maria da Graça Madeira Martinho

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The remunerations of the corporate bodies, with the exception of the members of the Executive Board of Directors, are defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to the referred to article of the Articles of Association, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The members of the Remuneration Committee of the General Meeting in office until 17 April 2012 were the following:

REMUNERATION COMMITTEE - GENERAL MEETING	
CHAIRMAN	José Manuel Archer Galvão Teles Carlos Alberto Veiga Anjos Parpública – Participações Públicas, (SGPS), SA

At the Annual General Meeting of 17 April 2012 the following members of the Remuneration Committee of the General Meeting were elected for the term of office from 2012 to 2014:

REMUNERATION COMMITTEE - GENERAL MEETING	
CHAIRMAN	José Manuel Archer Galvão Teles José de Mello - Sociedade Gestora de Participações Sociais, S.A. (Represented by Luís Eduardo Brito Freixial de Goes Álvaro João Duarte Pinto Correia

COMPANY SECRETARY

Pursuant to the provisions of Article 4 (2) (l) of the Rules of Procedure of the Executive Board of Directors and Article 17 of EDP's Articles of Association, the Company Secretary and alternate secretary are appointed by the Executive Board of Directors. The Company Secretary has the powers established by law and the term of office ends with the end of the office of the Executive Board of Directors that appointed the Company Secretary.

The company secretary and alternate secretary currently in office are:

COMPANY SECRETARY

SECRETARY	Maria Teresa Isabel Pereira
ALTERNATE	Ana Rita Pontífice Ferreira de Almeida Côrte-Real

According to Article 8(4) of EDP's Articles of Association, the Committee on Financial Matters/Audit Committee and Remuneration Committee of the General and Supervisory Board are also considered to be corporate bodies. The members of the referred committees are identified in the following section.

II.2. SPECIALISED COMMITTEES WITH RESPONSIBILITIES FOR THE MANAGEMENT OR SUPERVISION OF THE COMPANY

The Rules of Procedure of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to keeping responsibility for the exercise of its respective duties as a corporate body. Such committees may be established whenever it deems convenient and suitable, delegating in them the performance of certain specific functions.

The standing and ad hoc committees both have the principal mission of specifically and continuously monitoring the matters entrusted to them, in order to ensure informed decision-making processes on the part of the General and Supervisory Board or it is provided information regarding certain matters.

The activity of the committees is coordinated by the Chairman of the General and Supervisory Board, who ensures the proper articulation of the committees with the full board of that body, through their respective Chairman, who shall keep him informed, including the communication of notices of meetings and the minutes of such meetings.

The Committees of the General and Supervisory Board, in office until 20 February 2012, were established at the meeting of 7 May 2009. The Committees of the General and Supervisory Board, which took office on 21 February 2012, were set up at the meeting of 21 February 2012, and their composition was amended at the meetings of 18 and 22 May 2012.

It is the understanding of the General and Supervisory Board that the committees are relevant to the regular functioning of the company, enabling the delegated performance of certain functions, especially in terms of monitoring the financial information of the company, the reflection on the governance system adopted, assessing the performance of directors and its own assessment of overall performance.

The General and Supervisory Board has five specialised committees: Committee on Financial Matters/Audit Committee, Remuneration Committee, Strategy Committee, Performance Analysis and Competitiveness Committee, and Corporate Governance and Sustainability Committee.

COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications

and experience, including at least one member with a higher education degree in the area of the committee's duties and with specific knowledge of auditing and accounting, as confirmed by the CV of the respective Vice-Chairman, which can be consulted in the chapter on corporate bodies.

The Committee on Financial Matters/Audit Committee in office up to 20 February 2012 was composed of the following members:

FINANCIAL MATTERS COMMITTEE/ AUDIT COMMITTEE		FIRST APPOINTMENT DATE
CHAIRMAN	Vitor Fernando da Conceição Gonçalves	13/07/06
	António Sarmento Gomes Mota	07/05/09
	Manuel Fernando de Macedo Alves Monteiro	13/07/06

On 21 February 2012, the General and Supervisory Board appointed the members of the Committee on Financial Matters/Audit Committee for the term of office from 2012 to 2014:

FINANCIAL MATTERS COMMITTEE/ AUDIT COMMITTEE		FIRST APPOINTMENT DATE
CHAIRMAN	Eduardo de Almeida Catroga	21/02/2012
	Vitor Fernando da Conceição Gonçalves	13/07/2006
	António Sarmento Gomes Mota	07/05/2009
	Manuel Fernando de Macedo Alves Monteiro	13/07/2006

At the meeting of the General and Supervisory Board on 18 April 2012, it decided to change the composition of this Committee, which is now composed of the following members:

FINANCIAL MATTERS COMMITTEE/ AUDIT COMMITTEE		FIRST APPOINTMENT DATE
CHAIRMAN	Eduardo de Almeida Catroga	21/02/2012
VICE-CHAIRMAN	Vitor Fernando da Conceição Gonçalves	13/07/2006
	António Sarmento Gomes Mota	07/05/2009
	Manuel Fernando de Macedo Alves Monteiro	13/07/2006
	Maria Celeste Ferreira Lopes Cardona	18/04/2012

The Committee on Financial Matters/Audit Committee has the following powers in accordance with the Articles of Association, by delegation of the General and Supervisory Board, and the Rules of Procedure of the Financial Matters Committee/Audit Committee:

- To issue opinions on the annual report and accounts
- To oversee, on a permanent basis, the work of the Statutory Auditor and the External Auditor of EDP and, with regard to the former, to issue opinions on its respective election or appointment, removal from office, conditions of independence and other relations with EDP
- Permanently monitor and assess the Internal procedures for accounting and auditing matters and the efficacy of the risk-management system, internal control system and internal audit system
- Monitor, as and when it deems appropriate, the bookkeeping, accounting records and supporting documents and the status of any assets or securities held by EDP in any capacity
- Exercise the powers expressly conferred by the General and Supervisory Board
- Exercise any other powers that may be specifically conferred by law.

The Committee on Financial Matters/Audit Committee, as a specialised committee of the General and Supervisory Board, also supports the referred body in the hiring and dismissal of the External Auditor, pursuant to Article 4 (1) (i) of the Rules of Procedure of the Committee on Financial Matters/Audit Committee.

The composition, role and functioning of the Committee on Financial Matters/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, has the mission of defining the remuneration of the Executive Board of Directors as well as any add-ons, notably old age or disability retirement pension supplements.

The Remuneration Committee of the General and Supervisory Board must submit to the Annual General Meeting of Shareholders for consultative purposes, and according to the Articles of Association, a declaration on the remuneration policy adopted for the members of the Executive Board of Directors and which it has approved, at least in the years in which such policy is established or amended. Given the publication of Law 28/2009 of 19 June, the Remuneration Committee will adapt its actions to comply with applicable legal provisions.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience. According with recommendation II.5.2. of the Corporate Governance Code approved by CMVM, the members of this Committee are all independent of the members of the management body. This Committee always has a representative attending the General Meetings of Shareholders.

The Remuneration Committee in office up to 20 February 2012 as well as that which began its term of office on 21 February 2012 for the period 2012-2014, contained the following members:

REMUNERATION COMMITTEE OF THE GSB		
		FIRST APPOINTMENT DATE
CHAIRMAN	Alberto João Coraceiro de Castro	13/07/2006
	Eduardo de Almeida Catroga	13/07/2006
	José Maria Espírito Santo Silva Ricciardi	27/01/2011

The General and Supervisory Board decided, at its meeting of 18 April 2012, to change the composition of the Committee with effect from 18 May 2012. It appointed Paulo Jorge de Assunção Rodrigues Teixeira Pinto e José Maria Espírito Santo Silva Ricciardi as a member of the Committee until Guojon Lu took office as a full member of the General and Supervisory Board. The General and Supervisory Board again changed the composition of the Committee on 22 May 2012, which then contained the following members:

REMUNERATION COMMITTEE OF THE GSB		
		FIRST APPOINTMENT DATE
CHAIRMAN	Alberto João Coraceiro de Castro	13/07/2006
	Ilídio da Costa Leite de Pinho	22/05/2012
	José Maria Espírito Santo Silva Ricciardi	22/05/2012
	Guojon Lu	11/05/2012
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	18/05/2012

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

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

all matters related with the following:

- Corporate governance
- Strategic sustainability
- Internal codes of ethics and conduct
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders
- Defining appropriate criteria and responsibilities to be observed in EDP's internal structures and bodies and their impact on the composition of those structures and bodies
- Drawing up succession plans.

The role of the Corporate Governance and Sustainability Committee is to support the work of the General and Supervisory Board in the continuous evaluation of the management as well as the performance assessment of the General and Supervisory Board proper. The General and Supervisory Board undertakes such assessments annually, based on the activities undertaken by the Committee. Those assessments are published in a report. The conclusions of this assessment are included in the annual report of the General and Supervisory Board and presented to shareholders at the AGM.

Two other important roles of the Corporate Governance and Sustainability Committee are the monitoring of:

- Governance practices adopted by the company, and
- The management of human resources and succession plans.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of which are independent, with the appropriate qualifications and experience to perform their duties.

The Corporate Governance and Sustainability Committee in office up to 20 February 2012 was composed of the following members:

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE		
		FIRST APPOINTMENT DATE
CHAIRMAN	António de Almeida	27/06/2006
	Alberto João Coraceiro de Castro	27/06/2006
	António Sarmiento Gomes Mota	07/05/2009
	Diogo Campos Barradas de Lacerda Machado	08/11/2007
	José Manuel dos Santos Fernandes	07/05/2009
	José Maria Brandão de Brito	07/05/2009
	José Maria Espírito Santo Silva Ricciardi	27/07/2006
	Mohamed Ali Ismaeil Ali Al Fahim	06/05/2010
	Ricardo José Minotti da Cruz Filipe	07/05/2009

The General and Supervisory Board appointed the Corporate Governance Committee for the 2012-2014 term of office at the meeting of 18 April 2012. On 11 May 2012, Wu Shengliang took office, after being appointed on 18 April 2012, and following the resignation of Joaquim José de Oliveira Reis, on 11 October 2012, the Committee was composed of the following members:

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE		
		FIRST APPOINTMENT DATE
CHAIRMAN	Carlos Jorge Ramalho dos Santos Ferreira	18/04/2012
	Ilídio da Costa Leite de Pinho	18/04/2012
	Manuel Fernando de Macedo Alves Monteiro	18/04/2012
	Maria Celeste Lopes Cardona	18/04/2012
	Vasco Joaquim Rocha Vieira	18/04/2012
	Wu Shengliang	11/05/2012

STRATEGY COMMITTEE

Pursuant to the Rules of Procedure of the Strategy Committee, this Committee, which was established by decision of the General and Supervisory Board, is responsible for strategy, particularly in terms of investment, financing and strategic partnerships. The work of the Strategy Committee is governed by a set of internal rules (Rules of Procedure of the Strategy Committee).

The Strategy Committee was established by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is to permanently monitor the following matters:

- The long-term strategies and scenarios
- Strategic implementation, and business planning and respective budgets
- Major investments and divestments
- Debt and financing
- Strategic alliances
- The evolution of markets and competitiveness
- Regulation.

The committee has the following members:

STRATEGY COMMITTEE		
		FIRST APPOINTMENT DATE
CHAIRMAN	Eduardo de Almeida Catroga	18/04/2012
VICE-CHAIRMAN	Zhang Dingming	11/05/2012
	Felipe Fernández Fernández	18/04/2012
	Harkat Abderezak	18/04/2012
	Jorge Braga de Macedo	18/04/2012
	José Maria Espírito Santo Silva Ricciardi	18/04/2012
	Mohamed Ali Al-Fahim	18/04/2012

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

The Performance Analysis and Competitiveness Committee, established by decision of the General and Supervisory Board, has the responsibility of analysing the performance and competitiveness of EDP in the context of the markets in which the company operates. The work of the Performance Analysis and Competitiveness Committee is governed by the rules of procedure.

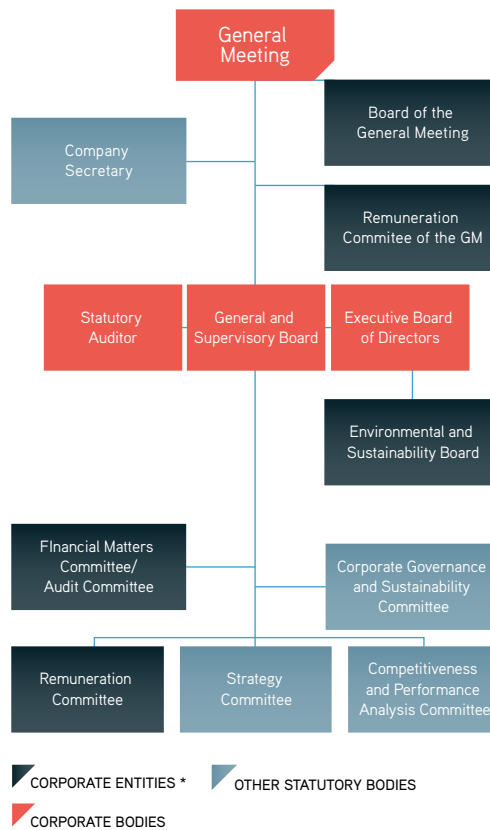
The Performance Analysis and Competitiveness Committee was established by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is to permanently monitor the following matters:

- Analyse the business performance of the company
- Benchmarking the performance of EDP compared to the industry's top companies
- Assess the competitiveness of the business portfolio of EDP.

The committee has the following members:

COMPETITIVENESS AND PERFORMANCE ANALYSIS COMMITTEE		
		FIRST APPOINTMENT DATE
CHAIRMAN	Luis Filipe da Conceição Pereira	18/04/2012
VICE-CHAIRMAN	Yang Ya	11/05/2012
	Alberto João Coraceiro de Castro	18/04/2012
	António Sarmento Gomes Mota	18/04/2012
	Fernando Masaveu Herrero	18/04/2012

II.3. ORGANISATION CHART, DELEGATION AND DIVISION OF POWERS



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

The dualist model of corporate governance in place in EDP has allowed the effective separation of the company's supervision and management role in pursuit of the goals and interests of the company, its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

The governance structure of EDP is composed of the General Meeting, Executive Board of Directors, General and Supervisory Board and the Statutory Auditor.

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as the respective Chairman and Vice-Chairman, if any, and the Statutory Auditors, based on proposal of the General and Supervisory Board (or by its delegation, the Committee on Financial Matters/Audit Committee). The General Meeting also elects the members of the Environment and Sustainability Board and the Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of members of the corporate bodies (except those of the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board, as provided in Article 11 (2) (d) and Article 27 (1) of the Articles of Association).

The separation of the management and supervision roles is embodied in the existence of an Executive Board of Directors, which is responsible for the management of the company's business, and a General and Supervisory Board, the highest supervisory body.

The website of the company (www.edp.pt) provides shareholders and the general public with the updated Articles of Association as well as the Rules of Procedure of the Executive Board of Directors, the General and Supervisory Board and its respective committees, to promote a better understanding of how EDP works in terms of corporate governance.

Moreover, the General and Supervisory Board and Executive Board of Directors have approved the Corporate Governance Manual which is also available to shareholders and the general public on the EDP website (www.edp.pt).

The primary objective of this manual is to record and share the understanding of the two corporate bodies relative to the recommendations of good corporate governance practices applying to EDP, as well as the guidelines considered appropriate to comply with such.

EDP sought to go beyond the legal requirements and regulations of this area, particularly concerning information reporting, given the exigency and ambition of EDP as regards the quality of its corporate governance practices. Thus, the drawing up of the Corporate Governance Manual sought to meet the following purposes in order to achieve the referred to fundamental goal:

- Reflect critically on the recommended best practices set out in the CMVM Corporate Governance Code in order to make an active contribution to enhancing EDP's practices
- Select the recommendations deemed most appropriate to EDP's governance model, with special focus on the measures taken and indicating potential measures to be implemented for full adoption of good practices
- Identify the recommendations that are not deemed appropriate for EDP's interests, giving reasons for this position and indicating other practices that allow the same goals indicated in the CMVM Corporate Governance Code recommendations to be achieved in a different way
- Support those to which the recommendations are addressed to reflect on the best governance practices to be followed in EDP
- Draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as drawing up the annual report required by law
- Describe EDP's governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and broaden the quality of EDP's governance processes.

POWERS OF THE GENERAL AND SUPERVISORY BOARD

The powers of the General and Supervisory Board, pursuant to Article 22 of the Articles of Association, are as follows:

- Permanently monitor the management activity of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, achieving goals and compliance with the law
- Issue opinions on the annual report and accounts
- Oversee, on a permanent basis, the work of the Statutory Auditor and the External Auditor of the company and, with regard to the former, issue an opinion on its respective election or appointment, removal from office, conditions of independence and other relations with the company

- Permanently monitor and assess the internal procedures for accounting and auditing matters, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors
- Monitor the definition of criteria and necessary powers in the internal structures and bodies of the company or the group, or those for which such is appropriate, and their impact on the respective composition, as well as drawing up succession plans
- Provide for, in accordance with the law, the replacement of members of the Executive Board of Directors in the event of absence or temporary incapacity
- Issue, on its own initiative or when requested by the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the directors referred to in Article 455 of the Portuguese Companies Code
- Monitor and assess matters pertaining to corporate governance, sustainability, internal codes of ethics and conduct and compliance with those codes, assessment systems and solving conflicts of interest, including those concerning the company's relations with shareholders, and issue opinions on these matters
- Obtain the resources, financial or otherwise, which are reasonably considered necessary for its work and request that the Executive Board of Directors adopt the measures or corrections it deems appropriate, being authorised to contract the necessary resources to obtain independent advice, if necessary
- Receive regular information from the Executive Board of Directors on significant commercial relations between the company or subsidiaries and shareholders with a qualifying shareholding and related persons
- Appoint the Remuneration Committee and Committee on Financial Matters/Audit Committee
- Represent the company in its relations with directors
- Supervise the work of the Executive Board of Directors
- Oversee compliance with the law and Articles of Association
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions to hire and dismiss the external auditor
- Monitor, when and how it deems appropriate, the bookkeeping, accounting records and supporting documents, as well as the status of any assets or securities held by the company in any capacity
- Supervise the process of preparing and disclosing financial information
- Convene the General Meeting when it deems appropriate
- Approve internal regulations, including rules on relations with the other structures and corporate bodies
- Exercise any other powers that may be conferred by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place in EDP, the General and Supervisory Board is also assigned a power of particular importance. In effect, although it has no management powers, pursuant to Article 442 (1) of the Portuguese

Companies Code, Article 17 (2) of the company's Articles of Association establishes that the approval of the company's strategic plan and the conducting of the following operations by the company or by companies controlled by EDP require the approval of the General and Supervisory Board (see also Article 13 of the Rules of Procedure of the General and Supervisory Board):

- The purchase or sale of assets, rights or shareholdings of significant financial value
- Contracting financing operations of significant value
- The opening or closure of establishments, or important parts thereof, and significant increases or reductions in business activity
- Other transactions or operations of significant economic or strategic value
- The commencement or termination of strategic partnerships or other forms of lasting cooperation
- Plans for spin-offs, mergers or transformations
- Amendments to the Articles of Association, including changes of registered office and capital increases, when these are at the initiative of the Executive Board of Directors
- Approval of the draft resolution of the Executive Board of Directors in respect of raising the share capital, by conducting share capital increases on one or more occasions, up to the aggregate maximum of 10% of the current share capital, through the issue of category A shares, to be subscribed by new cash contributions
- Establishment or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular competencies, and is responsible for, under the provisions of Article 18 of the Rules of Procedure of the General and Supervisory Board:

- Convene and chair meetings of the General and Supervisory Board
- Represent the General and Supervisory Board institutionally
- Coordinate the General and Supervisory Board's activities and supervise the correct functioning of its Committees, retaining the right to attend any meeting and request information on their activity
- Propose to the plenary of the General and Supervisory Board the members, the Chairman and when appropriate, the Vice-Chairman of each Committee
- Provide the information necessary, in a timely fashion, to the members of the General and Supervisory Board for them to fully perform their duties
- Request of the Executive Board of Directors the information deemed relevant for the exercise of the powers of the General and Supervisory Board and its Committees, making it available in a timely manner to the members of the General and Supervisory Board
- Take the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular
- Control the implementation of the General and Supervisory Board budget and manage the material and human resources assigned to this body
- Ensure the correct implementation of the General and Supervisory Board's decisions.

The Chairman of the General and Supervisory

Board or, in his/her absence or incapacity, a member delegated by this body for that purpose, may attend meetings of the Executive Board of Directors whenever such member deems fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights.

The members of the Committee on Financial Matters/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 4 (3) (e) of the Rules of Procedure of the Committee on Financial Matters/Audit Committee.

The General and Supervisory Board shall annually, with the support of the work of the Corporate Governance and Sustainability Committee:

- Conduct a self-assessment of its activity and performance as well as its Committees, and the conclusions of this shall appear in its annual report (see Article 10 of the Rules of Procedure of the General and Supervisory Board)
- Conduct an independent assessment of the activity and performance of the Executive Board of Directors, with the conclusions submitted to the General Meeting and attached to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board, continues to be one of the few listed companies in Portugal and abroad that has voluntarily established a formal and impartial process to assess the activity of this body and the activity of the Executive Board of Directors. Experience of recent years has allowed the General and Supervisory Board to introduce some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- After the year's end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of this Board. The questionnaires are answered individually and are confidential
- The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at the General and Supervisory Board meeting
- At the meeting, the General and Supervisory Board issues its opinions on the assessment, which are included in the annual report of that body
- At the General Meeting, the Chairman of the General and Supervisory Board presents the relevant opinion in the item of the agenda concerning the assessment of the Executive Board of Directors.

POWERS OF THE EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is a collegial body. Individual directors in office are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- Establish the objectives and management policies of EDP and the EDP Group
- Draw up the annual business and financial plans
- Manage corporate business and undertake all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies of the company
- Represent the company actively and passively in the courts and extra judicially, with the power to concede, acquiesce and plead in

- any legal proceedings, as well as conclude arbitration agreements
- Buy, sell or by any other means dispose of, or encumber, rights or immovable assets
- Set up companies and subscribe, purchase, encumber or dispose of shareholdings
- Decide on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board
- Establish the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration
- Establish proxies with such powers as it may deem fit, including the power to delegate
- Appoint the Company Secretary and the alternate
- Appoint and dismiss the External Auditor upon recommendation of the General and Supervisory Board
- Exercise any other powers invested in it by law or by the General Meeting
- Establish its own system for determining the rules of its internal functioning.

Moreover, the proposals to amend EDP's Articles of Association in matters of increases of share capital that are submitted by the Executive Board of Directors require the prior opinion of the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

The Executive Board of Directors also provides, when so requested by other members of the corporate bodies, all the required information in a timely fashion and manner appropriate to the request. In terms of the availability of the information, it should be mentioned that there

is a web-portal to share information between the Executive Board of Directors and the General and Supervisory Board, available to all the members of the mentioned corporate bodies.

The Chairman of the Executive Board of Directors is granted particular powers pursuant to Article 18 of the Articles of Association. These powers are:

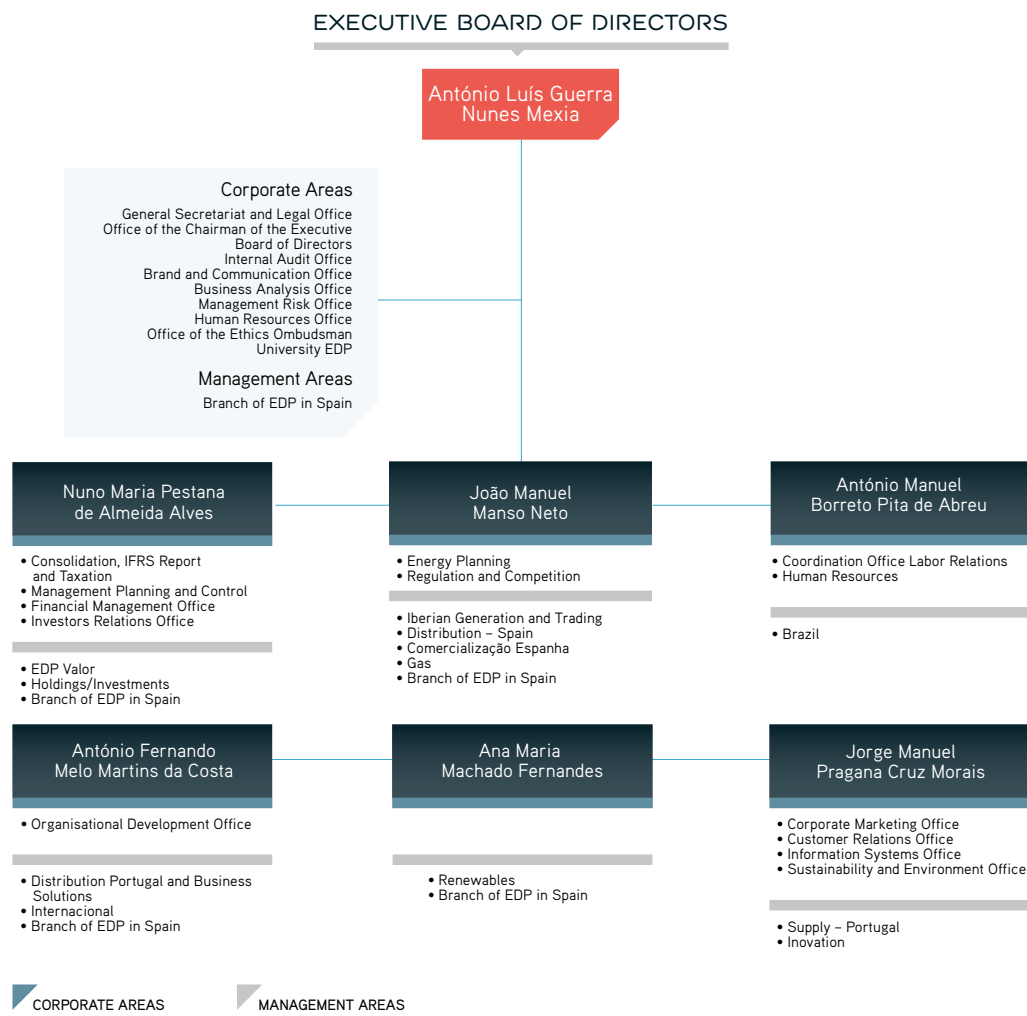
- Represent the Executive Board of Directors
- Coordinate the work of the Executive Board of Directors, convening and presiding over its meetings
- Strive for the proper implementation of the decisions of the Executive Board of Directors.

The Chairman of the Executive Board of Directors is entitled to attend, whenever considered appropriate, the meetings of the General and Supervisory Board, except when these concern decisions associated with the supervision of the work of the Executive Board of Directors and, in general, any situations which may involve a conflict of interests, pursuant to and for the purposes of Article 18 (2) of the Articles of Association.

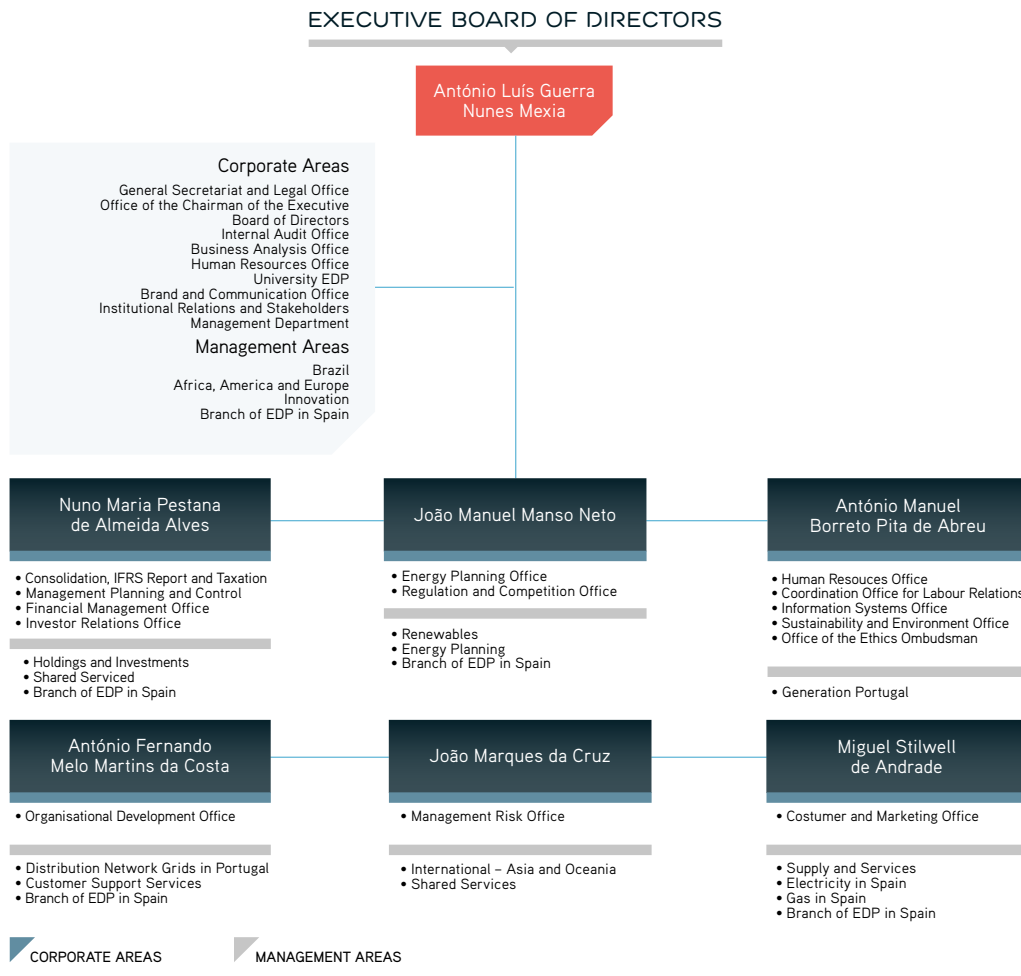
In the Executive Board of Directors there is the functional division of areas of management to each of the members of the Executive Board of Directors. The college of directors is responsible for taking decisions on all matters within the remit of this body. Delegated powers are not conferred to directors individually, because of the very nature of the body.

The activity and performance of the Executive Board of Directors are assessed annually in a continuous and independent manner by the General and Supervisory Board.

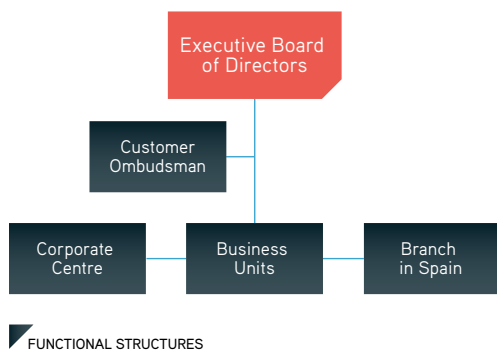
The Executive Board of Directors was organised, up to 20 February 2012, according to the following management areas and corporate themes:



From 22 February 2012, the organisation of the Executive Board of Directors was the following management areas and corporate themes:



FUNCTIONAL STRUCTURE OF EDP GROUP ORGANISATIONAL MODEL



It is the responsibility of the Executive Board of Directors to define the organisational model of the EDP Group and the division of responsibilities among the various business units, the shared services company, EDP Valor - Gestão Integrada de Serviços, S.A. (“EDP Valor”), and the central structure. The latter consists of a Corporate Centre that plays an instrumental role in supporting the Executive Board of Directors, in defining and controlling implementation of the strategies, policies and goals that are defined in the respective business areas.

The Corporate Centre is organised in departments and business units, allowing for greater optimisation and efficiency of the organisational structure.

The Executive Board of Directors is also supported by specialised committees, allowing for more effective and efficient monitoring and better support given to the company’s management.

CORPORATE CENTRE

The organisation of the central support structure for the decision-making processes during 2012 was as follows:

CORPORATE CENTRE • BUSINESS UNITS

OFFICES	
SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors	Pedro Collares Vasconcelos
Audit Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	José Figueiredo Soares
STRATEGIC AREA	
Business Analysis Department	Duarte Castro Bello
Risk Management Department	José Allen Lima
Energy Planning Department	Pedro Neves Ferreira
Regulation and Competition Department	Maria Joana Simões
Sustainability Department	António Neves de Carvalho
FINANCIAL AREA	
Consolidation, IFRS Report and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Nuno Miguel Chung
Financial Management Department	Paula Cristina Guerra
Investor Relations Department	Miguel Henriques Viana
MARKETING AND COMMUNICATION AREA	
Brand and Communication Department	Paulo Campos Costa
Customer and Marketing Department	Inês Lima
Stakeholders Relations Department	Miguel Coutinho
RESOURCES AREA	
Organisational Development Department	José Filipe Santos
Information Systems Department	Vergílio Rocha
Human Resources Department	Maria João Martins
Coordination Office for Labor Relations	Eugénio Carvalho
University of EDP	Vasco Coucello
BUSINESS UNITS	
Energy Management Business Unit	Carlos Mata

On 22 February 2012, the Executive Board of Directors decided to amend the Corporate Centre structure, comprising the following changes: *i*) the elimination of the corporate centre department Customer Relations Department; *ii*) restructuring and renaming of Corporate Marketing Department, which was renamed to Customer and Marketing Department; *iii*) creation of Institutional Relations and Stakeholders Management Department; and *iv*) establishment of the Coordination Area of the Global Brand and Communication.

The departments currently existing and respective competences is as follows:

The **General Secretariat and Legal Department** performs administrative functions and gives logistical support to the Executive Board of Directors and provides legal advice to the EDP Group companies based in Portugal, in order to ensure the efficient operation of the Corporate Centre and compliance with applicable legislation, as well as ensure harmonisation of the corporate governance policies in the Group.

The **Office of the Chairman of the Executive Board of Directors** supports the Chairman of the Executive Board of Directors in all matters defined within its remit, with the aim of contributing to maximising the effectiveness of the decisions and guidelines established.

The main mission of the **Internal Audit Department** is to conduct internal audits or ensure they are undertaken in the Group and also guarantee the Internal Control System for Financial Reporting ("SCIRF") in the Group, in order to independently assess this system and propose and promote the implementation of measures aimed at adding to its effectiveness by improving and aligning processes and systems.

The mission of the **Office of the Ethics Ombudsman** is to perform the role associated with ethics processes or ensure they are conducted in the Group, with the aim of maintaining the conditions of confidentiality and protection of rights associated with these processes.

The mission of the **Energy Planning Department** is to coordinate the studies to support the development strategy of the Group's energy portfolio, with the aim of supporting the Executive Board of Directors in building an integrated view of the energy portfolio and contributing to the planning of its development in the various regions where EDP operates.

The **Business Analysis Department's** mission is to coordinate studies to support the overall business strategy of the Group and implement development operations via investments, divestments and/or the establishment of partnerships, with the aim of supporting the Executive Board of Directors in optimising the business portfolio and to foster and implement new business opportunities.

The **Risk Management Department** coordinates studies to assess the Group's risk, in order to support the Executive Board of Directors in monitoring and mitigating risk and to supply integrated analyses of return-risk.

The **Regulation and Competition Department** studies and implements regulatory strategy for the business in the MIBEL and coordinates energy regulation and competition projects for the Group, with the aim of supporting the Executive Board of Directors in decision making and ensuring regulatory compliance by the companies encompassed.

The **Sustainability Department's** mission is to analyse, propose and ensure the sustainability strategy of the Group, with the aim of supporting

the Executive Board of Directors in setting the relevant policies and objectives and to encourage its operational implementation in the Business Units.

The **Financial Management Department's** mission is to propose and ensure the Group's financial policy, implement the Group's financial management and analyse and monitor the pension fund's management, in order to optimise and ensure financial sustainability and control financial liabilities in accordance with the Group's policy.

The **Consolidation, IFRS Reporting and Taxation Department** ensures the reporting of IFRS accounts of the Group, in order to ensure compliance with the defined deadlines and appropriate and consistent accounting and tax processing of operations in all Group companies.

The mission of the **Management Planning and Control Department** is to ensure the management planning and control of the Group, to ensure alignment with the strategic objectives and control the execution of the business plan.

The mission of the **Investor Relations Department** is to ensure communication with analysts and investors in Group companies, with the aim of ensuring the sustainability of EDP's image and reputation, and to answer the information requirements of regulators and financial supervisors.

The **Organisational Development Department** analyses, proposes and coordinates the development of the organisation, and ensures group-wide programmes of strategy implementation, with the aim of increasing the competitiveness of EDP's organisation and operations.

The mission of the **Information Systems Department** is to manage the Group's information and communication systems on the Iberian Peninsula, and analyse and propose the IT strategy for the Group, with the aim of aligning IT with the Business Units' strategy and to create value by providing solutions that foster efficiency, effectiveness and innovation of EDP's processes.

The **Human Resources Department** analyses and proposes the human resources strategy of the Group and ensures group-wide support processes, with the aim of contributing to the implementation of the business strategy, promoting the enhancement and development of all employees and developing a culture aligned with the corporate values.

The **Labour Relations Coordination Office** has the mission of managing matters related to labour relations and coordinating studies of labour market regulations in Portugal, with the aim of achieving negotiated solutions in line with the business objectives and ensuring internal rules are in harmony with labour law.

The **EDP University** ensures the provision, retention and sharing of knowledge within the Group, with the aim of strengthening a common culture, promoting the professional development of employees and facilitating the emergence of new talent and the full use of employees' potential.

The mission of the **Brand and Communication Department** is to analyse, propose, ensure and implement the Group's communication strategy with the aim of maximising brand value and furthering internal communication.

The mission of the **Customer and Marketing Department** is to analyse, propose and control the marketing strategy of the commercial business on the Iberian Peninsula, with the aim of building a competitive market positioning and contribute to maximising the commercial results of the Business Units encompassed.

The **Institutional Relations and Stakeholders Department** ensures an integrated and consistent narrative with the Group's stakeholders, in line with the vision and strategy adopted. The aim is to maximise the communication potential of the Group to its stakeholders and contribute to fluid and systematised information about the Group and its activities.

The **Energy Management Business Unit (UNGE)** is responsible for negotiating the physical and forward purchases of fuel and contracting maritime transport in the name of, and on behalf of, the relevant EDP companies. It is also responsible for carrying out spot and forward purchases and sales in the electricity market of a physical and financial nature, namely energy derivatives and foreign exchange operations. It also decides on operational and supply programmes of the EDP Group electricity generating plants where the energy management is under its responsibility, with the aim of optimising the portfolio and supplying energy to the clients of the EDP Group's sellers. Additionally, it is responsible for managing operations relating to the EDP Group's CO₂ emission licences and green certificates.

SPECIFIC EDP COMMITTEES (FUNCTIONAL STRUCTURES)

The EDP organisational model provides for the existence of management committees that contribute to the decision-making process of the company in two ways:

- Foster an effective management of decision-making support by the Executive Board of Directors;
- They are management tools used by an organisational unit to support the process of discussion, alignment, decision-making and implementation of policies and business practices with a cross-cutting impact on range areas of the organisation.

ETHICS COMMITTEE

EDP has always conducted its business activities within a framework of ethical values that are explicit or implicit in its business agenda, in its professional relations and obligations to shareholders, and also in the vision, commitments and culture, and the principles of sustainable development defined by the Executive Board of Directors.

The Ethics Committee has the following responsibilities:

- Issue opinions on EDP Group policy in matters of the code of conduct, the adoption of good practices and compliance with the highest standards of ethics
- Propose guidelines for regulating the matters for which it is responsible
- Foster the correct regulatory application of ethical matters in the EDP Group companies.

The Ethics Committee, which was created following the approval of the EDP Group Code of Ethics, works in articulation with the Corporate Governance and Sustainability Committee of the General and Supervisory Board. It also has the following functional powers:

- Draw up and submit to the Corporate Governance and Sustainability Committee its own rules of procedure
- Submit corporate ethics instruments, policies, goals and targets to the Corporate Governance and Sustainability Committee
- Receive and examine cases of infringement

prepared by the Ethics Ombudsman and issue an opinion on them, which will then be submitted to the Corporate Governance and Sustainability Committee of the General and Supervisory Board

- Issue an opinion, when requested to do so by any of the managing bodies of the companies and entities of the EDP Group, on practices or codes of conduct in the fields of ethics or professional conduct within the framework of specific, legal or regulatory needs
- Examine the decisions of the Ethics Committee of EDP - Energias do Brasil, S.A. ("Energias do Brasil") and the Ethics Committee of EDP Renováveis, S.A. ("EDP Renováveis")
- Draft quarterly reports on the EDP Group's performance in terms of implementation of the Code of Ethics
- Annually review the Code of Ethics' adequacy to the needs of the EDP Group and, on proposal of the Ethics Ombudsman and the Sustainability Department of the EDP Corporate Centre, draw up the relevant report.

The Ethics Committee has the following composition:

ETHICS COMMITTEE

Chairman of the Executive Board of Directors
Board member of the Executive Board of Directors (Sustainability)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Renováveis
Head of Human Resources
Ethics ombudsman
Head of Sustainability

The Ethics Committee held one meeting in 2012.

INNOVATION COMMITTEE

The Innovation Committee has the following powers:

- Share the initiatives and requirements, grouped by focal points
- Discuss and propose the strategic areas of innovation in the EDP Group
- Discuss and propose the set of projects to be implemented in the innovation area
- Monitor the EDP Group initiatives and projects in progress in the innovation field and propose corrective measures.

The Innovation Committee has the following composition:

INNOVATION COMMITTEE

Chairman of the Executive Board of Directors
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Brasil
Board member of EDP Inovação
Board member of Fundação EDP
General Manager of Corporate and Trading HC Energia
Board member of Labelec
Officer EDP Renováveis
Head of Energy Planning (Technical Area)
Head of Business Analysis
Head of Coordination of Communication Area
Officer Universidade EDP
Officer Organisational Development
Officer Information Systems
Head of Human Resources
Head of Customer and Marketing
Head of Sustainability

The Innovation Committee held one meeting in 2012.

INFORMATION DISCLOSURE MANAGEMENT COMMITTEE

This Committee, previously called the Disclosure of Information Control and Procedures Committee, has two primary responsibilities:

- Analyse and assess the information that is periodically provided or should be provided by EDP within the context of preparing reports and other communications for the market;
- Assessing the mechanisms of control and disclosure of information about EDP.

The Information Disclosure Management Committee has the following composition:

INFORMATION DISCLOSURE MANAGEMENT COMMITTEE

Member of the Executive Board of Directors (Finance)
 Head of General Secretariat and Legal Office
 Head of Management Planning and Control
 Head of Finance Management
 Head of Consolidation, IFRS Reporting and Taxation Department
 Head of Coordination of Communication Area
 Head of Investor Relations
 Representative EDP Brasil (Investor Relations)
 Representative EDP Renováveis (Investor Relations)
 Representative of Investor Relations Office

The Information Disclosure Management Committee held two meetings in 2012.

RISK COMMITTEE

The Risk Committee has the following responsibilities:

- Share information on the key risks and risk profile of the EDP Group
- Discuss the result of significant risk assessment projects developed in conjunction with the Business Units
- Discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary situations in terms of risk
- Promote and monitor the upkeep of the inventory of the most significant risks (risk portal)
- Approve the periodical reporting model to be submitted by the Business Units or the Risk Management Department, as well as other mechanisms for reporting and monitoring EDP's risks.

The Risk Committee has the following composition:

RISK COMMITTEE

Chairman of the Executive Board of Directors
 Member of the Executive Board of Directors (Finance)
 Member of the Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (Risk)
 Head of Energy Planning
 Head of Financial Management
 Head of Management Planning and Control Department
 Head of Risk Management
 Head of Institutional Relations and Stakeholder
 Head of Energy Planning
 Representative of EDP Brasil
 Representative of EDP Renováveis
 Board member of EDP Produção
 Board member of EDP Distribuição
 General Manager of Corporate and Trading HC Energia
 Board member of EDP Brasil
 Board member of EDP Inovação

The Risk Committee held one meeting in 2012.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

- Issue an opinion on proposals for defining the EDP Group's objectives in terms of prevention and safety
- Analyse the Annual Report and issue an opinion on the EDP Accident Prevention and Safety Action Plan
- Monitor the development of the main occupational safety indicators and draw up proposals for improvements
- Issue opinions on the regulatory documents of the safety management system that cover the EDP Group as a whole or cut across various sectors of activity.

The Accident Prevention and Safety Committee has the following composition:

ACCIDENT PREVENTION AND SAFETY COMMITTEE

Member of the Executive Board of Directors
 Board member of EDP Produção
 Board member of EDP Distribuição
 Board member of EDP Valor (Human Resources)
 Board member of EDP Valor (Ealth and Safety)
 Head of Universidade EDP
 Responsible Office Safety and Health of EDP Valor
 Responsible of Occupational Medicine (Office Safety and Health of EDP Valor)
 Representative EDP Gás Distribuição
 Representative HC Energia
 Representative EDP Brasil
 Representative EDP Renováveis

The Accident Prevention and Safety Committee held one meeting in 2012.

ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- Share updated information on the development of the various markets and businesses in which the EDP Group operates (the Iberian Peninsula, the wind sector and Brazil) as well as the performance of its portfolio in these geographical areas
- Analyse attractive business areas throughout the value chain and in the different geographical locations
- Propose the generation portfolio and identify the gas and CO₂ needs, on a 5-year horizon.

The Energy Planning Committee has the following composition:

ENERGY PLANNING COMMITTEE

Chairman of the Executive Board of Directors
 Member of the Executive Board of Directors (Finance)
 Member of the Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (Generation)
 Member of the Executive Board of Directors (Distribution)
 Member of the Executive Board of Directors (International)
 Member of the Executive Board of Directors (Commercialization)
 Board member of EDP Produção
 Board member of EDP Distribuição
 Board member of EDP Comercial
 Board member of EDP Renováveis
 General Manager of Corporate and Commercial HC Energia
 Board member of EDP Brasil
 Board member of EDP Internacional
 Board member of EDP Inovação
 Head of Business Analysis
 Head of Risk Management
 Head of Regulation and Competition
 Head of Sustainability
 Head of Management Planning and Control
 Head of Investor Relations
 Head of Universidade EDP
 Head of Energy Management Business Unit
 Head of Regulation and Markets EDP Renováveis
 Head of Energy Planning EDP Brasil

The Energy Planning Committee held two meetings in 2012.

INVESTMENTS COMMITTEE

The Investment Committee's role is to discuss and issue an opinion on proposed investment and divestment projects and on WACC proposals for the Business Units.

The Investment Committee has the following composition:

INVESTMENTS COMMITTEE

Member of the Executive Board of Directors (Finance)
 Head of Business Analysis
 Head of Management Planning and Control
 Head of Energy Planning
 Representative of Business Analysis Department
 Responsible for the investment proposals under analysis

The Investment Committee held nineteen meetings in 2012.

CAREERS, MOBILITY AND TRAINING COMMITTEE

This Committee was abolished in October 2012 by decision of the Executive Board of Directors, and its duties were transferred to the Human Resources Management Committee.

The Careers, Mobility and Training Committee held two meetings in 2012.

HUMAN RESOURCES MANAGEMENT COMMITTEE

The Committee's main responsibilities are:

- Share information and discuss and issue an opinion on measures to promote mobility, attract and integrate staff
- Promote the implementation of Succession Plans for critical positions of the EDP Group and monitor the career development of the Macro-Structure Managerial Staff, Managerial Staff with High Potential and Performers with Potential
- Analyse key indicators relating to different segments of potential, and discuss and align policies and development instruments
- Align the people management policy (MIGRH)
- Discuss and share initiatives aimed at cultural alignment and which promote a culture of meritocracy
- Discuss and give an opinion on the EDP Group's annual human resources budget and monitor its development.

The Human Resources Management Committee has the following composition:

HUMAN RESOURCES MANAGEMENT COMMITTEE

Chairman of the Executive Board of Directors
 Member of the Executive Board of Directors (Finance)
 Member of the Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (Generation)
 Member of the Executive Board of Directors (Distribution)
 Member of the Executive Board of Directors (International)
 Member of the Executive Board of Directors (Commercial)
 Board member of EDP Produção (Human Resources)
 Board member of EDP Distribuição (Human Resources)
 Board member of EDP Comercial (Human Resources)
 Board member of EDP Soluções Comerciais (Human Resources)
 Board member of EDP Valor (Human Resources)
 Board member of EDP Brasil (Human Resources)
 Board member of EDP Renováveis (Human Resources)
 Head of Human Resources
 Head of Organizational Development
 Head of of Coordination Department for Employment Relations
 Officer HC Energia (Human Resources)
 Officer Universidade EDP

The Human Resources Management Committee held one meeting in 2012.

REMUNERATION COMMITTEE

The Remuneration Committee was abolished in October 2012 by decision of the Executive Board of Directors. It held three meetings in 2012.

REGULATION COMMITTEE

The main responsibilities of the Regulation Committee are:

- Share regulatory practices in Europe, on the Iberian peninsula and those that apply in Brazil
- Analyse the development of the European Commission's energy strategy and policy and the implementation of the European internal market and competition directives, as well as the policies, legislation, regulation and organisation of the energy sectors in Portugal and Spain
- Analyse the development of prices and the implications of tariff policies and decisions on the regulated activities
- Discuss the impacts of developments and regulatory changes
- Discuss and give an opinion on proposals leading to the definition of the positions to be defended by the EDP Group in the Iberian and European market.

The Regulation Committee has the following composition:

REGULATION COMMITTEE

Member of the Executive Board of Directors (Regulation)
 Member of the Executive Board of Directors (Distribution)
 Member of the Executive Board of Directors (Trading)
 Head of Energy Planning
 Head of Regulation and Competition
 Head of Energy Management and Trading Business
 Officer Gas Business
 Officer HC Energia (Regulation)
 Officer EDP Distribuição (Regulation)
 Officer Naturgas (Regulation)
 Officer EDP Brasil (Regulation)
 Officer EDP Renováveis (Regulation and Markets)
 Corporate Center Representatives (Regulation)
 Naturgas Representative (Regulation)
 Officer EDP Gás (Regulation)
 EDP Soluções Comerciais Representative (Regulation)

The Regulation Committee held ten meetings in 2012.

SUSTAINABILITY COMMITTEE

The Sustainability Committee, previously called the Environment and Sustainability Committee, has the following responsibilities:

- Share information and discuss the implications of major legislative packages in the Sustainability field
- Share the development of environmental performance indicators of the Group and respective benchmarks
- Discuss and give opinions on the annual Operational Environment and Sustainability Plans (POSA) and the annual consolidated budget
- Discuss and give an opinion on the annual action plans, as well as on the objectives and targets to be achieved by EDP
- Monitor the development of the approved action plans and the activities of the sustainability management structures of the EDP Group companies.

The Sustainability Committee has the following composition:

SUSTAINABILITY COMMITTEE

Chairman of the Executive Board of Directors
 Member of the Executive Board of Directors (Sustainability)
 Board member of EDP Produção (Environment)
 Board member of EDP Distribuição (Environment)
 Board member of EDP Comercial
 Board member of EDP Soluções Comerciais (Environment)
 Board member of EDP Valor (Environment)
 Board member of EDP Inovação
 Board member of Fundação EDP
 Head of Risk Management
 Head of Investor Relations
 Head of Human Resources
 Head of Universidade EDP
 Head of Coordination of Communication Area
 Head of Institutional Relations and Stakeholders
 Head of Sustainability
 Officer of HC (Environmental)
 Representative EDP Renováveis
 Representative EDP – Energias do Brasil

The Sustainability Committee held one meeting in 2012.

PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- Analyse the major procurement indicators of the EDP Group, with particular regard to volumes purchased and savings obtained
- Promote the articulation of the various top-level bodies of the different businesses with procurement responsibilities
- Monitor the most important negotiations for which the EDP Group's procurement bodies are responsible
- Stimulate and analyse the performance of the structures involved in procurement.

The Procurement Committee has the following composition:

PROCUREMENT COMMITTEE

Member of the Executive Board of Directors (Finance)
 Member of the Executive Board of Directors (EDP Valor)
 Member of the Executive Board of Directors (Commercialization)
 Board member of EDP Produção
 Board member of EDP Distribuição
 Board member of EDP Valor (Procurement)
 Board member of EDP Brasil
 Board member of EDP Renováveis
 Officer EDP Valor (Procurement)

The Procurement Committee held one meeting in 2012.

PRICES AND VOLUMES COMMITTEE

The primary aim of the Prices and Volumes Committee is to guarantee that the EDP Group has access to the best information and outlook on market trends at any given moment. Accordingly, the committee is responsible for:

- Share relevant and updated information on recent developments in the Iberian electricity and gas markets
- Discuss and align historical and forecasting information shared between business areas
- Issue an opinion on the forward curve that represents the best estimate of the EDP Group for the evolution of the wholesale market in a 1-2 year horizon
- Propose adjustments to performance in terms of management of the Iberian wholesale margin (in terms of risk coverage, commercial activity, placement of gas contracts, etc.).

The Price and Volumes Committee has the following composition:

PRICES AND VOLUMES COMMITTEE

Member of the Executive Board of Directors (Energy Trading)
 Member of the Executive Board of Directors (Commercialization)
 Board member of EDP Produção
 Board member of EDP Comercial
 Board member of EDP Renováveis
 General Manager of Corporate Center and Commercial HC Energia
 Head of Risk Management
 Head of Management Planning and Control
 Head of Regulation and Competition
 Head of Business Analysis
 Head of Energy Planning
 Head of UNGE
 Head of DMO UNGE
 Head of Middle Office UNGE
 Head of HC Energia (Regulation)
 Officer HC Energia (Projects)
 Officer EDP Produção (Planning and Control)
 Naturgas Representative
 Officer EDP Renováveis (Regulation and Markets)

The Price and Volumes Committee held four meetings in 2012.

GENERATION COMMITTEE

The Generation Committee has the following responsibilities:

- Exchange of information on the evolution of the business in each region, including the respective critical environments (regulatory, etc.)
- Discuss, align and issue opinions on key issues for approval by the Executive Board of Directors or the Board of Directors of the generating companies
- Develop a uniform view of the business and keep the multi-geographical region benchmarking (organisation, processes and management information)
- Foster the adoption of (best) common practices in a selected set of processes or activities
- Share unique or specialised assets (human, technological, knowledge).

The Generation Committee has the following composition:

GENERATION COMMITTEE

Member of the Executive Board of Directors (Generation)
 Member of the Executive Board of Directors (Trading)
 Board of Directors of EDP Produção
 Board member of EDP Brasil
 Officer of EDP Produção (Hydro Generation)
 Officer of EDP Produção (Thermal Generation)
 Officer of EDP Produção (Projects and Investments)
 Adviser of the Board of EDP Produção
 Representative of EDP Produção (Planning and Control)
 Officer of HC Energia (Generation)
 Officer of HC Energia (Projects)
 Corporate head of Sustainability
 Officer of EDP Produção (Integrated Management of Environmental Matters)
 Officer of HC Energia (Environmental)
 Officer of EDP Brasil (Environmental)
 Head of Organisational Development
 Head of Information Systems
 Head of UNGE
 Corporate head of Energy Planning
 Corporate head of Human Resources
 Officer EDP Produção (Human Resources)
 Officer University EDP
 Board member of EDP Inovação
 Board member of EDP Renováveis

The Generation Committee held one meeting in 2012.

DISTRIBUTION COMMITTEE

This Committee was abolished in October 2012 by decision of the Executive Board of Directors, and most of its duties were transferred to the Distribution Networks Committee.

DISTRIBUTION NETWORKS COMMITTEE

This Committee has the following responsibilities:

- Exchange of information on the evolution of the business in each region, including the respective critical environments (regulatory, etc.)
- Discuss, align and issue opinions on key issues for approval by the Executive Board of Directors or the Board of Directors of the distribution companies
- Develop a uniform view of the business and keep the multi-geographical region benchmarking (organisation, processes and management information)
- Foster the adoption of (best) common practices in a selected set of processes or activities
- Share unique or specialised assets (human, technological, knowledge).

The Distribution Networks Committee has the following composition:

DISTRIBUTION NETWORKS COMMITTEE

Member of the Executive Board of Directors (Distribution)
 Member of the Executive Board of Directors (Commercialization/Spain)
 Board of Directors of EDP Distribuição
 Board member of EDP Brasil
 Responsible of Energia (Distribution)
 Board member of EDP Gás
 Head of Organisational Development
 Head of Regulation and Competition
 Head of Energy Planning
 Head of Human Resources
 Head of Sustainability
 Officer EDP Distribuição (Regulation)
 Officer HC Energia (Regulation)
 Officer EDP Brasil (Regulation)
 Officer EDP Distribuição (Human Resources)
 Officer EDP Distribuição (Environmental)
 Officer HC Energia (Environmental)
 Officer EDP Brasil (Environmental)
 Board member of Fundação EDP
 Officer University EDP
 Board member of EDP Inovação
 Board member of Labeltec

The Distribution Networks Committee, created in October 2012, didn't held any meeting in 2012 but it has a meeting scheduled for the first quarter of 2013.

COMMERCIAL COMMITTEE

This Committee was abolished in October 2012 by decision of the Executive Board of Directors, and most of its duties were transferred to the Iberian Commercial Committee.

IBERIAN COMMERCIAL COMMITTEE

The Iberian Commercial Committee has the following responsibilities:

- Exchange of information on the evolution of the business in each region and in the Iberian region, including the respective critical environments (regulatory, etc.)
- Discuss, align and issue opinions on key issues (such as goals, marketing plan, etc.) for approval by the Executive Board of Directors or the Board of Directors of the electricity supply companies
- Develop a uniform and integrated view of the Iberian business and keep the multi-geographical region benchmarking (marketing, products, commercial and management information)
- Foster the adoption of (best) common practices in a selected set of processes or activities
- Share unique or specialised assets (human, technological, knowledge).

The Iberian Commercial Committee has the following composition:

IBERIAN COMMERCIAL COMMITTEE

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Regulation and Competition)
Member of the Executive Board of Directors (EDP Soluções Comerciais)
Member of the Executive Board of Directors (Commercialization, Spain)
Board of Directors of EDP Comercial
Commercial and Corporate Officer of HC Energia
Board member of EDP Soluções Comerciais
Head of Information Systems
Head of Coordination of Communication Area
Head of Customer and Marketing
Head of UNGE
Officer EDP Comercial (Marketing B2B)
Officer EDP Comercial (Marketing B2C)

The Iberian Commercial Committee was created in October 2012 and it has a meeting scheduled for first quarter of 2013.

PENSION PLAN AND PENSION FUND COMMITTEE

The Pension Plan and Pension Fund Committee has the following main responsibilities:

- Share significant information with an impact on the management of the Pension Fund
- Analyse the evolution of the assets under management, fund profitability and the management mandates and the performance of the different asset managers
- Monitor the development of the value of liabilities payable by the Pension Fund and its level of funding
- Issue an opinion on changes in investment policy and/or management mandates, on the actuarial assumptions used to calculate the liabilities assigned to the Pension Fund and the contributions of associates to the fund.

The Pension Plan and Pension Fund Committee has the following composition:

PENSION PLAN AND FUND COMMITTEE

Member of the Executive Board of Directors (Finance)
Board member of EDP Valor
Head of Consolidation, IFRS Reporting and Taxation
Head of Risk Management
Representative of Financial Management
Head of Financial Management

The Pension Plan and Pension Fund Committee met four times during 2012.

INFORMATION SECURITY COMMITTEE

The Executive Board of Directors abolished this Committee in October 2012 and transferred most of its responsibilities to the Information Technology Committee.

INFORMATION TECHNOLOGY COMMITTEE

This Committee's responsibilities are:

- Propose budget allocations for unplanned projects
- Propose the annual budget and plan for information systems (applications and infrastructure projects)
- Issue an opinion on the relationship model and costs model between the Information Systems Department, Business Units and the Corporate Centre
- Discuss and issue an opinion on guidelines for the strategic planning of information systems
- Decide the priorities related to strategic projects, the distribution of resources or the unplanned requirements of strategic projects.

The Information Technology Committee has the following composition:

INFORMATION TECHNOLOGY COMMITTEE

Member of the Executive Board of Directors (Information Systems)
Board member of EDP Produção (Information Systems)
Board member of EDP Distribuição (Information Systems)
Board member of EDP Comercial (Information Systems)
Board member of EDP Soluções Comerciais (Information Systems)
Board member of EDP Valor (Information Systems)
Board member of EDP Inovação (Information Systems)
Head of Organisational Development
Head of Coordination of Communication Area
Head of Customer and Marketing
Head of Information Systems
Representative HC Energia
Representative EDP Brasil
Representative EDP Renováveis
Officer EDP Gás (Information Systems)

The Information Technology Committee held three meetings in 2012.

IBERIAN COMMERCIAL AND MARKET COMMITTEE

This Committee was established in October 2012 with the following responsibilities:

- Share information on the energy trading and business market of the Iberian Peninsula for the sale of electricity, gas and services in all market segments (purchase of natural gas, gas sales balance sheets, customer losses, pricing, competition, etc.)
- Analyse the market situation and competitiveness of the prices in the different segments of the Portuguese and Spanish electricity and gas markets
- Propose preferential segments for the placement of gas and price policies in different segments, the strategies to be used at gas auctions, the gas placement or purchase objectives in gas trading, the measures to retain strategic customers, adaptation or correction of current commercial policies, the establishment or revision of intra-group transfer prices
- Monitor the implementation of the above-stated measures.

The Iberian Commercial and Market Committee has the following composition:

MARKET AND COMMERCIAL IBERIAN COMMITTEE

Member of the Executive Board of Directors (Energy Management)
Member of the Executive Board of Directors (Commercialization, Spain)
Board of Directors of EDP Comercial
General Manager of Corporate and Trading HC Energia
Board member of Naturgas
Officer Energy Management
Officer Comercial B2B Espanha (HC Energia/Naturgas)
Officer Comercial B2C Espanha (HC Energia/Naturgas)
Officer Operations of Naturgas
Officer EDP Comercial (Commercial B2B)
Officer EDP Comercial (Energy Management)

The Iberian Commercial and Market Committee Committee held two meetings in 2012.

STAKEHOLDERS' MANAGEMENT COMMITTEE

The Stakeholders' Management Committee has the following responsibilities:

- Evaluate the alignment and consistency of the relationship strategies with stakeholders in the various markets and geographical areas where the EDP Group develops its activity
- Discuss the priorities and propose guidelines and the management model for the Group's relationship with its stakeholders
- Assess the implementation of the EDP Group's stakeholders' management policy.

The Stakeholders' Management Committee has the following composition:

STAKEHOLDERS MANAGEMENT COMMITTEE

Chairman of the Executive Board of Directors
 Member of the Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (Generation)
 Member of the Executive Board of Directors (Distribution)
 Member of the Executive Board of Directors (Commercialization, Spain)
 Board member of EDP Comercial
 Board member of EDP Renováveis
 Board member of EDP Brasil
 Officer Institutional Relations and Stakeholders
 Board member of Fundação EDP
 Head of Human Resources
 Head of Coordination of Communication Area
 Head of Customer and Marketing
 Head of Sustainability
 Board member of EDP Internacional

The Stakeholders' Management Committee has a meeting scheduled for March 2013.

CORPORATE DEVELOPMENT COMMITTEE

This Committee was created in October 2012 with the following responsibilities:

- Promote and monitor group-wide programmes arising from the organisational and operational priorities established at the corporate level
- Promote and analyse organisational benchmark studies
- Analyse, discuss and issue opinions on proposed changes to the management model of processes of the Group and monitor their implementation
- Coordinate the optimisation of processes of corporate interest
- Assess and issue opinions on the support tools and organisational efficiency meeting the common needs of the various EDP companies in the organisation and operation area.

The Corporate Development Committee has the following composition:

CORPORATE DEVELOPMENT COMMITTEE

Member of the Executive Board of Directors (Distribution)
 Member of the Executive Board of Directors (Generation)
 Head of Officer Desenvolvimento Organizacional
 Representative of Corporate Organisational Development
 Representative of Corporate Organisational Development
 Officer EDP Produção (Processes Organization)
 Officer EDP Distribuição (Processes Organization)
 Officer EDP Comercial (Processes Organization)
 Officer EDP Soluções Comerciais (Processes Organization)
 Officer EDP Valor (Processes Organization)
 Officer HC Energia (Processes Organization)
 Officer Naturgas (Processes Organization)
 Officer EDP Brasil (Processes Organization)
 Officer EDP Renováveis (Processes Organization)
 Officer EDP Gás (Processes Organization)
 Board member of EDP Produção
 Board member of EDP Distribuição
 Board member of EDP Soluções Comerciais
 Board member of EDP Inovação
 Board member of EDP Brasil
 Board member of EDP Renováveis
 General Manager of Corporate and Trading HC Energia
 Head of Human Resources
 Officer Information Systems
 Officer Universidade EDP

The Corporate Development Committee has a meeting schedule for the first quarter of 2013.

COMMERCIAL SHARE COMMITTEE

The Commercial Share Committee was established in October 2012 with the following responsibilities:

- Analyse the results arising from the implementation of shared commercial services on the Iberian Peninsula
- Analyse and issue opinions on the Iberian integration of new commercial support services that contribute to the optimisation of processes or to obtaining strategic advantages
- Monitor the implementation and results of the integration projects established by the Committee
- Monitor the integration of shareable services of the subsidiaries of EDP - Energias de Portugal, S.A., Sucursal en España ("EDP Spain Branch") and the standardisation and alignment of the processes in the various geographical regions.

The Commercial Share Committee has the following composition:

COMMERCIAL SHARE COMMITTEE

Member of the Executive Board of Directors (Sharedp Projects)
 Member of the Executive Board of Directors (Commercialization, Spain)
 Board member of EDP Comercial
 Board member of EDP Soluções Comerciais
 Board member of Naturgas
 Head of Consolidation, IFRS Reporting and Taxation Department
 General Manager of Corporate and Trading HC Energia
 Head of Organisational Development
 Head of Information Systems
 Responsible for the projects under analysis

The Commercial Share Committee has a meeting schedule for the first quarter of 2013.

CORPORATE SHARE COMMITTEE

The Corporate Share Committee was established in October 2012 with the following responsibilities:

- Analyse the results arising from the implementation of shared corporate services
- Analyse and issue opinions on the integration of new corporate support services that contribute to the optimisation of processes or to obtaining strategic advantages
- Monitor the implementation and results of the integration projects established by the Committee
- Monitor the integration of shareable services of the subsidiaries of the EDP Spain Branch and the standardisation and alignment of the processes in the various geographical regions.

The Corporate Share Committee has the following composition:

CORPORATE SHARE COMMITTEE

Member of the Executive Board of Directors (Shared Projects)
 Member of the Executive Board of Directors (Finance)
 Member of the Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (EDP Valor)
 Member of the Executive Board of Directors (Commercialization, Spain)
 Head of Consolidation, IFRS Reporting and Taxation
 Board member of EDP Renováveis (Finance)
 General Manager of Corporate and Trading HC Energia
 Board member of Naturgas
 Board member of EDP Valor
 Head of Financial Management
 Head of Organisational Development
 Head of Information Systems
 Officer EDP Renováveis (Finance)
 Officer HC Energia (Finance)
 Officer Naturgas (Finance)
 Responsible for the projects under analysis

The Corporate Share Committee has a meeting schedule for the first quarter of 2013.

INTERNATIONALISATION COMMITTEE

This Committee with the following responsibilities:

- Share studies and other relevant information for the development of business in geographical regions outside Portugal
- Analyse the results of the commercial promotion activity in the different regions
- Discuss, align and issue opinions on key issues for the development of the international business
- Monitor the process of defining commercial proposals
- Foster the adoption of (best) common practices.

The Internationalization Committee has the following composition:

INTERNATIONALISATION COMMITTEE

Chairman of the Executive Board of Directors
 Member of the Executive Board of Directors (Renewables)
 Member of the Executive Board of Directors (International)
 Board member of EDP Brasil
 Board member of EDP Internacional
 Board member of EDP Ásia
 Board member of EDP Distribuição
 Board member of EDP Produção
 Board member of EDP Renováveis
 Corporate Head of Business Analysis
 Head of Risk Management
 Officer EDP Internacional

The Internationalization Committee was established in October 2012 and has a meeting scheduled for the first quarter of 2013.

CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity created in 2009. It aims to support the EDP Group's customer care policy, and has the following remit, pursuant to Article 9 of the Customer Ombudsman Rules of Procedure for the EDP Group companies:

- Receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies
- Enter into dialogue with customers making a complaint
- Arbitrate disputes and conflicts between customers and EDP Group companies
- Issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies
- Propose the adoption of measures to help improve levels of service quality and customer satisfaction
- Establish contacts with third parties to obtain specialist information and knowledge so recommendations can be made to the EDP Group companies on the adoption of measures to improve their customer relations.

The Customer Ombudsman holds office for a period of 3 years, and this term is renewable once only, for an equal period (Article 5 (2) of the Customer Ombudsman Rules of Procedure for the EDP Group companies). The Customer Ombudsman has the use of an independent organic structure to assist in the performance of its duties. This structure is called the Office of the Customer Ombudsman. It also has an annual budget allocation (Article 20 of the Customer Ombudsman Rules of Procedure for the EDP Group companies).

SUBSIDIARY IN SPAIN

The mission of the EDP Spain subsidiary is to manage and coordinate the energy interests of the EDP Group companies in Spain, organised through the management and coordination structures, with the aim of ensuring the optimisation of synergies and the creation of value in the operations and activities in Spain. It also serves as an organisational platform for managing the Iberia-wide integration of support services. Accordingly, all the majority shareholdings in EDP Renováveis and HC Energía, as well as those indirectly held in Naturgas Energia Grupo S.A. ("Naturgas") have been directly allocated to the subsidiary's assets by virtue of the majority control of that subsidiary, among others.

The EDP Spain subsidiary has offices in Madrid and Oviedo. It is represented before third parties by means of the permanent representatives, who are members of the EDP Executive Board of Directors appointed for that purpose.

The steering, coordination, management and representation structure of the subsidiary is made up of the Executive Committee and the Management Committee. The Executive Committee is composed of five permanent EDP representatives, one Group Controller for activities in Spain, and by the first line managers in charge of the business units in Spain. This Committee fundamentally serves as the coordination body for the activities of the permanent representatives. The Management Committee is chaired by the Group Controller and is also made up of the natural extension of the departments of the EDP Corporate Centre, namely the Business Analysis Department, Legal Department, Audit Department, Spanish Taxation Department, Financial Management Department, Shared Services Department and Information

Systems Department. The committee guarantees and homogeneously collates the roles of these departments in Spain. On 14 December 2012 the Coordination Committees were abolished, given that, from October 2012, the subsidiary became represented on EDP's committees of Iberian scope: Energy Planning Committee, Prices and Volumes Committee, Market and Commercial Iberian Committee, Distribution Networks Committee, Iberian Commercial Committee and Generation Committee.

EDP ENERGIAS DE PORTUGAL, SUCURSAL EN ESPAÑA, SOCIEDAD ANÓNIMA

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

EXECUTIVE COMMITTEE

Permanent EDP Representative	António Mexia (Chairman)
Permanent EDP Representative	Nuno Almeida Alves
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	Miguel Stilwell de Andrade
Chairman of the Board, HC Energía	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1 st Line Responsible, HC Energía	Javier Sáenz de Jubera
1 st Line Responsible, NG Energía	Massimo Rossini
1 st Line Responsible, EDP Renováveis	João Paulo Costeira

MANAGEMENT COMMITTEE

Legal Department	Emilio Garcia-Conde
Financial Management Department	Nuno Gonçalves
Taxation Spain Department	Ramon Ortea Garcia
Information Systems Department	José Negueruela
Audit Department	Azucena Viñuela
Business Analysis Department	João Nicolau
Shared Services Department - ShareCorp	Félix Arribas
Shared Services Department - ShareCom	Vanda Martins

II.4. ANNUAL REPORT OF THE GENERAL AND SUPERVISORY BOARD

Every year, the General and Supervisory Board, Committee on Financial Matters/Audit Committee and the Remuneration Committee draft a report on their supervision, organisation, operation and any constraints that they have come across while performing their duties. These reports are posted on the EDP website with the Annual Report of the General and Supervisory Board.

II.5. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

II.5.1. INTERNAL CONTROL OF FINANCIAL REPORTING

Interning auditing in the EDP Group is a corporate function and is performed by the Internal Audit Department, which belongs to the Corporate Centre and reports to the Chairman of the Executive Board of Directors. The department's work is supervised by the Committee on Financial Matters/Audit Committee, which approves the annual internal audit plan, sent to the Executive Board of Directors.

In its management, the EDP Group has an internal control system based on the SCIRF (Internal Financial Reporting Control System) and designed in line with the best international practices and the COSO and COBIT reference models.

In order to ensure that there are control mechanisms and procedures to mitigate the risk of fraud or any materially relevant errors in the financial statements, EDP has a maintenance and assessment cycle with pre-established activities and an accountability model that defines competences and those in charge at corporate level and in company units and business units (CUs/BUs).

The cycle maintenance work in 2012 included activities at: (i) corporate and (ii) subgroup and company level.

The corporate level activities were as follows:

- Annual planning and monitoring of the cycle was conducted along with maintenance and review of the reference models, methodological and conceptual assistance to CUs and BUs.
 - Identification of the scope of the SCIRF 2012 cycle by applying the model to the consolidated financial statements as at 31 December 2012, based on criteria of materiality from a top down perspective (Corporate IAD) and of risk, which were used to identify the Corporate Centre companies and departments. The SCIRF covered most of the companies in Portugal, Spain and Brazil and aggregatedly the units in EDP Renováveis, S.A., EDP Renewables Europe, S.L. and EDP Renewables North America, LLC.
 - The scope model helped to identify new subjects for documentation and controls by local managers and pinpointed a number of processes being redesigned as a result of organisational, structural, legislative and operational changes.
 - It identified the software used in processes covered by the result of the scope model and selected the associated service organisations. An ISAE 3402 report was requested or as an alternative an independent assessment of the control environment used in providing services to the EDP Group.
 - During the evaluation cycles some relevant matters and recommendations were also identified and have been specifically monitored by businesses and received technical support and supervision from the Corporate IAD. Considerable progress was made, thereby reinforcing the quality and soundness of the SCIRF.
 - Non-conformities identified in the evaluation cycles were analysed and action to resolve them was pinpointed. They were then implemented by local managers and received support and monitoring from the IAD, with a positive percentage of resolution.
 - The self-certification process, by which the SCIRF managers conduct an assessment of their own elements based on processes and their controls and groups of processes, ending at company level, was completed successfully. The certificates issued in a chain in an upward sequence in the control internal hierarchy of each CU/BU clearly indicated the sufficiency or insufficiency of the documentation of processes (appropriate and up-to-date), control activities (performed and with appropriate evidence), resolution of non-conformities and enforcement of the code of ethics (familiarity and compliance).
 - In partnership with the Training, Recruitment and Documentation Department of EDP Valor, a course was organised for SCIRF managers in Portugal to further their knowledge of control concepts and practices.
 - During the analysis of function incompatibility matrices (IT and business) a comparison was made between real and theoretic incompatibilities. A real incompatibility ratio of less than 1% showed reasonable comfort in this area.
 - The design of controls was assessed to confirm that their structure was suitable for the timely prevention of materially relevant errors and/or improper appropriation of Group resources.
 - The operational efficacy of controls was assessed to confirm that they were being performed by qualified professionals in compliance with their design.
- The activities at subgroup and company level were as follows:
- An analysis was conducted of the use of the scope on individual financial statements and

new matters were included, such as estimates, valuations and assessments subject to professional judgements considered high risk in a bottom-up analysis.

- The EDP Renováveis subgroup also identified the stand alone scope with the materiality and risk suited to its size, given that its shares are listed on the securities regulated market, with their inherent duty to provide information. The certificate was published in its 2012 Annual Report and Accounts.
- In line with the recommendation of Comisión Nacional del Mercado de Valores (CNMV - Securities Market Commission), the HC Energía/Naturgas subgroup underwent identification of its stand alone scope with the materiality and risk suited to its size, given that it has bonds on the securities regulated market. The certificate was published in its 2012 Annual Report and Accounts.
- Under Brazilian legislation, which requires periodic rotation of the team of auditors, EDP Brasil began to be audited by Deloitte, a different entity from the other EDP Group companies. Its control matrix underwent a complete revision and the evaluation was performed by the new external auditor, though using the methods and planning defined by the Group's external auditor, KPMG Portugal.
- SCIRF managers were identified, reviewed and appointed on the basis of the result of the model and review and/or update resulting from organisational, structural, legislative and operational changes in the business units.
- New processes were documented and processes and controls documented in previous cycles were controlled and redesigned.
- Necessary action was taken to resolve the non-conformities identified in the evaluation tests.
- The SCIRF managers used self-assessment to evaluate the adequacy and updating of documentation and maintenance of evidence in control activities at different levels in the chain of command.

The 2012 SCIRF was conducted by the Group's external auditor in accordance with ISAE 3000 – International Standard on Assurance Engagements in all the countries covered by the scope model, with the support of Deloitte for EDP Brasil.

The procedures followed by the Group in the maintenance, assessment and monitoring of the SCIRF demonstrate a reasonable degree of certainty as to the reliability of the financial information provided to the market and guarantees quality and soundness in line with the best international practices and standards. No material deficiencies were detected.

The external auditor issued an independent report on the Group's internal control system for the financial statements as at 31 December 2012. It is included in the Annex V.

II.5.2. RISK MANAGEMENT STRUCTURE

II.5.2.1. RISK MANAGEMENT MANDATE AND STRUCTURE

The diversity of the Group's business lines continued to ensure a low level of intrinsic risk, mainly due to: (i) the high relative weight of regulated businesses, (ii) growth in low-risk activities, such as wind generation with low exposure to electricity market prices, (iii) use of appropriate hedging policies to mitigate financial, fuel and price risks and the risk of the amount of electricity placed or bought on the market and (iv) the increase in geographical diversification of risk with a reduction in the weight of the Iberian

Peninsula. This diversification has been essential in mitigating the company's risks, including those arising from the financial crisis and more recently the European sovereign debt crisis.

The organisation and process of risk management in place in the Group have received the highest classifications in the Dow Jones Sustainability Index, challenging us to further integrated R2R – return to risk methods and include them in the normal management business units and the Corporate Centre. The process is based on the following components:

- **Identification of risks – risk assessment.** Steps have been taken to ensure that this process is included in the usual cycle of preparing the business plan and budget, at least for the most important risks and from the point of view of top management. There is also a risk portal to be used by the Risk Management Department in recording work done and the consolidation of the most important risks from a joint point of view and also for the use of the business units, according to their needs. This tool was developed in-house and the system was updated in 2012 to adapt it to users' needs. The tool is used for the consistent collection of information on each relevant risk, with qualitative and, as far as possible, quantitative assessments of overall impact, minimum and maximum likelihood of occurrence and degree of control, and for preparing priority matrices for action or control. It enables us to answer the following questions: what are the most important risks for each business unit and how big are these risks?
- **Risk owner.** This is how we clarify responsibilities in risk management and coherence in internal delegation of powers and contracts for supplies and services from internal or external outsourcers. For each of the priority risks, we seek to identify key measures that can be used to avoid or mitigate the risk and decide on the transfer of the risk to another entity (e.g. insurance, hedging). This tool answers the following questions: who is responsible for managing a certain risk? Which risks is it in EDP's interest to manage and which should be transferred to other entities?
- **Risk appetite.** Considering that it is assessed on the way in which the Group plans to grow (business areas, countries, acquisitions or corporate growth), how it is going to obtain funding for this (and dividend payment commitments) and what rating it wishes to maintain or obtain, the rating is the basic operative condition, by endeavouring to satisfy appropriate ratios: net debt/EBITDA, FFO/net debt among others. Although ratings depend on broader indicators, some of which are subjective, and also on the sovereign rating, which according to some agencies is the limit on the ratings of a country's companies (a company's rating cannot be one or two levels higher than the sovereign rating, for example), they are the most important indicators and constitute part of the controls. From a strategic perspective, the Group defines the overall limits on its activity – vision – and its commitments in its Annual Report and Accounts. They set out the areas of risk in which its work is done (i.e. the risk inherent in a multi-utility strategy outside the energy branch is not included). It enables us to answer the following questions: does the company have the necessary capital for the risks that it takes? Is it overexposed or over-insured? How much risk does it want to take?
- **Integrated risk assessment.** This dimension of risk control uses bottom-up methods to measure EBITDA, EBIT and cash flow at risk, along with other financial indicators from the

most important business units and consolidated amounts in the Business Plan. It also uses top-down methods to estimate amounts at risk and make comparisons with its competitors based on the market performance of EDP shares and public financial information. The aim is to extrapolate to broader horizons the effects of changes in composition of its business portfolio. This tool answers the following question: Do the most important business decisions take account of the impact on EDP's aggregate risk?

- **Governance and risk management.** This component of the risk management process is based on the corporate policy on business risk management set out by the Executive Board of Directors and on the structure set up for the purpose. This tool answers the following questions: Are there risk management and control processes? Are they effective?

The most important activities in 2012 were as follows:

- Upgrade of the risk portal - Improvements were incorporated to better adapt the system to users' needs, including simplifying the classification of risks, providing across-the-board information and changing the information in the risk files.
- Six-monthly report on the EDP Group's Top 5 Risks and Uncertainties - The report analyses the five uncertainties of the company's activity that, due to their potential for rapid development or significant impact on the EDP Group, warrant special attention from the corporate structure.
- Active contribution to Eurelectric's Focus Group Enterprise Risk Management, Task Force Risk Analysis and Recommendations on Eurelectric's Power Choices Study and Investment Action Plan.
- Third meeting of EDP Group Risk Officers - It included presentation of relevant issues to the company in terms of risk management by the Risk Management Department, with important learning goals and the exchange of experiences between employees from the different business units and the Corporate Centre.
- EDP Serviço Universal was assisted in the analysis of the risks associated with deviations from forecasts of demand in regulated consumption and supply of renewable generation.
- We conducted an aggregate top-down analysis of the risk and compared it with competing companies. It continued to show a low degree of aggregate risk for the EDP Group's businesses. An assessment of intrinsic EDF - expected default frequency (using Moody's KMV Credit Edge model) confirmed the evaluation and is still not in line with the decreases in rating (to: S&P BB+; Moody's Ba1), which are due basically to the drop in Portugal's rating and the limit on the number of levels that a rating can be above the sovereign rating. There was also a sharp drop in EDP's credit default swaps.
- The aggregate bottom-up risk analysis models were reformulated to increase the accuracy of risk measurements and allow different behaviours and non-linear associations between the different businesses' main risk factors.
- Bottom-up risk analysis of Grupo EDP Brasil was conducted and the main risks of the generation, distribution and supply businesses were analysed.
- Methods were developed for forecasting trends, volatilities and correlations of commodities and exchange rates followed by publication of a scientific article, internal use of the bottom-up risk analysis model and a quarterly report.
- We continued to implement counterparty risk assessment models developed with the Trading Unit and Financial Management Department,

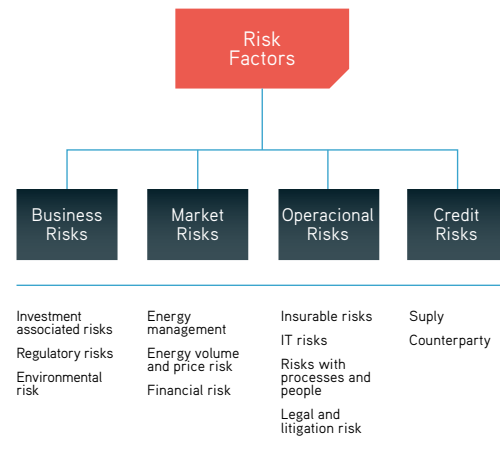
including limit structures and calculation of the amount at risk.

- We analysed the stylised development of the electricity system in the Iberian Peninsula and the degrees of return risk-of future compositions of the Portuguese and Spanish generation system in view of the higher content of renewable generation and assessed the necessary backup and storage costs to deal with the volatility of generation from renewable energy sources.
- Risks and opportunities for EDP of greater interconnection of European electricity systems, such as between Portugal and Spain, Spain and France and MIBEL market coupling with France.
- We analysed the country risks of the countries in EDP's current portfolio and those identified as targets - diversification effect and impact on the risk of the Group's portfolio.

The business units manage their own risks within established criteria and delegations. There is a dual reporting system between each business unit's Risk Officer and the Director of the Risk Management Department to ensure alignment of updates, reporting and control.

11.5.2.2. RISK FACTORS

The diagram below summarises the EDP Group's main risk factors.



The business risk is the most important component, followed by the market, operational and credit risks. This is a typical situation for the utility companies in the sector.

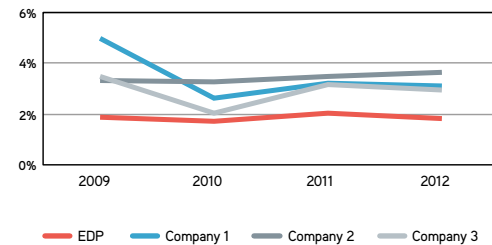
The Group has managed the political and regulatory risk very carefully and been able to avoid bad choices leading to damaging loss of value. This risk can be high in the transition phase, which is the current situation, and low in stable conditions. From the point of view of stability, the EDP Group continues to have a low risk profile, given its lower structural exposure to the market risk. The regulated nature of most of the Group's businesses (around 90%, including generation with CMECs and long-term contracts) has made it possible to borrow substantially, which is typical of 100% regulated companies and follow a strategy of rapid growth, especially in renewable energy. However, this advantage will tend to shrink in the future due to the termination of CMEC mechanism for the plants under it (which will undergo a final review in 2017), increasing the installed capacity of power stations in the market and natural greater exposure to the exchange risk resulting from growth in businesses outside the euro area. According to internal risk analysis, EDP's business risk has remained low.

The political and regulatory risk in Portugal has been influenced by the measures taken under the Economic Adjustment Programme agreed upon

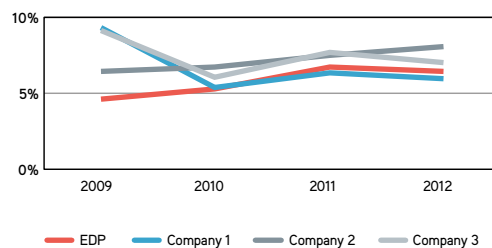
with the European Commission, International Monetary Fund and the European Power Station Bank. They included the state's sale of its 21.35% holding in EDP to China Three Gorges, the approval of the calendar for the phasing out of regulated gas and electricity tariffs, the freezing of new licences for additional renewable capacity, an agreement to cut income from CMECs and cuts in the payment of power guarantees. In Spain, there were changes in taxation to guarantee energy sustainability (Law 15/2012 of 27 December). As a whole, these measures had a controlled impact on EDP's profits.

A top-down assessment of weekly RaR, return at risk of the EDP share (95% probability of not being exceeded) and of its assets (using the equity/assets ratio times the RaR of equity) compared to that of its Iberian competitors confirms that the Group has a business lower risk (assets) profile. The equity risk has been increasing in recent years, due to the sovereign debt crisis and this impact is also noticeable in competing companies. EDP's equity risk is in line with that of its peers.

R@R Assets (weekly)



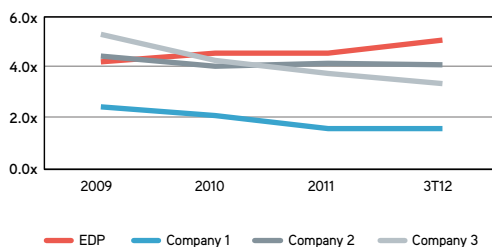
R@R Equity (weekly)



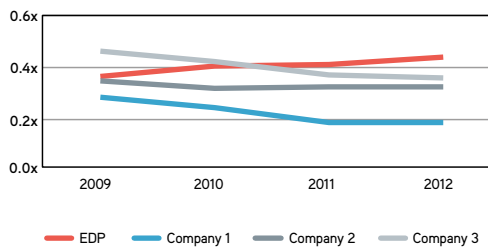
Source: EDP

As shown in the graphs below, the Group's financial leverage - net debt/assets - has been increasing as a result of a rise in future receipts related to regulated activities, especially in Portugal. The structural indicator net debt/EBITDA also rose and there is a commitment to reduce it in upcoming years. Financial deleveraging is a strong strategic commitment on the part of the EDP Group and improving its rating is therefore also a goal, though the Portuguese sovereign rating constitutes a limit on this improvement. In 2012, the Group's borrowing capacity continued to be higher than that of Portugal, though it was dragged down by this condition to a scoring lower than that of 2011 (S&P BB+; Moody's Ba1).

Net Debt / EBITDA



Net Debt / Assets



Source: Bloomberg and Annual Reports and Accounts

It is important to note that there is a complex crisis situation, along with a fall in consumption in both Portugal and Spain. Furthermore, the general deterioration in the rating of our counterparties, especially those in Portugal and Spain, increases the credit risk for EDP. This is an aspect that can also affect us, as there may be additional costs or difficulties in pursuing the Group's hedging strategy based on the level of risk that the counterparties assign to EDP and even a possible need to provide additional guarantees. Where funding is concerned, the China Three Gorges' entry as a shareholder of the Group gave EDP access to the Chinese financing market. This was highly important in achieving the company's desired liquidity levels. The rotation of assets at EDP Renováveis has opened new opportunities to reduce the company's borrowing, though its return over time to the target rating of upper medium grade is limited by Portugal's rating.

These are the most important aspects of the current risk profile:

- accentuated economic recession in Portugal and Spain with lower electricity and gas consumption
- highly volatile electricity market and depressed spreads - surplus installed capacity in the Iberian Peninsula - and a progressive change in mix, with an increasing amount of price taker technology, which makes it very difficult to rebalance the recovery of investment in ordinary generation in a setting in which payment by guaranteed supply in Portugal has been reduced or even temporarily eliminated
- reflection on the management of natural gas supply contracts and management of the take or pay risk
- permanent regulatory risk cycle, which is high in transition periods and stable and low between transition between regimes
- management of exposure to CO₂, in which there seems to be a trend towards too many licences at long term if the European Commission does not take measures
- customer credit risk management with a tendency to increase in times of crisis

II.6. RESPONSIBILITY OF THE MANAGEMENT AND SUPERVISION IN THE CREATION AND OPERATION OF INTERNAL CONTROL SYSTEMS AND COMPANY'S RISK MANAGEMENT

Internal auditing in the EDP Group is a corporate function performed by the Internal Audit Department and is answerable to the Chairman of the Executive Board of Directors, while reporting to the Committee on Financial Matters/Audit Committee. The Internal Audit Department's internal audits are overseen by the Committee

on Financial Matters/Audit Committee, which approves the internal auditing plan before it is sent to the Executive Board of Directors.

The Executive Board of Directors decides on the EDP Group's degree of exposure to risk in its different activities and, while still delegating functions and responsibilities, it defines overall risk limits and ensures that risk management policies and procedures are followed. The Group's risk appetite is defined upstream and is the result, on the one hand, of its longstanding business structure and, on the other, the criteria agreed upon by the Executive Board of Directors and General and Supervisory Board.

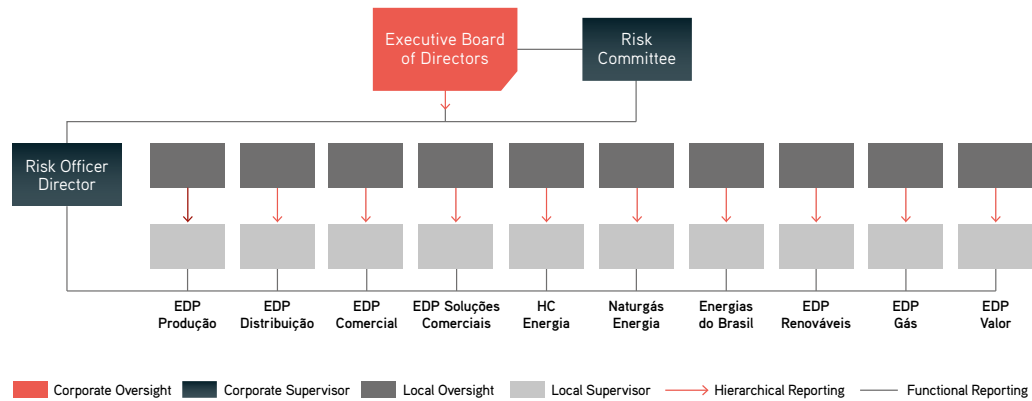
The Risk Management Department is part of the group of strategic departments in the corporate centre's structure. In addition to its methodological and control duties, this department conducts its own studies and makes an active contribution, in the form of business intelligence to the assessment of very important, topical R2R – return to risk issues for the Group.

II.9. ECONOMIC, FINANCIAL AND LEGAL RISKS

The main risks to which the company is exposed apply to all units of responsibility and are as follows:

GENERATION OF ELECTRICITY AND ENERGY MANAGEMENT

Electricity price risk - Earnings from generation can be influenced by changes in electricity price on the wholesale markets. The Group's exposure is limited to the power stations that operate in a free market (Spain, Ribatejo Power Station, Lares Power Station and new hydroelectric plants in Portugal), as most of them are subject to the CMEC – contractual equilibrium maintenance costs adjustment mechanism (power stations that had power purchase agreements with REN and moved into the market on 1 July 2007). There is also the market exposure (OMEL price) of the



II.7. REGULATIONS GOVERNING THE COMPANY BODIES

The work of the General and Supervisory Board and Executive Board of Directors is governed by internal regulations, which are available on the EDP website, (www.edp.pt).

The Committee on Financial Matters/Audit Committee, Remuneration Committee, Strategy Committee, Performance Analysis and Competitiveness Committee and Corporate Governance and Sustainability Committee are governed by internal regulations approved by the General and Supervisory Board and also available on the EDP website (www.edp.pt)

SECTION II – EXECUTIVE BOARD OF DIRECTORS

The information requested in Section II – Executive Board of Directors, in CMVM Regulation 1/2010 does not apply to the dual governance model in effect at EDP. The information provided below therefore refers to the Executive Board of Directors, with the exception items II.16 and II.17 of CMVM Regulation 1/2010, which do not apply to EDP's governance model.

Item II.12 on meetings of the General and Supervisory Board is in Section III – General and Supervisory Board.

II.8. CHAIRMAN OF THE EXECUTIVE BOARD OF DIRECTORS

Pursuant to EDP's dual governance model, the duties of the members of the Executive Board of Directors are executive.

EDP Renováveis wind farms (and also those in the United States, Poland and Romania). The Group actively seeks to protect its margin and acts together with energy and supply management. In the MIBEL, the UNGE is charged with operating on the wholesale market to optimise the supply of generation on the OMEL spot market and take advantage of the futures market, OMIP, OTC and arbitrage in the Spain-France interconnection. The market price risk is higher in Portugal than in Spain as a result of market splitting after exhaustion of interconnection capacity. It is not relevant to the Group, as supply on the free Portuguese market does not depend on imports from Spain. The UNGE simulates the performance of the Iberian system and uses the URM (Unified Risk Management) program for periodic calculation of the MaR – margin at risk.

Fuel price and CO₂ risk - This risk is also more important for power stations on the free market and the UNGE is responsible for its management. It operates in the purchase of coal and fuel oil, the operational management of gas purchase contracts for electricity generation and CO₂ emission rights and sets up hedging solutions for fuel prices and the dollar exchange rate (the latter in coordination with the Financial Management Department). The gas trading business was integrated into the UNGE in 2012, which boosted synergies between the two activities. Where supplies of gas are concerned, the UNGE is responsible for negotiating new contracts and managing temporary surpluses or shortages between Group companies and outside. URM is also used to assess risk, utilising its capacity for assessment of trends in fuel and CO₂ prices.

Operational risk in operation of power stations and wind farms - Power stations and wind farms experience malfunctions and incidents, which may result in loss of income due to the resulting

unavailability. This risk is mitigated by top-level operation methods, maintenance and safety procedures. The most important insurable risks are associated with generation, which is covered by insurance managed by the Insurable Risk Management Office at EDP Valor.

Environmental risk - Means of generation are more vulnerable to this type of risk due to the use of natural resources, the emissions and waste that thermoelectric generation causes and the impact on biodiversity of wind generation and other technologies. The Group has a very strict environmental policy that is enforced by an environmental management system designed to meet all the licensing parameters for facilities and introduce additional measures to improve performance in this area and mitigate any liabilities. EDP has environmental liability insurance to respond to new European requirements in this context. For more information on the company's environmental performance, see the section Contribution to Sustainability in the chapter on environmental performance.

Credit risk - This risk is not significant on the organised market and for OTC market operations and the purchase of fuel, the UNGE minimises it by imposing exposure limits, which are approved in accordance with counterparties' ratings (defined by an independent entity or in-house, if there is not outside information).

Liquidity risk - This risk arises mainly in hedging operations on organised markets. In operations on these markets almost all the counterparty risk is mitigated but if margin accounts in these contracts or other guarantees are required, with periodic calculation of the market value of contracts, liquidity needs may arise while these financial instruments are in effect. This management is performed by the UNGE and the Financial Management Department, which take out dedicated lines of credit for the purpose.

MARKET SUPPLY

Electricity price risk - This risk is managed by the UNGE and internal prices are defined after the volume of sales to end users by EDP Comercial - Comercialização de Energia, S.A. and HC Energía have been determined, except in situations when it is possible for contracts to be indexed to the market price.

Volume risk - The volume of power sold to end users is always uncertain to some extent, due to weather and economic conditions, the migration of customers to the free market from the public and regulated-tariff service or migration from one free seller to another. As a principle, this risk is taken by suppliers, as they will have to make adjustments for surpluses or shortages at the market price. However, the transition phase that the MIBEL is currently going through, which causes considerable uncertainty in the share of free-market consumption, in view of the higher or lower attractiveness of the public tariff and competitive dynamics, requires dynamic management of this risk using periodic, integrated intervention by the Price and Volume Committee, which was set up for the purpose.

Operational commercial quality risk - In a free market, the criteria for quality of commercial service are the Group's full responsibility and it has set great store by its proper management.

Credit risk - This risk, which is associated with supply, is managed first and foremost on the basis of contractual criteria and secondly by EDP - Soluções Comerciais S.A. (EDP Soluções Comerciais), whose responsibility for metering, billing and collection is delegated (in Spain, HC Energía and Naturgas).

SUPPLIER OF LAST RESORT

Pursuant to current legislation, consumers that choose a regulated-tariff energy supply are customers of EDP Serviço Universal, the so-called supplier of last resort. In Portugal, as of 1 January 2011, it only covers the domestic and non-domestic consumers that have not yet changed to the free market and who will have to pay a transition tariff as of 1 January 2013. On 1 January 2013, the regulated tariffs for energy sold to domestic end users were abolished and so new customers will have to choose a free market operator. Customers that still pay the regulated tariff have a transition period to change to the liberalised market and their consumption is subject to a transition tariff fixed by the ERSE and revised periodically.

Regulatory risk - This is a low-risk activity. Nonetheless, deviations from forecasts made by the regulator, Entidade Reguladora dos Serviços Energéticos, of power purchase costs and the resulting high deficit or surplus cause concern as to the fair remuneration of this volatility. We hope that the ongoing elimination of regulated tariffs on the sale of electricity will improve the competitive balance mechanisms and more closely follow changes in international costs of raw materials needed to generate electricity.

Operational commercial quality risk - Irrespective of the criteria set out for quality of commercial service (e.g. average response time for services provided to customers, percentage of readings of low-voltage meters), the Group has committed substantially to management of this risk, as they have considerable impacts on management of the brand erosion risk.

Credit risk - Management of this risk is delegated to EDP Soluções Comerciais and abides by the regulations on public service customers (supply cut after payment deadlines have expired).

ELECTRICITY DISTRIBUTION

Regulatory risk - Changes in the rules on the remuneration of this activity may affect the earnings of EDP Distribuição - Energia, S.A. and HC Energía. In addition to fair defence of the valuation criteria of the activity, the Group also seeks to follow best practices in planning, construction, operation and maintenance of grids and achieve or, if possible, exceed the gains in efficiency set out in the regulatory goals.

Operational risk of losses and technical quality of service - Irrespective of the criteria set out for quality of technical service (e.g. duration and number of service interruptions, service restoration time) and incentives to reduce physical losses in the grid, the Group has committed substantially to management of this risk as there are considerable impacts on management of the risk of brand erosion and efficient energy management policy.

Operational grid operation risk - The existence of infrastructures in the public domain (e.g. lines, cables, and transformer stations) may increase the impact of breakdowns and incidents. This risk is mitigated by means of conduction methods, maintenance and safety procedures in line with the highest international standards. Nonetheless, extreme, uncommon weather conditions have resulted in supply cuts and substantial, newsworthy damage. Our response to this type of crisis has improved significantly. Insurable risks are covered by insurance.

Environmental risk - Although it is less important than in electricity generation, it is worth mentioning the problem of the relationship between overhead lines and birdlife and the environment and also their visual impact. Careful

attention is paid to these aspects in the planning stage, as the route is designed to minimise these situations and the structure of the poles is adapted to birds that may perch or nest there. The lines are also flagged in migration corridors to prevent collision. For further information on EDP's performance in this area, see the Sustainability Committee section in Chapter II.3.

RISK MANAGEMENT IN OTHER COUNTRIES AND ACTIVITIES

Although market and regulatory conditions may be different, the principles and methods described above also apply to the gas distribution and supply business units and to Energias do Brasil and EDP Renováveis.

EDP Renováveis has been the Group's main channel of growth and geographical diversity of investments and clearly confirms the change in the Group's generation profile to a portfolio less dependent on CO₂ emissions and therefore low exposure to the risks of greenhouse gas emissions. Its current size requires careful management of the pipeline of projects, flexible hire of wind turbines and operation and maintenance conditions in order to prevent the operational risks arising from the non-start or late completion of projects and failure to achieve the best standards of operating efficiency. The nature of this type of generation means that the result of investments is highly dependent on each country's energy and regulatory policies and this aspect is carefully considered in the criteria of acceptable minimum return. The American market has huge growth possibilities and a low country risk and the Group is a major world player in renewable energy. Its growth has been lower than originally expected, due to the exploitation of schist gas and consequent thermoelectric generation at lower costs and the fact that there is still no overall incentive framework. Exposure to the market price of electricity is mitigated considerably by remuneration from fixed-tariff generation, long-term PPAs (power purchase agreements) or effective hedging strategies. On the energy sales side, in some countries remuneration also consists of green certificates, whose value normally has a market risk. This risk is also greatly mitigated by long-term contracts (only for green certificates or in some cases included in the energy sales contract). Risk mitigation options depend on the remuneration structure in place in each country.

GROUP - WIDE RISK MANAGEMENT

Investment risk - The process of assessing and deciding on investments has standardised criteria for defining the discount rates to be used to assess expected cash flows and to model scenarios (which entail different sensitivities, e.g. price, energy volume and regulatory risk). These criteria help to delimit the Group's risk appetite and the capital cost of each business unit or country is revised periodically. Our Investment Committees (at business units and corporate level) allow effective implementation of these mechanisms in the assessment stage and oversight of the execution of investments and monitoring of operational risks in this stage and their potential impact on expected value.

Financial risk - The Group's financial risks are managed by the Financial Management Department, which manages the Group's cash flow in the Iberian Peninsula, its debt portfolio and the interest rate and exchange risks with financial instruments on the market. In Brazil, Energias do Brasil abides by similar principles and methods in coordination.

Liquidity risk -The liquidity risk continued to warrant particular attention. EDP's strong credit profile in this difficult context for Portugal is higher than that of the country. There were bond issues, which were necessary for the habitual debt rollover and to finance the Group's growth. Financial deleveraging is a strong strategic commitment for the EDP Group, and its aim is therefore to improve its net debt/ EBITDA ratio in the next few years. The purchase of minority positions in EDP Renováveis to a total of 2 billion euros by China Three Gorges by 2015 is fundamental in achieving this deleveraging (acquisition of 49% of EDP Renováveis Portugal, S.A. agreed upon in 2012). Where liquidity was concerned, in December 2012 total cash and credit lines amounted to 3.9 billion euros: 1.7 billion euros in cash and cash equivalents and 2.2 billion euros in available credit lines. The liquidity risk has therefore been mitigated thanks to our debt management policy, the contracting of new financing and the availability of lines of credit obtained (underwritten) but not used. Thanks to the Group's financial management policies, there is still a low market risk and a diversified counterparty risk involving highly credible financial entities.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully covered by the pension fund's assets and specific provisions in the EDP balance sheet. These liabilities are calculated conducted annually by an independent actuary, using assumptions set out in the IAS-IFRS, taking account of various aspects, including the fund's performance, demographics, economic variables and applicable requirements.

Operational risk - Included in this group are the potential losses resulting from events caused by failures or inadequate procedures, staff, equipment or systems or resulting from external occurrences (including the risk of failure to comply with legislation and ethical standards; operating loss including economic and non-economic effects and loss of reputation).

For information technology, the Information System Department has been consolidating the entire risk management process and Group-wide work has been done in terms of information security.

The most significant risks that are transferable to the insurance market have to do with industrial facilities. Both for these and for the risk of claims by third parties for material or personal losses and their consequences that may arise from the activities of Group companies, the Insurable Risk Management Office at EDP Valor has followed the approved Strategic Insurance Plan, which is based on joint programmes for all Group companies in Portugal and Spain. The plan is based on direct contracts with the insurance market and boosting the reinsurance capacity of the Group – Energia RE. This joint policy has made it possible to optimise insurance costs and improve control of them.

Legal risks - In terms of litigation related to operations, licensing procedures for new facilities or fulfilment of tax and accounting obligations, the Group does not expect any adverse material impact.

II.10. POWERS OF THE MANAGEMENT BODY TO DECIDE ON SHARE CAPITAL INCREASES

The Executive Board of Directors has powers invested in it by the law and Articles of Association for the exercise of its competences, which are described in more detail in Section II.3.

Regarding the approval of decisions on increases

in share capital, the Executive Board of Directors is authorised to approve one or more share capital increases up to an aggregate limit of 10% of the current share capital totalling €3,656,537,715, by issuing category A shares to be subscribed by new entries in cash in accordance with the terms and conditions of the issue defined by it. The draft decision must be submitted for prior approval by the General and Supervisory Board and requires a majority of two-thirds of its members (Article (3) of EDP's Articles of Association).

The Executive Board of Directors may also submit to the General Meeting of Shareholders proposals for approval of capital increases after receiving a favourable prior opinion from the General and Supervisory Board. In these cases, the General Meeting of Shareholders must approve the decision to increase the capital (Article 17 (2) (g) and Article 11 (2) (c) of EDP's Articles of Association).

II.11. POLICY ON ROTATION OF POSITIONS - APPOINTMENT AND REPLACEMENT OF MEMBERS

The hiring and permanent monitoring of the work of the external auditor are the responsibility of the General and Supervisory Board, pursuant to Article 22 of EDP's Articles of Association.

The Statutory Auditor is elected by the General Meeting of Shareholders, subject to an opinion from the General and Supervisory Board (Article 11 (2) (b) Article 22 (1) (c) of EDP's Articles of Association).

Evaluation of the Statutory Auditor and the external auditor's independence in their relations with the company is the responsibility of the General and Supervisory Board - Article 22 (1) (c) of EDP's Articles of Association (assisted by the Committee on Financial Matters/Audit Committee, as per Article 4 (1) (j) of its regulations).

The General Meeting of Shareholders elects and dismisses the members and chairman of the Executive Board of Directors and General and Supervisory Board and the Statutory Auditor, on the proposal of the General and Supervisory Board or the Committee on Financial Matters/Audit Committee on its behalf pursuant to Article 11 (2) (b) of EDP's Articles of Association.

These rules ensure the independence of the external auditor from the management body. Regarding the recommendation on rotation of positions, EDP considers that it applies to listed companies that opt for the so-called Anglo-Saxon and Latin models of organisation.

II.13. MEETINGS OF THE EXECUTIVE BOARD OF DIRECTORS

Pursuant to Article 20 (1) of the Articles of Association and Article 6 (1) of the Regulations of the Executive Board of Directors, as a rule the Executive Board of Directors meets every week, but must have a meeting at least every two months.

In 2012, the Executive Board of Directors held 50 meetings and minutes of them were kept.

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the invitations, supporting documents and minutes of its meetings and, on request, provides any information requested in a timely, appropriate manner. The information is accessible to all the members of the General and Supervisory Board and Committee on Financial Matters/Audit Committee.

The meetings of the Executive Board of Directors in which the accounts of a financial period are appraised must be attended by the members of the Committee on Financial Matters/Audit Committee.

II.14. INCOMPATIBILITY RULES AND INDEPENDENCE CRITERIA

EDP's Articles of Association (Article 9 (1), Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27) and the Internal Regulations of the General and Supervisory Board (Article 7), both available on its website (www.edp.pt) set out rules on independence and incompatibilities for positions on any of the company's corporate bodies.

The independence criteria set out in EDP's Articles of Association are in line with those established in Article 414 (5) of the Company Code. They determine that independence is the absence of any direct or indirect relationship with the company or its management body and the absence of any circumstances that may affect impartiality in analyses or decisions, for example as a result of the persons in question being holders or acting on behalf of holders of qualifying holdings of 2% (two percent) or more of EDP's share capital or having been re-elected for more than two terms of office in succession or intercalated.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence "is the absence of any direct or indirect relationship with the company or its management body and the absence of any circumstances that may affect impartiality in analyses or decisions, for example as a result of the persons in question being holders or acting on behalf of holders of qualifying holdings of 2% (two percent) or more of the company's share capital or having been re-elected for more than two terms of office in succession or intercalated".

In view of the need to clarify the interpretation of Article 414 (5) of the Company Code, as there were differing doctrine positions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") asked the CMVM for an opinion. The CMVM stated that there was only a loss of independent status if, "on the basis of the criterion of number of terms of office, analysis or decision, the members of the supervisory bodies of public limited companies who are elected or appointed for a first term and then re-elected in succession or intermittently for a second and third term are re-elected (i.e. for the third time) for a fourth term".

Each corporate body must assess the independence of its members in accordance with laws and regulations applicable at the time. Any divergence from criteria in non-mandatory recommendations that EDP must take into account must be justified.

In addition to applicable legal provisions on incompatibilities, as a way of safeguarding the interests of the company and its shareholders, Article 10 (1) of the company's Articles of Association lays down that occupation of a position in any corporate body at EDP is incompatible with:

- The status of a legal person that is a competitor of EDP or a company controlled by or in a group with EDP
- The status of a natural or legal person associated with a legal person that is a competitor of EDP
- Holding any office of any kind or for any purpose, through appointment to a corporate office, a work contract or a service contract, with a legal person competing with EDP or a legal person associated with any EDP rival company

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

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

- A legal person that directly or indirectly conducts a business activity that competes with that of EDP or of a company in which EDP has a holding of at least 50% (fifty per cent) of its capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a permanent establishment (Article 10 (7) of the Articles of Association)
- A person associated with a legal person competing with EDP is: (i) a person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that amends or replaces it; (ii) a person that, directly or indirectly, holds, in a legal person competing with EDP, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake equal to or higher than 10% (ten per cent) of the voting rights corresponding to the share capital of the company (Article 10 (2) of the Articles of Association)
- A person that indirectly carries out a business activity in competition with EDP is a legal person that directly or indirectly holds a share of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or a subsidiary (Article 10 (8) of the Articles of Association)

A legal person competing with EDP is a shareholder that individually owns shares representing at least 20% (twenty per cent) of its share capital and directly or through a subsidiary has and maintains with the company a medium- or long-term strategic partnership agreement for business cooperation in the generation, distribution or supply of electricity or natural gas, approved as required by law and the Articles of Association with a favourable prior opinion from the General and Supervisory Board (Article 10 of the Articles of Association).

Incompatibility for office in any EDP corporate body does not apply:

- to legal persons competing with EDP in which EDP holds 50% (fifty per cent) or more of its share capital or voting rights, nor to natural persons that hold office of any kind or for any purpose or are appointed, even if only de facto, in said competing legal persons when the appointment to the corporate office in the competing legal person or the contract with the competing legal person was made on the basis of an indication by EDP or an EDP subsidiary (Article 10 (3) of the Articles of Association).
- To the position of member of the General and Supervisory Board, where permitted by law, through prior authorisation approved by a two-thirds majority of votes at the General Meeting of Shareholders that elects him/her. The competitive relationship must be expressly referred to and identified in precise terms in the appointment proposal and the decision on authorisation may be subject to conditions, such as ownership of a shareholding in EDP representing no more than 10% (ten per cent) of its share capital (Article 10 (4) of the Articles of Association).

II.15. RULES ON ASSESSMENT OF INDEPENDENCE OF MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

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

The members of the Executive Board of Directors also undertake to inform the Chairman (and the Chairman undertakes to inform the Executive Board of Directors) of the occurrence of any circumstance that might cause any incompatibility with their capacity as members of the Executive Board of Directors or of loss of the status of independent member. Their statements are available to the public on the EDP website (www.edp.pt).

II.18. PROFESSIONAL QUALIFICATIONS AND WORK ACTIVITIES PERFORMED IN AT LEAST THE LAST FIVE YEARS BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The information on the professional qualifications and work activities performed in at least the last five years by the members of the Executive Board of Directors is available in Annex II.

II.19. POSITIONS HELD IN OTHER COMPANIES BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

	ANTÓNIO MEXIA	ANTÓNIO MARTINS DA COSTA	ANTÓNIO PITA DE ABREU	JOÃO MANSO NETO	NUNO ALMEIDA ALVES	MIGUEL STILWELL ANDRADE	JOÃO MARQUES DA CRUZ
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	M	-	-
EDP - Estudos e Consultoria, S.A.	-	-	D	-	CBD	-	-
EDP - Gestão da Produção de Energia, S.A.	-	-	CBD	-	-	-	-
EDP - Soluções Comerciais, S.A.	-	CBD	-	-	-	-	-
EDP Ásia - Investimentos e Consultoria Lda.	-	-	-	-	-	-	CBD
EDP - Ásia Soluções Energéticas Lda.	-	-	-	-	-	-	CBD
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-
EDP Energia Ibérica S.A.	-	-	-	D	-	-	-
EDP Energias do Brasil, S.A.	CBD	-	-	-	D	-	-
EDP Finance BV	R	R	R	R	R	R	R
EDP Gás, SGPS, S.A.	-	CBD	-	-	-	D	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	-	CBD	-	D	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	CBD	-	-
EDP Internacional, S.A.	-	-	-	-	-	-	-
EDP Projectos, SGPS, S.A.	-	-	-	-	-	-	-
EDP Renewables Europe SL	-	-	-	CBD	-	-	-
EDP Renováveis Brasil, S.A.	-	-	-	CBD	-	-	-
EDP Renováveis, S.A.	CBD	-	-	VP/CD	D	-	D
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	-	-	-	-	-	CBD	-
EDP Serviner - Serviços de Energia, S.A.	-	-	CBD	-	-	D	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBD
Eléctrica de La Ribera de Ebro, S.L.	-	-	-	CBD	-	-	-
Empresa Hidroeléctrica do Guadiana, S.A.	-	-	CBD	-	-	-	-
Energia RE, S.A.	-	-	-	-	CBD	-	-
Hidrocontábrico Energia, S.A.U.	-	-	-	CBD	-	VP	-
Hidroeléctrica del Cantábrico, S.A.	-	D	-	VPBD	D	CD	-
Home Energy II S.A.	-	-	-	-	-	CBD	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	-	CBD	-	-	-	-	-
Naturgás Energía Grupo, S.A.	-	D	-	D	-	VP	-
Sávida - Medicina Apoiada, S.A.	-	-	-	-	CBD	-	-
SCS - Serviços Complementares de Saúde, S.A.	-	-	-	-	CBD	-	-
ENEOP - Eólicas de Portugal, S.A.	-	-	-	CBD	-	-	-
Companhia de Electricidade de Macau - CEM, S.A.	-	-	-	-	-	-	CBD
Banco Comercial Português, S.A.	D	-	-	-	-	-	-
Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL)	-	-	-	R	-	-	-
OMIP - Operador do Mercado Ibérico (Portugal), SGPS, S.A.	-	-	-	R	-	-	-

CBD - Chairman of the Board of Directors; DC - Director-Chairman of the Board (Executive Board); D - Director; M - Manager; R - Representative;
CEBD - Chairman of the Executive Board of Directors; SD - Sole Director; VPBD - Vice-President of the Board of Directors; VP/CD - Vice-President and Counselor-Delegate

Positions held in other companies by the members of the Executive Board of Directors in office until 20 February 2012:

	ANA MARIA FERNANDES	JORGE CRUZ MORAIS
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	M
Companhia Energética do Jari - CEJA	CBD	-
EDP Comercial - Comercialização de Energia, S.A.	-	CBD
EDP Energia Ibérica S.A.	-	CBD
EDP Energias do Brasil, S.A.	D	-
EDP Finance BV	R	R
EDP Gás, SGPS, S.A.	-	D
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	CBD
EDP Projectos, SGPS, S.A.	-	CBD
EDP Renewables Europe SL	CBD	-
EDP Renováveis Brasil, S.A.	VPBD	-
EDP Renováveis, S.A.	VPBD	-
EDP Serviner - Serviços de Energia, S.A.	-	CBD
Hidroeléctrica del Cantábrico, S.A.	D	D
Naturgás Energía Grupo, S.A.	-	D
ENEOP - Eólicas de Portugal, S.A.	CBD	-

CBD - Chairman of the Board of Directors; R - Representative; M - Manager; D - Director; VPBD - Vice-President of the Board of Directors

SHARES HELD BY THE MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the shares held by the members of the corporate bodies and any changes from 2011 to 2012, pursuant to Article 447 (5) of the Company Code.

The shares held by the members of the Executive Board of Directors, until 20 February 2012, that have not been re-elected for the term 2012-14 were as follows:

	EDP - ENERGIAS DE PORTUGAL, S.A.				EDP RENOVÁVEIS, S.A.		EDP - ENERGIAS DO BRASIL, S.A.	
	Nº SHARES 19-02-2012	Nº SHARES 31-12-2011	Nº BONDS 19-02-2012	Nº BONDS 31-12-2011	Nº SHARES 19-02-2012	Nº SHARES 31-12-2011	Nº SHARES 19-02-2012	Nº SHARES 31-12-2011
Executive Board of Directors								
Ana Maria Machado Fernandes	0	0	0	0	1,510	1,510	1	1
Jorge Manuel Pragana da Cruz Morais ⁽¹⁾	100,000	100,000	0	0	1,990	1,990	1	1

1) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barreto;

The shares held by the current members of the Executive Board of Directors elected for the term of office corresponding to the period from 2012 to 2014 were as follows:

	EDP - ENERGIAS DE PORTUGAL, S.A.				EDP RENOVÁVEIS, S.A.		EDP - ENERGIAS DO BRASIL, S.A.	
	N.º SHARES 31-12-2012	N.º SHARES 31-12-2011	N.º BONDS 31-12-2012	N.º BONDS 31-12-2011	N.º SHARES 31-12-2012	N.º SHARES 31-12-2011	N.º SHARES 31-12-2012	N.º SHARES 31-12-2011
Executive Board of Directors								
António Luís Guerra Nunes Mexia	41,000	41,000	0	0	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves	125,000	100,000	25	25	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0	0
António Manuel Barreto Pita de Abreu ⁽¹⁾	34,549	34,549	0	0	1,810	1,810	41	41
António Fernando Melo Martins da Costa ⁽²⁾	13,299	13,299	50	50	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz ⁽³⁾	3,878	3,878	0	0	0	0	0	0
Miguel Stilwell de Andrade ⁽³⁾	111,576	61,198	0	0	2,510	2,510	0	0

1) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;

2) The shares of EDP Renováveis includes 150 held by his wife, Anna Malgorzata Starzenska Martins da Costa;

3)) The shares indicated in the column on the 31-12-2011 are the shares held to date of election - February 20, 2012

The following EDP share trading operations were performed in 2012:

CORPORATE BODY	COMPANY	SECURITY	DATE	QUANTITY	OPERATION	AVG. PURCHASE PRICE (EUROS)
Executive Board of Directors						
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal	Shares	25/05/12	25,000	Acquisition	1,750
Miguel Stilwell de Andrade ⁽¹⁾	EDP - Energias de Portugal	Shares	10/05/12	10,378	Acquisition	2,179
Miguel Stilwell de Andrade	EDP - Energias de Portugal	Shares	28/05/12	40,000	Acquisition	1,770

1) This shares were delivered to EDP Group employees as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2011, which potential attribution is decided on an annual basis by the Executive Board of Directors, in accordance with standards previously set out.

SECTION III – GENERAL AND SUPERVISORY BOARD

The information requested in Chapters II.21, II.22, II.23, II.24 and II.34 of CMVM Regulation 1/2010 does not apply, as the company abides by a dual governance model.

II.12. MEETINGS OF THE GENERAL AND SUPERVISORY BOARD

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on his own initiative or at the request of any member of the Executive Board of Directors or of its Chairman pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board. In 2012, the General and Supervisory Board met nine times. Minutes of all meetings were kept.

II.25. GENERAL AND SUPERVISORY BOARD AND EVALUATION COMMITTEE

The General and Supervisory Board in office until 20 February 2012 had seventeen members, the majority of whom were independent.

The General and Supervisory Board currently has twenty three members, the majority of whom are independent. They meet the qualification and competence requirements set out in the Articles of Association and laws applicable to EDP. The current composition of the General and Supervisory Board is set out in Chapter II.1.

The purpose of the Corporate Governance and Sustainability Committee is to oversee the evaluation of the directors' individual and overall performance, reflect on EDP's governance system and identify potential candidates with the right profile to be directors. There were no constraints placed on the work done by the committee. The current composition and competences of the Corporate Governance and Sustainability Committee are set out in Chapter II.2.

II.26. RULES ON ASSESSMENT OF INDEPENDENCE AND INCOMPATIBILITIES OF MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

Pursuant to its internal regulations, the General and Supervisory Board has a specific procedure for complying with the vast number of rules on incompatibilities and independence applicable to its members (Articles 6 and 7 of the Internal Regulations of the General and Supervisory Board). This procedure comprises the following:

- The position as a member of the General and Supervisory Board is accepted in a written statement that sets out specifically (i) non-existence of any incompatibility under the law or Articles of Association for the office; (ii) compliance with the independence requirements set out in its Internal Regulations if the person in question was elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or the Chairman's obligation to report to the board any subsequent event that may result in incompatibility or loss of independence
- Every year, the members of the General and Supervisory Board are required to renew their statement on the non-existence of any incompatibility and, if applicable, compliance with independence requirements
- The General and Supervisory Board also performs a general assessment of compliance with the rules on its members' incompatibilities and independence every year.

At the same time, the Internal Regulations of the General and Supervisory Board stepped up the independence criteria applicable to its members and went beyond the provisions of Article 414 (5) of the Company Code and Article 9 of EDP's Articles of Association. As a result, persons who directly or in relation to their spouse or relative by direct line or affinity, and up to and including the third degree in the collateral line, may not have the status of independent if they are in any of the following situations:

- They hold, manage, have a contractual tie with or act in the name or on behalf of holders of a qualifying holding of 2% (two percent) or more of the voting rights in EDP, or the same percentage in a company that it controls
- They hold, manage, have a contractual tie with or act in the name or on behalf of holders of a qualified holding of 2% or more of the share capital or voting rights in a company that is a competitor of EDP
- They have been elected for more than two terms successively or intercalated.

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

- The board must be composed of a majority of independent members (Article 434 (4) of the Company Code and Article 21 (4) of EDP's Articles of Association)
- The Committee on Financial Matters/Audit Committee and the Remuneration Committee of the General and Supervisory Board must be composed of a majority of independent members (Article 444 (6) of the Company Code and Article 27 (1) (a) and (b) of the Internal Regulations of the General and Supervisory Board).

In accordance with the above-mentioned procedure, the members of the General and Supervisory Board declared at the start of their term that they were not in any situation of legal incompatibility set out in Article 414-A (1) (a) to e), g) and h) (ex vi Article 434 (4) and Article 437 (1) of the Company Code) and in the Articles of Association and that they met the independence requirements set forth in the Internal Regulations of the General and Supervisory Board.

At the beginning of 2012, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence. On 21 February 2012 the General and Supervisory Board assessed the application of the rules on incompatibilities and independence to the members elected at the General Meeting of Shareholders held on 20 February 2012.

Similar statements of compliance with the independence and incompatibility criteria for the exercise of their duties set forth in Article 414 (5) and Article 414-A (1) of the Company Code and in Articles 9 and 10 of EDP's Articles of Association were made by the Chairman and Vice-Chairman of the General Meeting of Shareholders.

The above-mentioned statements are available on EDP's website (www.edp.pt).

II.27. PROFESSIONAL QUALIFICATIONS AND NUMBER OF SHARES HELD BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

The curricula of the General and Supervisory Board members are in Annex II.

The table below shows the shares held by the members of the corporate bodies and any changes from 2011 to 2012, pursuant to Article 447 (5) of the Company Code:

The shares held by the members of the General and Supervisory Board, until 20 February 2012, that have not been re-elected for the term 2012-14 were as follows:

	EDP - ENERGIAS DE PORTUGAL, S.A.				EDP RENOVÁVEIS, S.A.		EDP - ENERGIAS DO BRASIL, S.A.	
	N.º SHARES 19-02-2012	N.º SHARES 31-12-2011	N.º BONDS 19-02-2012	N.º BONDS 31-12-2011	N.º SHARES 19-02-2012	N.º SHARES 31-12-2011	N.º SHARES 19-02-2012	N.º SHARES 31-12-2011
General and Supervisory Board								
António de Almeida	100	100	0	0	1,200	1,200	0	0
José Maria Brandão de Brito (as representative of Cajastur Inversiones, S.A.)	-	0	0	0	0	0	0	0
Diogo Campos Barradas de Lacerda Machado	260	260	0	0	0	0	0	0
José dos Santos Fernandes	0	0	0	0	600	600	0	0
Ricardo José Minotti da Cruz Filipe	6,622	6,622	0	0	500	500	0	0
Farid Boukhalfa (as representative of Sonatrach)	0	0	0	0	0	0	0	0

The shares held by the current members of the General and Supervisory Board elected for the term of office corresponding to the period from 2012 to 2014 were as follows:

	EDP - ENERGIAS DE PORTUGAL, S.A.				EDP RENOVÁVEIS, S.A.		EDP - ENERGIAS DO BRASIL, S.A.	
	N.º SHARES 31-12-2012	N.º SHARES 31-12-2011	N.º BONDS 31-12-2012	N.º BONDS 31-12-2011	N.º SHARES 31-12-2012	N.º SHARES 31-12-2011	N.º SHARES 31-12-2012	N.º SHARES 31-12-2011
General and Supervisory Board								
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0	0	0
China Three Gorges Corporation	780,633,782	-	0	-	0	-	0	-
Dingming Zhang (as representative of China Three Gorges Corporation)	0	-	0	-	0	-	0	-
China International Water & Electric Corp.	0	-	0	-	0	-	0	-
Guojun Lu (as representative of China International Water & Electric Corp.)	0	-	0	-	0	-	0	-
China Three Gorges New Energy Co. Ltd.	0	-	0	-	0	-	0	-
Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)	0	-	0	-	0	-	0	-
China Three Gorges International (Europe) S.A.	780,633,782	-	0	-	0	-	0	-
Shengliang Wu (as representative of China Three Gorges International (Europe) S.A.)	0	-	0	0	0	0	0	0
PARPÚBLICA - Participações Públicas (SGPS) S.A.	151,517,000	915,977,598	0	0	0	0	0	0
Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)	0	-	0	-	0	-	0	-
José de Mello Energia, S.A.	168,077,151	176,322,036	0	0	0	0	0	0
Luís Filipe da Conceição Pereira (as representative of José de Mello Energia) ⁽¹⁾	1,459	19,739	150	50	1,200	1,200	0	0
Senfora SARL	148,431,999	148,431,999	0	0	0	0	0	0
Mohamed Al Fahim (as representative of Senfora SARL)	0	0	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira ⁽²⁾	40,000	40,000	0	0	0	0	0	0
Sonatrach	87,007,443	81,713,076	0	0	0	0	0	0
Harkat Abderezak (as representative of Sonatrach)	0	0	0	0	0	0	0	0
José Maria Espírito Santo Silva Ricciardi ⁽³⁾	0	0	0	0	2,320	2,320	0	0
Alberto João Coraceiro de Castro ⁽⁴⁾	4,578	4,578	5	5	2,460	2,460	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	-	0	-	0	-	0	-
Fernando Masaveu Herrero ⁽⁵⁾	44,188,463	-	0	-	0	-	0	-
Ilídio da Costa Leite de Pinho	0	-	0	-	0	-	0	-
Jorge Braga de Macedo	0	-	0	-	0	-	0	-
Manuel Fernando de Macedo Alves Monteiro	0	0	60	60	0	0	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	0	-	0	-	0	-	0	-
Vasco Joaquim Rocha Vieira	3,203	-	0	-	60	-	0	-
Vitor Fernando da Conceição Gonçalves	3,465	3,465	0	0	680	680	0	0
Rui Eduardo Ferreira Rodrigues Pena	2,945	1,445	35	35	380	380	0	0

1) In 2011, the shares of EDP - Energias de Portugal includes 18.280 shares held by his wife, Maria Manuela Casimiro Silva Pereira, who also holds all the shares of EDP Renováveis.

2) Carlos Jorge Ramalho Santos Ferreira is a person discharging managerial responsibilities within BCP Group which held, on 31st December 2012, 122.667.974 shares of EDP - Energias de Portugal.

3) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.

4) The shares of EDP - Energias de Portugal includes 94 and 380 shares, respectively, held by his spouse, Ana Maria Ferreira Lopes

5) The shares of EDP - Energias de Portugal includes 1.660.420 and 42.526.023 shares held by Flicka Forestal S.L. and Masaveu Internacional, S.L., respectively, in which Fernando Masaveu has managerial responsibilities and 2.020 shares held by his spouse Carolina Compostizo Fernández.

The EDP share trading operations performed by members of the General and Supervisory Board in 2012 are identified in the Annex III.

II.28. POSITIONS HELD IN OTHER COMPANIES BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

The positions held by the members of the General and Supervisory Board in other companies, belonging to the EDP Group or not, are set out in Annex II.

II.29. REMUNERATION POLICY FOR DIRECTORS OTHER THAN MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

Considering Article 248-B (3) of the Securities Code, there are not directors at EDP other than the members of the corporate bodies. In addition to the members of these bodies, there is no other manager who has regular access to privileged information or participated in decisions on the company's management and business strategy.

SECTION IV – REMUNERATION

Pursuant to the Articles of Association, the remuneration of the members of the corporate bodies are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration of the members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

In keeping with the interests that Recommendation II.1.5.2 of the CMVM Corporate Governance Code for Listed Companies seeks to protect, in fixing the remuneration to be paid to the members of the General and Supervisory Board and the Statutory Auditor, the Remuneration Committee of the General Meeting of Shareholders takes into consideration their fixed nature as well as the mandatory rules on determination of remuneration, in particular Article 440 (2) of the Company Code, which defines the criteria for payment of the General and Supervisory Board, Article 374-A of the Company Code on the remuneration of members of the Officers of the General Meeting and Article 60 of Decree-Law 224/2008 of 20 November on the remuneration of the Statutory Auditor.

II.30. REMUNERATION POLICY FOR THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

EXECUTIVE BOARD OF DIRECTORS

The remuneration policy for the members of the Executive Board is defined by the Remuneration Committee appointed by the General and Supervisory Board. The committee has defined the payment to be made to the members of the Executive Board of Directors to reflect the performance of each board member in each year of office (annual variable remuneration) and their performance for the duration of their term of

office by fixing a variable component designed to maximise EDP's long-term performance (multi-annual variable remuneration).

This recommendation uses an undetermined concept whose filling in depends on concrete circumstances of the issued company and, mainly, on the understanding that its shareholders have regarding what is reasonable in face of these circumstances. In addition, the interpretation on the relative weight of the variable remuneration in comparison with the fixed one must take into account the remaining elements included in the recommendation, specially the orientation concerning the alignment of the remuneration structure with shareholders long-term interests. Such a principle has, necessarily, as consequence, the increase of the variable component weight, in order to create the correct incentives so that the executive management of the company promotes a sustainable growth.

The relative weight of the variable remuneration against the fixed remuneration depends particularly on the alignment of the remuneration structure with the shareholders' long-term interests. The weight of the variable component therefore increases to create appropriate incentives for the company management to promote its sustainable growth.

The remuneration policy, approved by the shareholders, states that the total variable component may be as much as double the fixed component during a term of office and sets a maximum of two-thirds of the remuneration dependent on fulfilment of strict company performance goals. The variable remuneration depends on whether the executive management can achieve a performance of 90% of the business plan and only if it achieves 110% will the directors receive the maximum amounts allowed by the company's remuneration policy.

Variable remuneration is divided into an annual amount that may be no more than 80% of the fixed remuneration and a multi-annual amount that may reach 120% of the fixed remuneration. The multi-annual variable remuneration is only payable if the predefined goals are achieved and is paid the year after the end of the term of office to which it applies.

If the remuneration goals are fully achieved during a term, 60% of the directors' variable remuneration is deferred for no less than three years.

If we compare this percentage to that set out for credit institutions and financial companies pursuant to Directive 2010/76/EU of the European Parliament and of the Council of 24 November, as they are a benchmark that underwent an in-depth analysis and debate in Europe, we find that EDP's policy on variable remuneration is equivalent to the strictest policy followed by these entities.

According to the remuneration policy for the members of the Executive Board of Directors proposed by the Remuneration Committee of the General and Supervisory Board, a significant part of the variable remuneration representing multi-annual variable remuneration may be a maximum of 120% of the gross annual remuneration. A period of three years is considered for determining this component.

The statement on remuneration policy for 2012/2014 approved by the General Meeting of Shareholders on 17 April 2012 sets out the following:

- **Fixed Remuneration** –the remuneration of the Chairman of the Executive Board of Directors is EUR 600,000 (gross) per annum. The remaining members of the Executive Board of Directors receive 80% of this sum.
- **Annual Variable Remuneration** – for each

of the Executive Board of Directors members, its value can range between 0% and 80% of their annual gross fixed remuneration. The amount is determined on the basis of the following indicators for each year of office: relative performance of total shareholder return of the EDP Group vs. Eurostoxx Utilities and PSI-20, real capacity for creation of shareholder value and growth in gross margin, net profit and EBITDA. The weighted average of these indicators is in turn given an overall weight of 90% for all members of the Executive Board of Directors in determining their performance bonus. The remaining 10% is the result of an individual assessment made by the Chairman of the Executive Board of Directors based on each member's contribution to the body's performance. The Chairman of the Executive Board of Directors is assessed by the Remuneration Committee.

- **Multi-annual Variable Remuneration** – likewise, for each of the Executive Board of Directors members this component can vary from 0% to 120% of their annual gross remuneration, depending on the annual accumulated assessment of the directors' performance in achieving the economic sustainability of the EDP Group. Although calculated on an annual basis, this multi-annual remuneration is only awarded if, at the end of the term of office, at least 90% of the strategic goals have been achieved. These are assessed on the basis of performance and a comparison with defined strategic benchmarks. More precisely, this payment component is fixed on the basis of the following factors during the term of office: relative performance of the EDP Group's EBITDA, the EDP Group's capacity for creating value, the relative performance of the Group's total shareholder return vs. Eurostoxx Utilities and PSI-20, performance of the sustainability index applied to the EDP Group (DJSI method), EDP Group's image in the Portuguese and international markets, capacity for change and adaptation to new market requirements; and compliance with strategic targets set for the EDP Group. As for the annual indicators, 10% of remuneration is reserved and will be awarded on the basis of an internal assessment of the Executive Board of Directors by its Chairman and of the Chairman of the Executive Board of Directors by the Remuneration Committee.

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of the General and Supervisory Board is fixed on the basis of their duties.

The remuneration of the Chairman of the General and Supervisory Board was established on the basis of his performance of his full-time duties, unlike the remaining members of the board.

At the Annual General Meeting of Shareholders held on 17 April 2012, the Chairman of the Remuneration Committee of the General Meeting submitted for its appraisal the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period, on the following terms:

- The remuneration of the General and Supervisory Board members, including its Chairman, must be lower than that of the Executive Board of Directors, without a variable component or pension savings scheme;
- Bearing in mind the difficulties faced by the country as a result of the global economic, financial and social crisis, there must be constraints in remuneration and, in any case, the merit of the members of each corporate body must be considered in order not to jeopardise the company's cohesion, stability and development;
- No adjustments will be made to the remuneration of the members of the Audit Committee, in spite of a progressive increase in workload and responsibilities of its members;
- Performance of other specific duties in the General and Supervisory Board, including coordination by the Chairman and Vice-Chairman.

The shareholders approved the remuneration policy statement.

II.31. ANNUAL INDIVIDUAL REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS, GENERAL AND SUPERVISORY BOARD, ENVIRONMENT AND SUSTAINABILITY BOARD AND REMUNERATION COMMITTEE OF THE GENERAL MEETING OF SHAREHOLDERS

The gross amount of remunerations paid to the members of the Executive Board of Directors in 2012 was EUR 18,031,509.64.

EXECUTIVE BOARD OF DIRECTORS

The table below shows a breakdown of the gross remuneration paid in 2012 to each member of the Executive Board of Directors.

EXECUTIVE BOARD OF DIRECTORS IN OFFICE UNTIL 20 FEBRUARY 2012

EUROS	EDP		COMPANIES MAJORITY HELD BY EDP	
	FIXED (2012)	VARIABLE (2011)	FIXED (2012)	VARIABLE (2011)
António Luís Guerra Nunes Mexia (Chairman) ⁽¹⁾	99,571.74	480,000.00		
Nuno Maria Pestana de Almeida Alves ⁽²⁾	79,724.94	384,000.00		
João Manuel Manso Neto ⁽³⁾	79,377.27	384,000.00		
António Manuel Barreto Pita de Abreu	76,448.59	255,051.35	83,936.76	
António Fernando Melo Martins da Costa	79,377.27	362,572.00		
Ana Maria Machado Fernandes	24,710.10	98,923.13	54,857.14	147,942.43
Jorge Manuel Pragana da Cruz Morais	78,719.91	374,093.00		

1) The remuneration paid to the Chairman of the Executive Board of Directors, António Luís Guerra Nunes Mexia, comprised the amounts regarding the offices of Chairman of the Board of Directors of EDP - Energias do Brasil, S.A and Chairman of the Board of Directors of EDP Renováveis, S.A., corresponding, in this latter case, to 20% of the total remuneration.

2) The remuneration paid to the Director Nuno Maria Pestana de Almeida Alves comprises the amounts regarding the offices of director in the companies EDP - Energias do Brasil, S.A. and EDP Renováveis, S.A., corresponding, in this latter case, to 20% of the total remuneration.

3) The remuneration paid to the director João Manuel Manso Neto comprises the amount regarding the office of director in EDP Renováveis, S.A., corresponding to 20% of the total remuneration.

Payments to the Chairman and members of the Executive Board include those relating to employee pension savings schemes. The amount of variable payments were based on the tax treatment of the country in which the Administrator had residence for tax. Amounts paid by companies majority held by EDP regards solely the period when they are resident abroad.

EXECUTIVE BOARD OF DIRECTORS IN OFFICE AFTER 20 FEBRUARY 2012

EUROS	EDP		COMPANIES MAJORITY HELD BY EDP
	FIXED (2012)		FIXED (2012)
António Luís Guerra Nunes Mexia (Chairman) ⁽¹⁾	615,001.94		
Nuno Maria Pestana de Almeida Alves ⁽²⁾	492,418.76		
João Manuel Manso Neto ⁽³⁾	490,271.38		
António Manuel Barreto Pita de Abreu	472,182.45		
António Fernando Melo Martins da Costa	490,271.38		
João Manuel Veríssimo Marques da Cruz	263,685.92		211,625.65
Miguel Stilwell de Andrade	491,739.00		

1) The remuneration paid to the Chairman of the Executive Board of Directors, António Luís Guerra Nunes Mexia, comprised the amounts regarding the offices of Chairman of the Board of Directors of EDP - Energias do Brasil, S.A and Chairman of the Board of Directors of EDP Renováveis, S.A., corresponding, in this latter case, to 20% of the total remuneration.

2) The remuneration paid to the Director Nuno Maria Pestana de Almeida Alves comprises the amounts regarding the offices of director in the companies EDP - Energias do Brasil, S.A. and EDP Renováveis, S.A., corresponding, in this latter case, to 20% of the total remuneration.

3) The remuneration paid to the director João Manuel Manso Neto comprises the amount regarding the office of Chief Executive Officer and Vice-Chairman of the Board of Directors of EDP Renováveis, S.A., corresponding to 80% of the total remuneration.

The members of the Executive Board of Directors, João Manuel Veríssimo Marques da Cruz and Miguel Stilwell de Andrade received, in 2012, as EDP Group employees and as a annual bonus granted in accordance with the individual performance, a variable remuneration of EUR 75,000 and EUR 125,000, respectively.

As set out in the policy in force, remuneration is structured to align the interests of members of the Executive Board of Directors with the long term interests of the company. Therefore, taking into account the objective calculations associated to the remuneratory model approved in 2009, the Remuneration Committee of the General and Supervisory Board fixed the variable multi-annual component of remuneration attributable to each year for the 2009/2011 term of office:

EUROS	EDP			COMPANIES MAJORITY HELD BY EDP
	2009	2010	2011	2009 - 2010
António Luís Guerra Nunes Mexia (Chairman) ⁽¹⁾	618,233.00	570,374.00	720,000.00	
Nuno Maria Pestana de Almeida Alves ⁽²⁾	494,587.00	442,290.00	576,000.00	
João Manuel Manso Neto ⁽³⁾	494,587.00	442,290.00	576,000.00	
António Manuel Barreto Pita de Abreu	347,916.37	296,347.28	343,792.06	
António Fernando Melo Martins da Costa	494,587.00	393,261.00	488,724.00	
Ana Maria Machado Fernandes	167,207.79	154,403.21	191,883.67	364,021.79
Jorge Manuel Pragana da Cruz Morais	494,587.00	407,270.00	516,576.00	

1) The remuneration paid to the Chairman of the Executive Board of Directors, António Luís Guerra Nunes Mexia, comprised the amounts regarding the offices of Chairman of the Board of Directors of EDP - Energias do Brasil, S.A and Chairman of the Board of Directors of EDP Renováveis, S.A., corresponding, in this latter case, to 20% of the total remuneration.

2) The remuneration paid to the Director Nuno Maria Pestana de Almeida Alves comprises the amounts regarding the offices of director in the companies EDP - Energias do Brasil, S.A. and EDP Renováveis, S.A., corresponding, in this latter case, to 20% of the total remuneration.

3) The remuneration paid to the director João Manuel Manso Neto comprises the amount regarding the office of director in EDP Renováveis, S.A., corresponding to 20% of the total remuneration.

Note: The amount of variable payments were based on the tax treatment of the country in which the Administrator had residence for tax.

GENERAL AND SUPERVISORY BOARD

The table below shows the remuneration paid to the members of the General and Supervisory Board elected at the General Meeting of Shareholders on 20 February 2012 for the 2012/2014 term of office:

EUROS	FIXED
Eduardo de Almeida Catroga	430,017.24
China Three Gorges Corporation	46,064.52
China International Water & Electric Corporation	33,268.79
China Three Gorges New Energy Corporation Ltd.	33,268.79
China Three Gorges International (Europe) ⁽¹⁾	33,268.79
Cajastur Inversiones, S.A.	51,208.31
Luis Filipe da Conceição Pereira	54,027.79
Mohamed Ali Ismael Ali Al Fahim	51,217.89
Carlos Jorge Ramalho Santos Ferreira	54,027.79
Sonatrach	50,513.87
José Maria Espírito Santo Silva Ricciardi	51,999.96
Parública - Participações Públicas, (SGPS), S.A. ⁽²⁾	0.00
Alberto João Coraceiro de Castro	66,068.96
António Sarmiento Gomes Mota	69,295.94
Maria Celeste Ferreira Lopes Cardona	56,681.12
Fernando Masaveu Herrero	44,031.12
Ilídio da Costa Leite de Pinho	28,720.02
Jorge Braga de Macedo	44,031.12
Manuel Fernando de Macedo Alves Monteiro	69,295.94
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	44,031.12
Vasco Joaquim Rocha Vieira	44,031.12
Vitor Fernando da Conceição Gonçalves	82,596.21
Rui Eduardo Ferreira Rodrigues Pena	57,000.00

(1) The actual payment is pending the regularization of procedural issues
(2) Declined payment

In 2012 remuneration was also paid to the members of the General and Supervisory Board in office until 20 February 2012.

EUROS	FIXED
António de Almeida	69,437.62
Diogo Campos Barradas de Lacerda Machado	7,321.83
José Manuel Santos Fernandes	7,321.83
Ricardo José Minotti Cruz Filipe	7,321.83

ENVIRONMENT AND SUSTAINABILITY BOARD

The members of the Environment and Sustainability Board are paid via attendance fees worth 1,750 euros per meeting. The remuneration paid in 2012 to the members of the Environment and Sustainability Board elected for the 2012-2014 term of office:

EUROS	FIXED
Augusto Carlos Serra Ventura Mateus	1,750.00
Alberto Manuel Rosete da Ponte	1,750.00
António José Tomás Gomes de Pinho	1,750.00
José Manuel Viegas ⁽¹⁾	0.00

(1) Declined payment

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The members of the Remuneration Committee of the General Meeting elected for the 2012-2014 term of office received the following remuneration in 2012:

EUROS	FIXED
José Manuel Archer Galvão Teles	15,000.00
Luis Eduardo Brito Freixial de Goes (as representative of José de Mello - Sociedade Gestora de Participações Sociais, S.A.)	10,000.00
Álvaro João Duarte Pinto Correia	10,000.00

II.32. REMUNERATION STRUCTURE: ALIGNMENT WITH COMPANY'S LONG-TERM INTERESTS

As set out in the remuneration policy described in Chapter II.30, remuneration is structured so as to allow alignment of the interests of the members of the Executive Board of Directors with the company's long-term interests.

The time period considered when determining the multi-annual variable component of remuneration (three years), the use of qualitative criteria aimed at a medium-term strategic perspective in the company's development, the existence of a cap on variable remuneration and the relative weight of this component in the overall amount of remuneration are decisive factors that foster a company management performance that does not focus only on short-term goals but includes the company's and shareholders' medium- and long-term interests in its performance.

II.33. REMUNERATION OF EXECUTIVE DIRECTORS

a) Reference to the fact that the remuneration of the directors includes a variable component and information about the way in which this component depends on performance evaluation

See Chapter II.30, II.31 and II.32.

b) Indication of the company bodies with powers to assess the performance of the executive directors

See Chapter II.30.

c) Indication of the predefined criteria for assessing the performance of the executive directors

See Chapter II.30.

d) Explanation of the relative importance of the variable and fixed components of the directors' remuneration and an indication of the caps on each component

See Chapter II.30.

e) Indication of the deferment of payment of the variable component of remuneration and the period in question

See Chapter II.30 and II.32.

f) Explanation of how payment of the variable remuneration is subject to the company's ongoing positive performance during the deferment period

See Chapter II.30 and II.32.

g) Sufficient information on the criteria for awarding variable remuneration in shares and maintenance by the executive directors of the company shares that they have received, any contract pertaining to these shares, such as hedging or risk-transfer contracts, and its limit and its relationship to the total annual remuneration

The members of the Executive Board of Directors do not own company shares under variable remuneration schemes.

h) Sufficient information on the criteria for awarding variable remuneration in options, the deferment period and option price

EDP does not have schemes for variable remuneration in options.

i) Indication of the main parameters and bases for any annual bonus schemes and any other non-monetary benefits

The directors' remuneration does not include any relevant non-monetary benefits.

j) Remuneration paid in the form of profit sharing and/or bonuses and reasons for these bonuses or profit sharing

EDP has no remuneration schemes involving profit sharing or bonuses.

k) Compensation owed to former executive directors for cessation of employment during the period

There are no agreements between the company and the members of the management or supervisory body providing for compensation in the event of resignation or dismissal of a director or in the event of resignation of a worker, dismissal without due cause or cessation of employment due to a takeover bid. No compensation was paid or is owing to former directors for cessation of employment.

l) Reference to the contractual limitation on compensation payable for dismissal without due cause of a director and its association with the variable component of remuneration

Not applicable.

m) Amounts of any kind paid by other subsidiary or group companies

See Chapters II.28 and II.31.

n) Description of the main characteristics of supplementary pension or early retirement schemes for directors and an indication of whether they were appreciated by the General Meeting of Shareholders

EDP has no specific retirement benefit schemes for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement-savings-plan-type financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their fixed annual remuneration. This product does not involve any cost to EDP in the future in that it is merely the subscription of a financial product while the members of the management body remain in office and does not fall under Article 402 (1) of the Company Code.

o) Estimated value of relevant non-monetary benefits considered to be remuneration not covered by the previous situations

Not applicable.

p) Mechanisms that prevent the executive directors from signing contracts that jeopardise the justification of their variable remuneration

None of the members of the management body has signed any contract with the company or third parties to mitigate the risk of variations in remuneration.

II.35. WHISTLE-BLOWING POLICY

The EDP Group's activity has always been oriented by constant measures to ensure good governance of its companies including the prevention of wrongful practices, especially in the areas of accounting and finance.

EDP provides Group employees with a channel enabling them to report directly and confidentially to the Committee on Financial Matters/Audit Committee of the General and Supervisory Board any alleged illicit practice or accounting and/or financial irregularity in their company, in compliance with the provisions of CMVM Regulation 1/2010.

EDP's aim in setting up this channel for reporting irregular accounting and financial practices is:

- Guaranteeing conditions that allow employees to freely report any concerns they may have in these areas to the Committee on Financial Matters/Audit Committee
- Facilitating the early detection of irregular situations which, if they occurred, might cause serious damage to the EDP Group, its employees, customers and shareholders

The Financial Matters Committee on/Audit Committee can be contacted by e-mail, fax and post mail, and access to the information received in this context is restricted. Only the members of the committee are authorised to receive these communications.

All complaints or reports to the Financial Matters Committee/Audit Committee are treated with the strictest confidentiality. The whistle-blower remains anonymous provided that this does not prevent investigation of the complaint.

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

On 27 October 2011 the General and Supervisory Board approved new regulations, which were registered with the Portuguese Data Protection Authority. The application as approved on 6 July 2012.

On January 2013, the Financial Matters Committee/Audit Committee informed the General and Supervisory Board on its work on the whistle-blowing mechanism in 2012. It concluded that the eighteen reports received had no impact on accounting, finance, internal control or audit matters and the Financial Matters Committee/Audit Committee closed them after analysing the responses received from the appropriate departments at EDP.

SECTION V – SPECIALISED COMMITTEES

II.36. PERFORMANCE ASSESSMENT COMMITTEES AND GOVERNANCE MODEL

Where assessment of EDP's corporate governance model is concerned, the Executive Board of Directors considers from experience that the current governance organisation at EDP enables it to pursue the company's management goals without jeopardising the necessary division of duties between the management and the supervisory body. The use of this model has enabled the supervisory body to permanently monitor the EDP Group's activity. It is operationally demanding but has appropriate communication and information mechanisms so that each body can perform its duties without interference or constraints.

Given its competences in this regard, the General and Supervisory Board's Annual Report set out its main conclusions on the governance model in effect at EDP. They can be summarised as follows:

- Assures that distribution between different corporate bodies - management, monitor and audit accounts - is healthy;
- It is gifted with a high level of flexibility, which strengthen that synergies resulting from the referred distribution are maximized;
- It is appropriate to EDP's corporate organizational context, guarantying stability between the necessary extent of management powers and the effectiveness of supervision and monitoring of the Company's activity;
- It demonstrates the existence of a functional relation between General and Supervisory Board and Executive Board of Directors with a balance clearly positive, regarding items treated as well as the way the same are conducted; nevertheless, aspiration of a continuous improvement is always present;
- Promotes high levels of governance practice

quality, optimizing advantages of the governance model in force in what respects General and Supervisory Board access to information mechanisms, deepening of General and Supervisory Board functioning exercise regarding dominated companies and General and Supervisory Board involvement on the phases of preparation of pluri-annual management documents.

For more detail on this matter, see Point 1 of the General and Supervisory Board's Annual Report.

II.37. NUMBER OF MEETINGS OF MANAGEMENT AND SUPERVISORY COMMITTEES

COMMITTEE ON FINANCIAL MATTERS/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee met thirteen times in 2012. Minutes of its meetings were kept.

REMUNERATION COMMITTEE

This committee met once in 2012. Minutes of this meeting were kept.

STRATEGY COMMITTEE

This committee met four times in 2012. Minutes of its meetings were kept.

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

This committee met five times in 2012. Minutes of its meetings were kept.

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

This committee met three times in 2012. Minutes of its meetings were kept.

II.38. KNOWLEDGE AND EXPERIENCE OF ONE MEMBER OF THE REMUNERATION COMMITTEE ON REMUNERATION POLICY

The Remuneration Committee is made up of members of the General and Supervisory Board with appropriate qualifications and experience. The majority of its members are independent from the members of the management body.

II.39. INDEPENDENCE OF PEOPLE HIRED BY THE REMUNERATION COMMITTEE

No natural or legal person that provides or has provided in the last three years services to any body answering to the Executive Board of Directors or the Executive Board of Directors itself or with a current position as a company consultant was hired to assist the Remuneration Committee in its duties in 2012. The statement also applies to any natural or legal person related to them under an employment or service contract.

CHAPTER III. DISCLOSURE AND AUDITS

III.1. CAPITAL STRUCTURE

EDP's share capital of 3,656,537,715 euros is represented by 3,656,537,715 shares divided into two categories.

Ordinary (or Category A) shares are not subject to any limitation on their transferability, given that, pursuant to the Portuguese Securities Code, shares traded in the market are freely transferrable, although EDP's Articles of Association contain rules on limitations on the exercise of voting rights applicable to ordinary (Category A) shares and Category B shares.

Pursuant to Article 4 (4) of EDP's Articles of Association, Category B shares are to be reprivatised and are subject to restriction on their ownership. They may only be held by the state or public sector entities.

On 11 May 2012, the special category shares divested during the eighth phase of the reprivatisation of EDP's share capital were actually transferred. This was when these shares ceased to belong to public bodies, meaning that they were automatically converted into Category A shares, with no need for approval of the conversion by the share owners or a decision by any company body.

On 14 February, 2013, Parpública - Participações Públicas (SGPS), SA sold in the market, through a private offer via an "accelerated bookbuilding", 151,517,000 Category B shares with a face value of 1 euro each, equivalent to 4.14% of the share capital. As a result of the settlement of this transaction, since 19 February 2013, Parpública - Participações Públicas (SGPS), SA reduced to 0% its stake in EDP and Category B shares were extinguished completely by the effect of the automatic conversion to Category A shares.

After this conversion, EDP's share capital is now represented exclusively by 3,656,537,715 Category A shares, which are ordinary shares with a face value of one euro each.

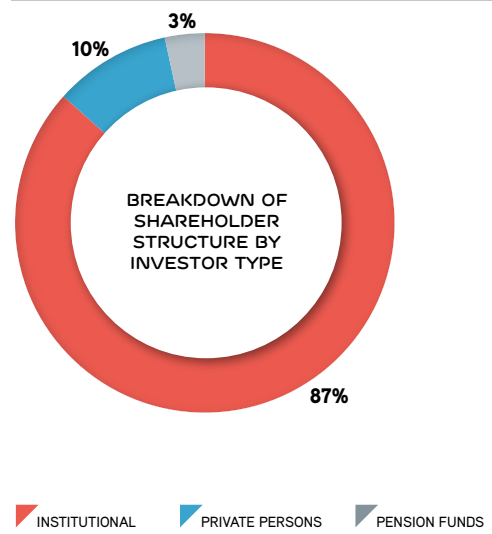
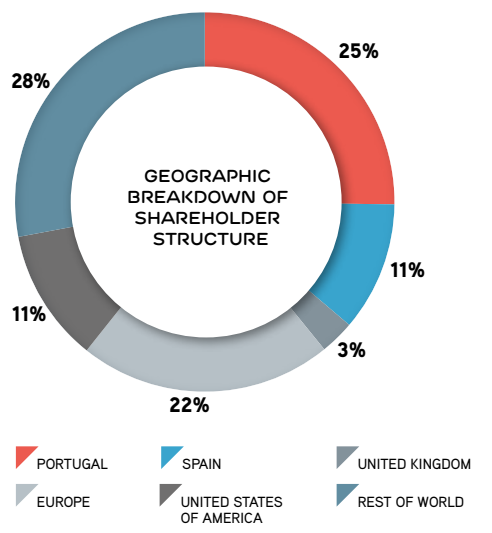
Pursuant to Article 14 (3) of EDP's current Articles of Association, consideration will not be given to votes cast by a shareholder on his own or a third party's behalf exceeding 25% (twenty-five percent) of the total number of votes in the share capital. This limit was 20% (twenty percent) until the General Meeting of Shareholders on 20 February 2012 decided to change it.

Furthermore, shareholders who, pursuant to Article 20 (1) of the Securities Code or any law that may amend or replace it, have a holding of 5% (five percent) or more of the voting rights or share capital, must inform the Executive Board of Directors of this fact within five days of the date on which they became holders thereof. They are not allowed to exercise their voting rights until they have done so (Article 15 (1) of EDP's Articles of Association).

III.2. QUALIFYING HOLDINGS

SHAREHOLDER STRUCTURE

The distribution of EDP's shareholder structure by geographical location and type of investor on 31 December 2012 is as follows:



QUALIFYING HOLDINGS

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008 on the duty of information, the qualifying holdings held by shareholders in EDP's share capital as at 31 December 2012 and their voting rights in accordance with Article 20 (1) of the Securities Code are as follows:

SHAREHOLDER	Nº OF SHARES	% CAPITAL	% VOTE
CHINA THREE GORGES			
China Three Gorges International (Europe), S.A.	780,633,782	21.35%	21.35%
Total	780,633,782	21.35%	21.35%
China Three Gorges International (Europe) S.A. is fully owned by CWEI (Hong Kong) Co. Ltd (formerly China Three Gorges International (Hong Kong) Company Limited), which is fully owned by CWE Investment Co. Ltd (formerly China Three Gorges Corporation International Investment Co., Ltd). China Three Gorges Corporation directly holds 100% equity of CWE Investments Co. Ltd (formerly China Three Gorges Corporation International Investments Co., Ltd).			
IBERDROLA ENERGIA S.A.U.			
Iberdrola Energía S.A.U. (Iberener)	248,437,516	6.79%	6.79%
Total	248,437,516	6.79%	6.79%
The company Iberdrola Energía, S.A.U. is fully owned by Iberdrola, S.A.			
LIBERBANK			
Cantabrica de Inversiones de Cartera, S.L.	128,409,447	3.51%	3.51%
Liberbank, S.A.	54,848,066	1.50%	1.50%
Total	183,257,513	5.01%	5.01%
The company Cantabrica de Inversiones de Cartera, S.L. is fully owned by Liberbank, S.A.			
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, S.A.	168,037,578	4.60%	4.60%
Members of the Corporate Bodies	39,573	0.00%	0.00%
Total	168,077,151	4.60%	4.60%
The company José de Mello Energia, SGPS,S.A. is fully owned by José de Mello Participações II, SGPS, S.A., which capital is fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.			
PARPÚBLICA - PARTICIPAÇÕES PÚBLICAS, (SGPS), S.A. ⁽¹⁾			
Privatised shares - Category A	0	0.00%	0.00%
Non-privatised shares - Category B	151,517,000	4.14%	4.14%
Total	151,517,000	4.14%	4.14%
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)			
Senfora SARL	148,431,999	4.06%	4.06%
Total	148,431,999	4.06%	4.06%
The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.			
GRUPO MILLENNIUM BCP + FUNDO DE PENSÕES			
Members of the Corporate Bodies	28,380	0.00%	0.00%
Fundação Millennium BCP	350,000	0.01%	0.01%
Fundo de Pensões do Grupo Millennium BCP	122,289,594	3.34%	3.34%
Total	122,667,974	3.35%	3.35%
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.			
SONATRACH ⁽¹⁾			
Sonatrach	87,007,443	2.38%	2.38%
Total	87,007,443	2.38%	2.38%
BANCO ESPÍRITO SANTO, S.A.			
Company's in a group relationship with BES or exercising control over the company	58,861,879	1.61%	1.61%
Banco Espírito Santo, S.A.	28,000,000	0.77%	0.77%
Members of the Corporate Bodies	3,375	0.00%	0.00%
Total	86,865,254	2.38%	2.38%
QATAR HOLDING LLC			
Qatar Holding Luxembourg II Sàrl	82,868,933	2.27%	2.27%
Total	82,868,933	2.27%	2.27%
The company Qatar Holding Luxembourg II Sàrl is fully owned by Qatar Holding LLC, a company wholly owned by Qatar Investment Authority.			
BLACKROCK, INC.			
BlackRock (Netherlands) B.V.	322,768	0.01%	0.01%
BlackRock Advisors (UK) Limited	6,350,788	0.17%	0.17%
BlackRock Advisors, LLC	160,104	0.00%	0.00%
BlackRock Asset Management Australia Limited	203,075	0.01%	0.01%
BlackRock Asset Management Canada Limited	473,971	0.01%	0.01%
BlackRock Asset Management Deutschland AG	5,155,677	0.14%	0.14%
BlackRock Asset Management Ireland Limited	9,906,691	0.27%	0.27%
BlackRock Financial Management	102,299	0.00%	0.00%
BlackRock Fund Advisors	11,415,217	0.31%	0.31%
BlackRock Fund Managers Limited	780,661	0.02%	0.02%
BlackRock Institutional Trust Company, National Association	25,044,436	0.68%	0.68%
BlackRock International Limited	9,073	0.00%	0.00%
BlackRock Investment Management (Australia) Limited	145,989	0.00%	0.00%
BlackRock Investment Management (UK) Ltd	47,089	0.00%	0.00%
BlackRock Investment Management, LLC	3,311,143	0.09%	0.09%
BlackRock Japan Co Ltd	2,947,809	0.08%	0.08%
BlackRock Life Limited	6,101,003	0.17%	0.17%
iShares (DE) I InvAG mit Teilgesellschaftsvermögen	790,452	0.02%	0.02%
Total	73,268,245	2.00%	2.00%
EDP (TREASURY STOCK)	31,904,523	0.87%	
REMAINING SHAREHOLDERS	1,491,600,382	40.80%	
TOTAL	3,656,537,715	100.00%	

Note: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 25% of the totality of the corresponding votes to the capital stock exceed.

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

III.3. HOLDERS OF SPECIAL RIGHTS

Decree-Law 90/2011 of 25 July revoked the special rights granted to the state and equivalent public bodies in EDP, as established by article 13 of Decree-Law 141/2000, of 15 July. There are therefore no special rights associated with EDP's shares.

Category B shares remain in this category as long as they are owned by public entities. However, their transfer to non-public entities will result in their conversion into Category A shares, without the need for approval by their holders or a decision by any of EDP's governing bodies (Article 4 (5) of EDP's Articles of Association). Following the conclusion of the sale, by Parpública, of 4.14% of the sharecapital of EDP, there are no share of category B.

III.4. RESTRICTIONS ON TRANSFER OF SHARES

Pursuant to the Articles of Association (Article 4 (4)) Category B shares may only be owned by public entities if they are not privatised.

There are no restrictions on the transfer of Category A shares.

III.5. SHAREHOLDER AGREEMENTS

Pursuant to Article 7 of EDP's Articles of Association, full versions of shareholders' agreements relating to the company must be forwarded to the Executive Board of Directors and the General and Supervisory Board by the shareholders that sign them within 30 (thirty) days of the date on which they were entered into.

On the basis of the information provided to the Company by shareholders, the Executive Board of Directors is aware of a single shareholders' agreement, which was entered into on 11 April 2007 by Parpública - Participações Públicas (SGPS), S.A. (Parpública), Caixa Geral de Depósitos, S.A. (CGD) and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures (Sonatrach).

Under the terms of this agreement, which were publicly announced, Parpública and CGD made the following commitments:

- To support the continued membership of Sonatrach (or a person appointed by it) of the EDP General and Supervisory Board, provided that Sonatrach retains a holding of at least 2% (two percent) of EDP's share capital and the aforementioned strategic partnership remains in effect
- To refrain from promoting, supporting and/or voting in favour of any amendment to EDP's Articles of Association that would prevent the continued membership of Sonatrach (or a person appointed by it) of the General and Supervisory Board.

III.6. RULES ON AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

EDP's Articles of Association do not set out any special rules on amendments to them, and the general rule provided for in Article 386 (3) of the Company Code therefore applies, to wit any decision to amend the Articles of Association must be approved by the General Meeting of Shareholders by two-thirds of the votes cast.

III.7. CONTROL MECHANISMS OF EMPLOYEES' SHAREHOLDINGS

EDP has no scheme that provides for employees' shareholdings in the company meaning that their voting rights are not exercised directly by them.

III.8. FACTORS THAT INFLUENCE THE COMPANY'S SHARE PRICE

EDP ON THE CAPITAL MARKET

EDP's shares were initially admitted to trading on the official stock exchange NYSE Euronext Lisbon (then called the Lisbon Stock Exchange) on 16 June 1997. Since then, more company shares have been admitted to trading on NYSE Euronext Lisbon in subsequent reprivatization phases:

EDP'S REPRIVATISATION PHASES:

ADMISSION PHASE	DATE
1st Privatisation phase/ IPO	16 June 1997
2nd Privatisation phase	26 May 1998
3rd Privatisation phase	28 June 1998
4th Privatisation phase	23 October 2000
5th Privatisation phase/Capital increase	7 December 2004
8th Privatisation phase	11 May 2012

In December 2007, Parpública issued bonds exchangeable into EDP shares representing 4.144% of EDP's share capital, maturing in December 2014, with an exercise price of €6.70.

In accordance with the terms and conditions of the bond issue, on 18 December 2012 had the option of early reimbursement of the bonds for their face value, subject to prior notice. This option was exercised by holders of 20,141 bonds that, considering a conversion ratio of 7,462.7888, have underlying assets of 150,308,028 shares representing 4.11% of EDP's share capital. Parpública paid the face value of the bonds to their holders on 18 December 2012.

EDP has 2,936,222,980 ordinary shares with a face value of one euro each admitted to trading at NYSE Euronext Lisbon, representing 80.3% of its share capital. The free float was 67% in 2012.

Following completion of the eighth phase of the reprivatization of EDP's share capital on 11 May 2012, its share capital was represented by 3,505,020,715 Category A (ordinary) shares and 151,517,000 Category B shares with a face value of one euro each. The Category A shares correspond to about 95.86% of the share capital and the Category B shares to 4.14%.

SHARES

NYSE EURONEXT LISBON	SHARES
Reuters RIC	EDP.LS
Bloomberg	EDP.PL
ISIN	PTEDPOAM0009

EDP's shares are also the asset underlying futures contracts and warrants traded on the Lisbon market.

The following EDP bonds have also been admitted to trading on stock markets:

ISSUE / ISIN	DATE		COUPON	STOCK EXCHANGE	AMOUNT	
	ISSUE	MATURITY			ISSUE	OUTSTANDING ⁽²⁾
EDP S.A. / PTEDPAOE0002	26-03-2003	26-03-2013	Euribor 6M + 1.5%		150,000,000	150,000,000
Issue - Private Placement	Dec/12	Jun/13	Floating Rate EUR		350,000,000	350,000,000
1 st Issue CHF CH0123385764	14-02-2011	14-02-2014	Annual Fixed Rate CHF 3.5%	Switzerland	230,000,000 ⁽⁵⁾	230,000,000 ⁽⁵⁾
15 th Issue EMTN ⁽¹⁾ XS0413462721	18-02-2009	18-02-2014	Annual Fixed Rate EUR 5.5%	London	1,000,000,000	1,000,000,000
26 th Issue EMTN ⁽¹⁾ / PTEDPSOM0010	07-12-2011	07-12-2014	Semi-Annual Fixed Rate 6.0%	Lisbon	200,000,000	200,000,000
Issue - Private Placement	Feb/10	Feb/15	Floating Rate USD		100,000,000 ⁽⁴⁾	100,000,000 ⁽⁴⁾
20 th Issue EMTN ⁽¹⁾ XS0495010133	16-03-2010	16-03-2015	Annual Fixed Rate EUR 3.25%	London	1,000,000,000	1,000,000,000
27 th Issue EMTN ⁽¹⁾ / PTEDPTOM0035	04-05-2012	04-05-2015	Semi-Annual Fixed Rate 6.0%	Lisbon	250,000,000	250,000,000
9 th Issue EMTN ⁽¹⁾ XS0221295628	22-06-2005	22-06-2015	Annual Fixed Rate EUR 3,75%	London	500,000,000	500,000,000
22 nd Issue EMTN ⁽¹⁾ XS0586598350	01-02-2011	01-02-2016	Annual Fixed Rate EUR 5,875%	London	750,000,000	750,000,000
12 th Issue EMTN ⁽¹⁾ XS0256997007	12-06-2006	13-06-2016	Annual Fixed Rate EUR 4,625%	London	500,000,000	500,000,000
16 th Issue EMTN ⁽¹⁾ XS0435879605	25-06-2009	26-09-2016	Annual Fixed Rate EUR 4.75%	London	1,000,000,000	1,000,000,000
6 th Issue EMTN ⁽¹⁾ XS0152784715	09-08-2002	09-08-2017	Annual Fixed Rate GBP 6,625%	London	200,000,000 ⁽³⁾	200,000,000 ⁽³⁾
28 th Issue EMTN ⁽¹⁾ XS0831842645	21-09-2012	21-09-2017	Annual Fixed Rate EUR 5.75%	London	750,000,000	750,000,000
2 nd Issue 144A/REGS US26835PAB67/ XS0328781728	02-11-2007	02-02-2018	Annual Fixed Rate USD 6.00%	London	1,000,000,000 ⁽⁴⁾	1,000,000,000 ⁽⁴⁾
2 nd Issue CHF CH0197841551	29-11-2012	29-11-2018	Semi-Annual Fixed Rate CHF 4%	Switzerland	125,000,000 ⁽⁵⁾	125,000,000 ⁽⁵⁾
Issue - Private Placement	Jun/09	Jun/19	Fixed Rate JPY		104,569,696 ⁽⁴⁾	⁽⁴⁾ 104,569,696
3 rd Issue 144A/REGS US26835PAC41/ XS0454935395	29-09-2009	01-10-2019	Semi-Annual Fixed Rate USD 4.9%	London	1,000,000,000 ⁽⁴⁾	1,000,000,000 ⁽⁴⁾
10 th Issue EMTN ⁽¹⁾ XS0223447227	29-06-2005	29-06-2020	Annual Fixed Rate EUR 4,125%	London	300,000,000	300,000,000
Issue - Private Placement	Dec/02	Dec/22	Fixed Rate EUR		93,357,000	93,357,000
Issue - Private Placement	Nov/08	Nov/23	Zero Coupon		160,000,000	160,000,000
13 th Issue EMTN ⁽¹⁾ XS0397015537	04-11-2008	04-01-2024	Annual Fixed Rate GBP 8,625%	London	325,000,000 ⁽³⁾	325,000,000 ⁽³⁾

(1) EMTN - Euro Medium Term Notes
 (2) Outstanding - Value in Debt on 31 Dec 2012
 (3) Amount in GBP
 (4) Amount in USD
 (5) Amount in CHF

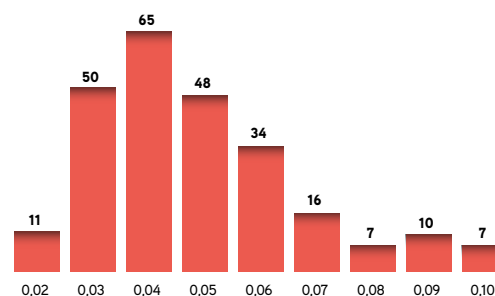
In 2012, EDP was one of the companies with the highest market capitalisation and its relative weight in the PSI-20, the NYSE Euronext Lisboa index, was around 17%. EDP is one of the five Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.419%. EDP shares are also a reference in several European indexes, such as the Dow Jones Eurostoxx Utilities, which is based on the market performance of the main, most representative European utilities companies. EDP is also quoted in the Dow Jones Sustainability Index and had the same score as the world leader in the electricity sector.

In 2012, EDP's share price fell 4.2% from 2.391 euros to 2.29 euros. The fall plus a gross dividend of 0.185 euros per share (paid on 16 May 2012) resulted in a total gross return of 3.5% in the period. This performance was higher than the returns from the main indexes, such as the Dow Jones Europe STOXX Utilities, which showed a negative performance of 8.8% and was lower than the PSI-20, which rose 2.9% in 2012.

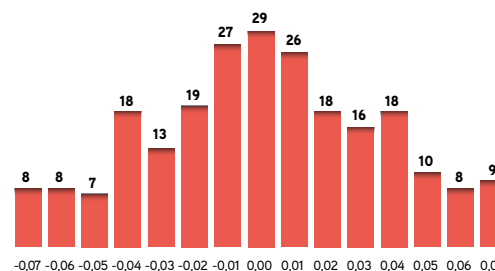
In 2012, the EDP Group's market value, calculated on the basis of its market capitalisation (number of shares issued x price per share) was 8.373 billion euros, equivalent to 17.1% of the total share capitalisation of the PSI-20, which was 48.85 billion euros. In 2012, EDP was one of the shares most traded on NYSE Euronext Lisboa. Around 1.390 billion EDP shares were traded on this official market, which makes a daily average of 5.4 million shares, at an average price of 2.07 euros, representing about 47% of all EDP shares admitted to trading. In terms of turnover, EDP shares represented 14.5% (2.873 billion euros) of the total number of shares traded in the PSI-20 (19.847 billion euros).

The graphs below show the daily and intraday variation for EDP shares on NYSE Euronext Lisboa, which indicates that, despite the volatility of the markets in 2012, EDP's shares proved to be less volatile.

HISTOGRAM - INTRADAILY VARIATION
52 WEEKS (JAN 12 - DEC 12)



HISTOGRAM - DAILY VARIATION
52 WEEKS (JAN 12 - DEC 12)



Source: Bloomberg

SHARE PRICE PERFORMANCE

In 2012 European stock markets showed a recovery versus the previous year, especially on the second half: except for Madrid's stock exchange, which went down 5%, the main stock markets closed above 2011, with the European index Stoxx Europe 600 rising 14%. Likewise, the US and Asian markets also exhibited a positive performance with the US indexes going up between 7% and 17% whereas the main Asian stock indexes had a two-digit appreciation, except for Shanghai which rose 8%.

This evolution was not homogeneous along the year: after being positive in the beginning of the year, the markets started a declining pattern until the second half, when the recovery was on the way. While the first half of the year was marked by the eminence of the Greece's exit from the Eurozone and also by fears related to a second bailout requested by Portugal and that Spain would request an eventual bailout for the Spanish economy, the second half exhibited a more positive perception of the sovereign debt crisis topic, with the increase of investor's confidence in the integrity of the Eurozone and on the peripheral countries.

This market improvement was definitely linked to the accomplishment of the financial aid programs by Portugal and Ireland, the Spanish bailout for the banking system recapitalization on the 9th June for a maximum amount of 100 billion euros, afterwards re-estimated to 40 billion euros following the stress tests conducted in September, and the suspension on the 6th September by the European Central Bank (ECB) of the minimum credit rating threshold required for the acquisition of bonds issued by sovereign countries in trouble, allowing the unlimited buy of such securities.

By the end of the year, the markets were partially affected by the "fiscal cliff" issue in the US, which could eventually drag the American economy into a new recession. This problem was only solved in the last day of the year, with the approval of the "American Taxpayer Relief Act of 2012" by the Congress.

Utilities sector in Europe underperformed again, being the third worst performance sector, with the Stoxx 600 Utilities index falling by 1% versus last year or 9% considering only eurozone companies. The sector was penalized by the sovereign debt theme which dragged Europe into economic crisis, leading to a economic slowdown and consequently to a fall in the energy demand. In addition, the growing capacity in renewable and the drop of coal and carbon dioxide emission licenses prices contributed to the reduction of the electricity generation prices in the wholesale markets. Therefore, major companies such as EDF, GDF Suez and E.On had to revise downwards their business outlook for the future, with direct impact over their quotation. Finally, the regulatory instability among especially the European Southern countries also contributed to penalize the sector. To cope with the predictable profit reduction and to the growing indebtedness, companies pursued asset disposal and also reduction cost reduction programs.

Regarding corporate actions in the utilities sector, it is worth to highlight the successful takeover of 30% of International Power by GDF Suez, ensuring the total control of this subsidiary.

EDP stock went down 4.2% in 2012. Since EDP paid a dividend worth of 0.185 euros per share on the 16th May, equivalent to a dividend yield of 8.1% (based on the share price on the 10th May), the total shareholder return was 3.5% in 2012.

Portugal was able to proceed successfully with a substantial part of the recommendations stated in the Economic and Financial Assistance

Program, which allowed the improvement of the perception from the outside regarding Portugal's economic and financial sustainability. Nevertheless, the economic crisis that arose led to a GDP fall and to unemployment rates higher than expected, affecting fiscal revenues collection and making impossible to reach the 4.5% budget deficit target.

In what concerns State financing, in the beginning of the year Standard & Poor's downgraded the Portuguese Republic credit rating by two notches from BBB- to BB with negative outlook while Moodys downgraded by one notch from Ba2 to Ba3 also with negative outlook.

On the back of these actions, both agencies decided to revise downwards EDP's credit rating: Standard & Poor's downgraded in February the company's rating by two notches from BBB to BB+ maintaining the negative outlook but removing the credit watch negative whereas Moodys downgraded by one notch from Baa3 to Ba1 maintaining the outlook negative.

In Spain, the sovereign rating was subject to several downward revisions from the three main agencies throughout the year: Standard & Poor's downgraded the rating by six notches from AA- to BBB-; Moodys by five notches from A1 to Baa3 and Fitch also by five notches from AA- to BBB, all three with negative outlook. Following this event, in April Fitch placed all utilities with significant exposure to Spain, included EDP, under credit watch negative, having downgraded the utilities credit rating afterwards in August, including EDP's rating by two notches from BBB+ to BBB- with outlook negative but removing the watch negative.

In a challenging environment regarding financing, EDP continued to pursue successfully, the diversification of its funding sources and the covering of its funding needs for the next 12 to 24 months.

EDP returned to the Portuguese market in May by means of a public offering of bonds in the amount of 250 million euros with a coupon of 6% and a three-year maturity. The success of this issue was mirrored on the increase of the initial amount from 200 to 250 million euros, and still with demand surpassing the final issued amount by 26%.

Following the strategic partnership with China Three Gorges, EDP agreed in July a 1,000 million euros loan provided by China Development Bank Corporation with a five-year maturity and a margin of 480 bps over 6-month Euribor. In addition, and taking advantage of the positive mood in the market on the back of the removal of the limits to the acquisition of sovereign debt by ECB and also by the improvement of the trust levels on the eurozone stability, EDP issued in September a 750 million euros bond with a five-year tenor and a coupon of 5.75%.

EDP also capitalized on the window of opportunity which arose from the Asian markets, besides the strategic partnership, by signing in October a 800 million euros multicurrency term facility with the Bank of China, with a three-year tenor and a margin of 350 bps over the 3-Month Libor.

In November, the company issued again a bond issue in the Swiss market, with an amount of 125 million Swiss francs, a six-year maturity and a 4% coupon.

Moreover, it was also possible to launch several securitizations and the selling of the right to recover amounts, both in Portugal and Spain. On the one hand, it was sold in December in Portugal the right to recover the amount of the 2010 annual revisibility from CMEC (Contratos de Manutenção do Equilíbrio Contratual) in the total amount of 147 million euros. On the other

hand, in Spain, the FADE (Fondo de Amortización del Deficit Eléctrico), entity responsible for the securitization of the Spanish electric system tariff deficits, was able to securitize some tranches of the tariff deficit, through private placements or public issues, in the amount of 5.6 billion euros, of which 0.3 billion euros belongs to EDP Group through its subsidiary Hidrocantábrico.

In addition, EDP was able to execute several project finance in wind-farms at EDP Renováveis level in Spain, Belgium and Romania.

Regarding the indebtedness level reduction target, the company proceed with assets disposals, having agreed in July the selling of the gas transmission business in Spain to Enagás by 262.5 million euros and the selling of 49% equity stake in wind-farms in the US to Borealis by 230 million USD. Finally, and as a result of the strategic partnership with the China Three Gorges, EDP Renováveis agreed in December the first tranche of the selling of wind-farms minority stakes in the amount of 359 million euros.

In the foreign exchange markets, the euro depreciated, on average, 8% against the American dollar, contributing in a positive way to the operating income. Since the euro closed 2012 appreciating 2% versus the American dollar, the debt priced in dollars was benefitted as the company maintains its strategy of financing its investments of US wind-farm assets in local currency. On the contrary, the evolution of the exchange rate between euro and Brazilian real penalized the operating income, as the average euro exchange rate appreciated 8%. The euro closed 2012 gaining 12% versus the Brazilian real when comparing to the end of 2011.

2012 was also a year of important regulatory changes within the electric sector, namely in Portugal, Spain and Brazil.

In Portugal measures were taken to ensure the sustainability of the electric system, which included changes in the capacity payments, in the CMEC, in cogeneration and wind generation tariffs and also the setting of the transfer to the electric

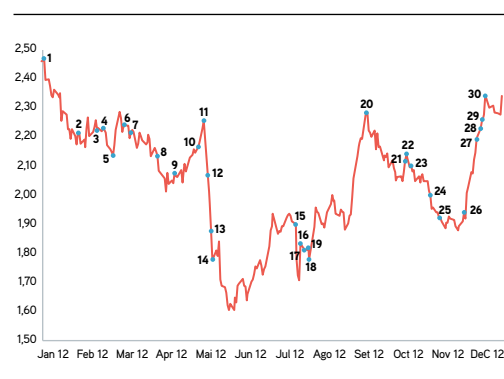
system of the revenues obtained with the carbon dioxide emission licenses auctions.

In Spain some measures were also established to guarantee the future sustainability of the system by means of the approval of two packages. The first one focused on the significant increase of tariffs, on the cut in several cost lines, and also on the channeling of excess funds to the benefit of the electric system. A second package approved by the end of year established taxes and charges over generation revenues and over the fuel consumption to generate electricity and also defined that the revenues obtained from carbon dioxide emission licenses auctions shall be transferred to the electric system.

In Brazil, the new regulatory methodology was applied to Bandeirante since October, including the downward revision of the rate of return on regulated asset base to 7.5% real pre-tax.

In what concerns significant changes in EDP's shareholder structure it is worth to highlight the conclusion of the acquisition process of the 21.35% of EDP's share capital by China Three Gorges on the 11th May, including the nomination of the individual persons to represent China Three Gorges in the General and Supervisory Board.

MAIN MILESTONES IN EDP'S SHARE PRICE IN 2012



#	DATE	DESCRIPTION	PRICE
1	4/Jan	Imputation to China Three Gorges of 21.35% of voting rights	2.470
2	1/Feb	Standard & Poor's downgrades EDP from "BBB" to "BB+" with negative outlook	2.230
3	15/Feb	Moody's downgrades EDP from "Baa3" to "Ba1" with negative outlook	2.239
4	20/Feb	General shareholders meeting	2.244
5	27/Feb	Appointment of representatives for the General Supervisory Board	2.169
6	8/Mar	Disclosure of the financial results for 2011	2.255
7	13/Mar	Appointment of representatives for the General Supervisory Board	2.230
8	3/Apr	Fitch has placed all Spanish utilities and those utilities with sizeable exposure to Spain on Rating Watch Negative	2.158
9	17/Apr	Annual General Shareholders Meeting	2.102
10	4/May	EDP issues EUR 250 million 3 year bond	2.186
11	10/May	Disclosure of the financial results for the first quarter of 2012	2.270
12	11/May	CTG acquires and Parpublica reduces qualified shareholding in EDP	2.097
12	11/May	Appointment of Representatives of CTG for the General Supervisory Board	2.097
13	16/May	Payment of gross dividend of EUR 0.185 per share for the 2011 financial year	1.917
14	17/May	Portuguese Government announces set of measures for the power sector	1.820
15	20/Jul	EDP sells its gas transmission business in Spain to Enagás	1.937
16	26/Jul	China Development Bank Corporation agrees on EUR 1,000 million loan to EDP	1.874
16	26/Jul	Disclosure of the financial results for the first half of 2012	1.874
17	30/Jul	EDP proposes new collective labour agreement	1.854
18	1/Ago	ANEEL approves a 14.29% tariff increase at EDP Escelsa's annual tariff readjustment process	1.859
19	2/Ago	Fitch downgrades EDP to "BBB-" with outlook negative	1.823
20	14/Sep	EDP issues EUR 750 million 5 year bond	2.297
21	17/Oct	ANEEL approves a 11.45% tariff increase at EDP Bandeirante's annual tariff readjustment process	2.142
22	18/Oct	Resignation of José Joaquim de Oliveira Reis from member of the General and Supervisory Board	2.160
23	22/Oct	Bank of China signs EUR 800 million loan with EDP	2.125
24	6/Nov	EDP Renováveis sells a 49% equity stake in 599MW wind farms in the US	2.030
24	6/Nov	Disclosure of the financial results for the third quarter of 2012	2.030
25	13/Nov	EDP issues CHF 125 million 6 year bond	1.958
26	3/Dec	EDP Brasil announces the beginning of the commercial operation of Pécem's first group	1.975
27	13/Dec	EDP sells tariff adjustments relative to the CMEC	2.212
28	14/Dec	EDP Brasil is awarded a PPA for a 219 MW hydro plant at the Brazilian energy auction	2.244
29	17/Dec	ERSE announces tariffs and prices for electricity and other services for 2013	2.270
30	20/Dec	EDPR agrees with CTG on the first investment in minority stakes in wind farms	2.352

CAPITAL MARKET INDICATORS	2012	2011	2010	2009	2008
EDP SHARES ON EURONEXT LISBON (EUROS)					
Opening price	2,391	2,491	3,108	2,695	4,470
Closing price	2,290	2,391	2,491	3,108	2,695
Peak price	2,484	2,920	3,185	3,218	4,760
Minimum price	1,628	1,984	2,376	2,340	2,062
VARIATION IN SHARE PRICE AND REFERENCE INDICES					
EDP Shares	(4.2%)	(4.0%)	(19.9%)	15.3%	(39.7%)
PS120	2.9%	(27.6%)	(10.3%)	33.5%	(51.3%)
Dow Jones Eurostoxx Utilities	(8.8%)	(24.8%)	(14.7%)	15.2%	(38.1%)
Euronext 100	14.8%	(14.2%)	1.0%	25.5%	(45.2%)
LIQUIDITY OF EDP SHARES ON THE MARKETS					
Volume on Euronext Lisbon (EUR million)	2,873.8	4,261.9	6,291.8	4,969.7	9,710.1
Mean daily volume (EUR million)	11.2	16.6	24.3	21.8	37.9
Number of shares traded (million)	1,389.5	1,712.8	2,367.2	1,722.3	2,761.1
Total number of shares issued (million)	3,656.5	3,656.5	3,656.5	3,656.5	3,656.5
Privatised shares at the end of the year (million)	3,505.0	2,936.2	2,936.2	2,936.2	2,936.2
% of capital already privatised	96%	80%	80%	80%	80%
Number of own shares held (treasury stock) as at 31 Dec (million)	31.9	32.4	33.3	34.2	35.7
Annual rotation of capital (privatised shares)	39.6%	58.3%	80.6%	58.7%	94.0%
EDP MARKET VALUE (EUR MILLION)					
Market appreciation at the end of the financial year	8,373.5	8,742.8	9,108.4	11,364.5	9,854.4
TOTAL SHAREHOLDER PROFITABILITY					
Annual variation in share price	(0.10)	(0.10)	(0.62)	0.41	(1.78)
Gross dividend distributed per share in the year	0.185	0.170	0.155	0.140	0.125
Total shareholder return	3.5%	2.8%	(14.9%)	20.5%	(36.9%)
DIVIDENDS					
Dividend per share	0.185	0.185	0.17	0.155	0.14
Dividend yield	8.1%	7.7%	6.8%	5.0%	5.2%

III.9. DIVIDEND DISTRIBUTION POLICY

Since EDP's shares were first admitted to trading on the Lisbon Stock Exchange (now NYSE Euronext Lisbon), every year EDP has performed a judicious, reasoned distribution of dividends in accordance with rules of prudence and creation of value for its shareholders. Pursuant to these rules, the table below shows the dividends distributed by EDP in the last two terms of office of the corporate bodies:

accordance with a programme to be submitted to the General and Supervisory Board as part of the EDP Group's corporate citizenship and sustainable development policy to the amount of up to 0.1% of consolidated turnover.

In accordance with generally accepted accounting principles in Portugal, profits to be distributed in the form of dividends are those calculated after deduction of losses brought forward from previous years and a provision of 5% to increase the legal reserve (until it reaches one fifth of the share

YEAR	APPROVAL DATE	PAYMENT DATE	GROSS DIVIDEND	NET DIVIDEND	
				RESIDENTS	NON-RESID.
2006	12/04/2007	04/05/2007	€ 0.110	€ 0.099	€ 0.099
2007	10/04/2008	08/05/2008	€ 0.125	€ 0.100	€ 0.100
2008	15/04/2009	14/05/2009	€ 0.140	€ 0.112	€ 0.112
2009	16/04/2010	13/05/2010	€ 0.155	€ 0.124	€ 0.124
2010	14/04/2011	13/05/2011	€ 0.170	€ 0.133	€ 0.133
2011	16/05/2012	11/05/2012	€ 0.185	€ 0.139	€ 0.139

For the 2011 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Meeting of Shareholders of 17 April 2012 a proposal for the appropriation of the net profit of 785.8 million euros, 676.5 million euros of which was for distribution to shareholders in the form of dividends. The proposal was approved by a majority of votes (99.9995%) at the General Meeting and a gross dividend of 0.185 euros per share was paid on 11 May 2012.

As required by law, EDP's Articles of Association (Article 30 (1)) set out that the profits of the year should be used for:

- Covering losses from previous years
- Setting up or increasing legal reserves or other reserves required by law
- Setting up or increasing other reserves established by the General Meeting of Shareholders
- Distributing dividends to shareholders
- Awarding bonuses to company directors and employees as part of a profit-sharing scheme, in accordance with criteria defined by the General Meeting of Shareholders
- Making a donation to the EDP Foundation to be used to sponsor worthy initiatives in

capital), taking account of all other limitations under the law and Articles of Association.

DIVIDEND PAYOUT

EDP has followed a sustained policy of dividend distribution that seeks to reconcile strict compliance with the relevant provisions of the law and Articles of Association and division among all its shareholders of a significant portion of the value created by the Group, in keeping with the specific conditions of the company and market. This policy is designed to enable shareholders to obtain an adequate return on their investment without compromising the company's value.

OUTLOOK

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

On the latest Investor Day held on 23 May 2012 with Portuguese and foreign investors and analysts, the goal of proposing to the General Meeting of Shareholders an annual payout

of 55%-65% of the recurring net profit was reinforced, with a minimum of the dividend per share paid in 2011 (€0.185 per share).

III.10. STOCK OPTION/STOCK PURCHASE OPTION PLANS

The only plan to allocate shares or share options currently in effect is described below.

STOCK OPTION/STOCK PURCHASE OPTION PLANS APPLICABLE TO THE MANAGEMENT BODY IN 2003/2005

As part of the variable remuneration of the Chairman of the Board of Directors, the Chairman of the Executive Committee and the members of the Executive Committee in the three-year period from 2003 to 2005, the Remuneration Committee in office during that period provided for the stock option plans in accordance with the qualitative and quantitative assessment for each business year. In accordance with the plan, each stock purchase option can be exercised up to a maximum of 1/3 on each of the anniversaries from the date of allocation of the option plan onwards. Options not exercised expire eight years from the date of allocation.

No options were exercised in 2012, as shown in the table below, which also details all allocations from 2003 to 2005. The option plan allocated in April 2004 was terminated in April 2012 and all unexercised options expired.

DATE OF OPTION	Nº OF BENEF.	N.º OF OPTIONS	OPTION PRICE	DATE OF COMMENCEMENT	DATE OF EXPIRY	Nº OF OPTIONS EXERCISED	
						IN 2012	TOTAL
30/06/2005	6	932,328	2.21	30/06/2006	29/06/2013	0	740,070
02/05/2006	6	1,461,497	2.21	02/05/2007	01/05/2014	0	1,086,554

III.11. BUSINESS AND OPERATIONS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES OR SUBSIDIARY OR GROUP COMPANIES

In 11 May 2012, with the entry into force of the strategic partnership agreement signed with the China Three Gorges Corporation in December 2011, this company (as well as three other companies in the Group) became members of the General and Supervisory Board of EDP.

Subsequently and in the scope of the implementation of this partnership, an agreement was concluded between EDP Renewables Europe and a CTG Group company (CWEI (Hong Kong) Co. Ltd (formerly China Three Gorges International (Hong Kong) Company Limited) in which the parties agree on the sale of a 49% stake in EDP Renewables Portugal, subject to obtaining prior regulatory approvals.

In its normal activity, EDP conducts operations with different entities, including EDP subsidiaries or group companies. These operations are conducted under normal market conditions for similar operations, irrespective of their relevance, and are part of EDP's current activity.

III.12. BUSINESS AND OPERATIONS WITH OWNERS OF QUALIFYING HOLDINGS

In its current activity, irrespective of their relevance, EDP does business and conducts operations under normal market conditions for similar operations with different entities, particularly financial institutions, which include owners of qualifying holdings in EDP and related companies. The operations performed in 2012 are not considered relevant due to their nature or the fact that they are not significant in economic terms.

In this context, in accordance with article 246 (3) (c) of the Securities Code, in 2012 EDP did not conduct any relevant transactions between related parties that materially affected its financial position or performance.

After a detailed analysis of this subject matter in 2008, the General and Supervisory Board approved a set of objective, transparent rules for the identification, prevention and resolution of relevant corporate conflicts of interest, called Framework for handling conflicts of interest. The framework was revised in late 2009.

Following the decision by the General and Supervisory Board, on 17 May 2010 the Executive Board of Directors approved the rules on identification, internal reporting and action in case of conflicts of interests applicable to all EDP Group employees who make decisions in

transactions with related parties. These rules are also available on EDP's website.

In the context of the qualitative improvement of governance practices, on 29 July 2010 the General and Supervisory Board approved regulations on conflicts of interest and business conflicts between EDP related parties, which are available on the EDP website (www.edp.pt). These regulations replaced the Framework for handling conflicts of interest. This set of rules on the prevention, identification and resolution of potential important conflicts of interest has a wider scope of application than that set out in CMVM Regulation 1/2010.

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

The General and Supervisory Board noted that, with respect to the cases it analysed and information provided by the Executive Board of Directors regarding 2012, there was no evidence that potential conflicts of interests in business operations had been resolved in a way that was contrary to the company's interests.

For further information on this matter, please see point 3.5.1 of the Annual Report of the General and Supervisory Board.

III.13. INTERVENTION OF THE SUPERVISORY BODY IN THE PRIOR ASSESSMENT OF BUSINESS BETWEEN THE COMPANY AND OWNERS OF QUALIFYING HOLDINGS

The rules on the issue and waiving of a prior opinion of the General and Supervisory Board were approved on 7 May 2009, along with the procedures for reporting and clarification between it and the Executive Board of Directors.

EDP's Articles of Association establish that the General and Supervisory Board sets parameters for assessment of the economic or strategic value of operations which are subject to its opinion and establishes prompt mechanisms for issuing an opinion in urgent cases or whenever it is justified by the nature of the matter and situations where an opinion can be waived (Article 21 (7)).

In fact a prior opinion from the General and Supervisory Board may only be waived in extremely urgent situations or when the nature of the matter so warrants, as set out in EDP's Articles of Association and the Regulations of the General and Supervisory Board in effect in 2011 (current Article 13 (5)). There are therefore very few situations in which only three members of the Corporate Governance and Sustainability Committee can be consulted.

All matters in which a prior opinion is waived are subsequently appraised at meetings of the General and Supervisory Board and it has the power to resolve any deficiencies or irregularities.

Furthermore, the EDP General and Supervisory Board has set out strict rules on business dealings between related parties in order to prevent conflicts of interest.

III.14. STATISTICS ON BUSINESS SUBJECT TO PRIOR INTERVENTION BY THE SUPERVISORY BODY

In 2012, ten operations with an average value of 285 million euros and a maximum value of 396 million euros were submitted for a prior opinion of the General and Supervisory Board. After waiving of a prior opinion, five operations with an average value of 316 million euros and a maximum value of 466 million euros were submitted to the General and Supervisory Board.

III.15. PUBLICATION OF THE COMMITTEE ON FINANCIAL MATTERS'S ANNUAL REPORTS

The committee's annual report containing a description of its supervision and any constraints that it faced is published in EDP website with the General and Supervisory Board's Annual Report.

III.16. INVESTOR RELATIONS DEPARTMENT

GENERAL DUTIES OF INFORMATION

Access to information on the company activities for investors and potential investors is one of the pillars of EDP's policies and operations. Indeed, a correct understanding of the strategy and financial, accounting and assets situation

and significant events in the life of the company is only possible through transparency and easy access to quality information.

In this context, in 1997 EDP set up the Investor Relations Department with a view to guaranteeing appropriate relations between the company and its shareholders. The department guarantees permanent contact with the market, respecting the principle of shareholder equality and preventing imbalances in access to information by investors.

EDP thus aims to maintain a close, permanent, transparent relationship with all market agents, providing investors with information that can help them to make informed, clear, concrete decisions on investments (or divestments).

FUNCTIONS

The primary function of the Investor Relations Department is to act as a liaison between EDP's Executive Board of Directors and investors and the financial markets in general. As part of its normal activities, it is responsible for all information provided by the EDP Group, including privileged information and other market communications, and for publication of regular financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information they request, while observing the applicable legal and regulatory provisions.

The company representative for market relations is Nuno Maria Pestana de Almeida Alves, member of the Executive Board of Directors. The EDP Investor Relations Department is coordinated by Miguel Viana and is located at the company's head office at:

Praça Marquês de Pombal, n.º 12, 3º Piso

1250-162 Lisboa

Telephone: +351 21 001 2834

Fax + 351 21 001 2899

Email: ir@edp.pt

Website: www.edp.pt

The table below summarises the communication channels that EDP offers its shareholders for information on the types of documentation indicated.

CHANNELS	IN PERSON ¹	WWW.EDP.PT	E-MAIL	IR PHONE NUMBER ²	BY MAIL ³	WWW.CMVM.PT
ELEMENTS REQUIRED BY LAW OR REGULATION ⁴						
Notice of meeting	√	√	√	√	√	√
Board of Directors' proposals	√	√	-	√	√	√
Amendment of the Articles of Association	√	√	-	√	√	√
Other proposals	√	√	-	√	√	-
Annual Report	√	√	√	-	-	√
Management and supervisory positions held in other Group companies by company officers	√	√	-	√	-	√
ADDITIONAL INFORMATION PROVIDED BY EDP						
Ballots for voting by proxy	√	√	√	√	√	-
Ballots for voting by mail	√	√	√	√	√	-
Ballots for voting by e-mail	√	√	√	√	√	-
Clarification of any issues	√	√	√	√	√	-
EDP Articles of Association and Regulations	√	√	√	√	√	√

¹) At EDP's headquarters

²) IR phone number +351 21 001 2834;

³) Written notice from the Chairman of the Executive Board of Directors regarding Annual General Meetings

⁴) Art. 289 of Companies Code and Regulation of CMVM 5/2008

ACTIVITY

EDP wishes communication with the market to take the form of objective, transparent information that is understandable to all stakeholders and financial market agents.

This is only possible with a financial reporting policy based on the transparency and consistency of information provided to investors and analysts, as has been the case.

The company has been making systematic efforts to meet the needs of investors and analysts, which is not an easy task, in view of the sector's complexity, always with the aim of fostering ties of trust with financial agents and markets.

In 2012 research reports on EDP were drafted by 25 institutions. At the end of the year, 11 made recommendations to sell, 10 to maintain and four to sell.

EDP participated in a number of events with investors and analysts in 2012 in order to inform the market of its strategy and its operational and financial performance. The events included roadshows, presentations to analysts and investors, meetings and conference calls.

Investor Day was held in Porto on 22 and 23 May, where the company presented its strategy and business plan for 2012-2014 in all the areas in which it operates. There were 160 participants, including people in different countries and from different areas in the capital markets who watched it on a webcast.

In addition to conferences for investors in Europe and the United States, EDP also invested in meetings in Singapore and Hong Kong, as it had already done in 2011.

More than 350 meetings were held with investors and analysts and 128 market communications were issued in 2012.

The company's efforts have been rewarded at different events. In 2012, EDP received an award in the IR Magazine Europe Awards 2012 as the best European utility company and the best Portuguese company. It came in tenth place in Europe.

In 2012 it was also recognised by the Deloitte Investor Relations & Governance Awards 2011 as the company with the best overall strategy in investor relations and the best annual report and accounts of all the non-financial listed companies on the Portuguese capital market. EDP was awarded Euro Bond of the Year by the International Financing Review. It was the first Portuguese company to receive this prize.

INFORMATION PROVIDED

In addition to the Investor Relations Department and in compliance with CMVM regulations, the EDP website (www.edp.pt) provides full information on legal or corporate governance matters, updates on Group activities and a complete set of financial and operational information with a view to facilitating access to and consultation of information by shareholders, financial analysts and other stakeholders.

The information provided through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, documentation for preparing General Meetings of Shareholders, the performance of EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department and other information on the Group of potential interest. The EDP website enables users to consult or request the financial statements and accounts for any accounting year since 1999.

III.17. REMUNERATION OF EXTERNAL AUDITOR AND STATUTORY AUDITOR

COMPETENCES

KPMG has been EDP's external auditor since December 2004. It is responsible for conducting the necessary audit work to ensure the reliability of financial reporting and the credibility of the accounting documents.

Moreover, considering the scope of services provided by audit firms, EDP takes specific measures to ensure the independence of the external auditor.

The duties of the external auditor include checking compliance with remuneration policies and systems and the effectiveness and operation of internal control mechanisms and reporting any deficiencies to the General and Supervisory Board.

At its meeting on December 16, 2010, the General and Supervisory Board reviewed the internal rules on the commissioning of additional audit services and approved the EDP Regulations on Services Provided by the Statutory Auditor and External Auditor, which are available on the EDP website (www.edp.pt). One major change was the inclusion of Recommendation III.1.5 of the CMVM's Corporate Governance Code regarding the commissioning of additional audit services. In addition to the quantitative limit set in the recommendation, it was determined that the Committee on Financial Matters/Audit Committee had the obligation to refuse to authorise additional audit services if:

- The additional service is prohibited
- In accordance with an objective, reasonable, informed third-party standard, the service may threaten the independence of the Statutory Auditor or external auditor, particularly by not fostering self-review or personal -interests.

Every year, the Committee on Financial Matters/Audit Committee submits to the General and Supervisory Board a draft evaluation of the independence of the external auditor and Statutory Auditor, which is published in the Annual Report of the General and Supervisory Board. The result of this assessment appears in the opinion of the General and Supervisory Board on the annual report attached to the Annual Report of the General and Supervisory Board.

REMUNERATION

KPMG is tasked with conducted external audits of all the companies in the EDP Group, i.e. in Portugal, Spain, Brazil (EDP Renováveis), the USA and the other countries in which the Group operates.

The subgroup of EDP Brasil was forced to make the rotation of the audit firm due to Brazilian law enforcement and KPMG has been replaced by Deloitte.

In 2012, the recognised specialised costs of fees to KPMG and Deloitte for auditing and statutory audits, guarantee and reliability services, tax consultancy and other services in addition to audits of accounts for Portugal, Spain, Brazil, the USA and other countries were as follows:

KPMG

TYPE OF SERVICES	PORTUGAL	SPAIN	BRAZIL	UNITED STATES OF AMERICA	OTHER COUNTRIES	TOTAL
Audit and Statutory Audit of Accounts	2,144,700 ⁽¹⁾	1,587,988	68,170	790,791	516,881	5,108,530
Other Audit Services ⁽²⁾	1,089,950	144,840	75,979	30,677	11,730	1,353,176
Total of Audit Services	3,234,650	1,732,828	144,149	821,469	528,611	6,461,706
Tax Consultancy Service	463,209	164,111	85,099	31,627	0	744,046
Other Additional Services	134,500	68,755	0	0	40,000	243,255
Total of Other Services	597,709	232,866	85,099	31,627	40,000	987,301
Total	3,832,359	1,965,694	229,248	853,095	568,611	7,449,007

(1) Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.

(2) Includes assurance and reliability services of the exclusive competence and responsibility of the Statutory Auditor and External Auditor in accordance with the regulations on services provided approved by the GSB.

DELOITTE

TYPE OF SERVICES	BRAZIL
Audit and Statutory Audit of Accounts	708,928
Other Audit Services ⁽²⁾	138,810
Total of Audit Services	847,738
Tax Consultancy Service	0
Other Additional Services	0
Total of Other Services	0
Total	847,738

Auditing services and statutory audits are required in order to issue opinions on the individual and consolidated financial statements of the parent company and its subsidiaries in Portugal and abroad. These amounts do not include services provided to associated companies or jointly controlled entities.

Regarding the fees for additional services, it should be noted that the EDP Regulations on Services Provided by the Statutory Auditor and External Auditor, which are available on the EDP website (www.edp.pt), not only expressly adopt Recommendation III.1.5 of the CMVM Corporate Governance Code on the hiring of additional services but also requires the Committee on Financial Matters/Audit Committee to refuse to authorise additional services if:

- The additional service is prohibited.
- In accordance with an objective, reasonable, informed third-party standard, the service may threaten the independence of the Statutory Auditor or external auditor, particularly by not fostering self-review or personal -interests.

In order to implement the CMVM recommendation, the EDP Regulations on Services provided by the Statutory Auditor and External Auditor set out the different services in the following categories:

Audit services

- a) Necessary services (including the internal control procedures required as part of audits) for the issue of the external auditor's annual or interim reports on the accounts
- b) Services required for compliance with local legislation (including the internal control procedures required as part of audits) for the issue of legal certifications of accounts
- c) Other services related to those in the preceding points with a specific or limited purpose or scope:
 - Opinion on the Internal Control System for Financial Reporting
 - Opinion on the Consumption Efficiency Plan (PPEC)
 - Opinion on the Environmental Development Plan (PPDA)
 - Opinion on regulated accounts
 - Statements of compliance in the context of contractual agreements
 - Reports on specified accounts, accounting elements or items in an EDP financial statement
 - Comfort letters for the issue of securities.

Additional services:

- a) Other services for guaranteeing reliability – services that take the form of a commitment, on the basis of appropriate, duly identified criteria, to evaluate or quantify a certain element for which a third party is responsible or to express an opinion providing a certain degree of certainty on this element
- b) Tax consultancy – advisory and support services on tax matters
- c) Other non-audit related services – covering all other services not included in the other additional service categories

Pursuant to the Regulations, the Financial Matters Committee/Audit Committee therefore authorised the additional services provided by the Statutory Auditor and the external auditor, stating its agreement with the reasons given by the Executive Board of Directors for hiring these services. The additional services actually provided in 2012 accounted for about 13% of the total value of services rendered by these entities to EDP Group.

III.18. ROTATION OF THE EXTERNAL AUDITOR

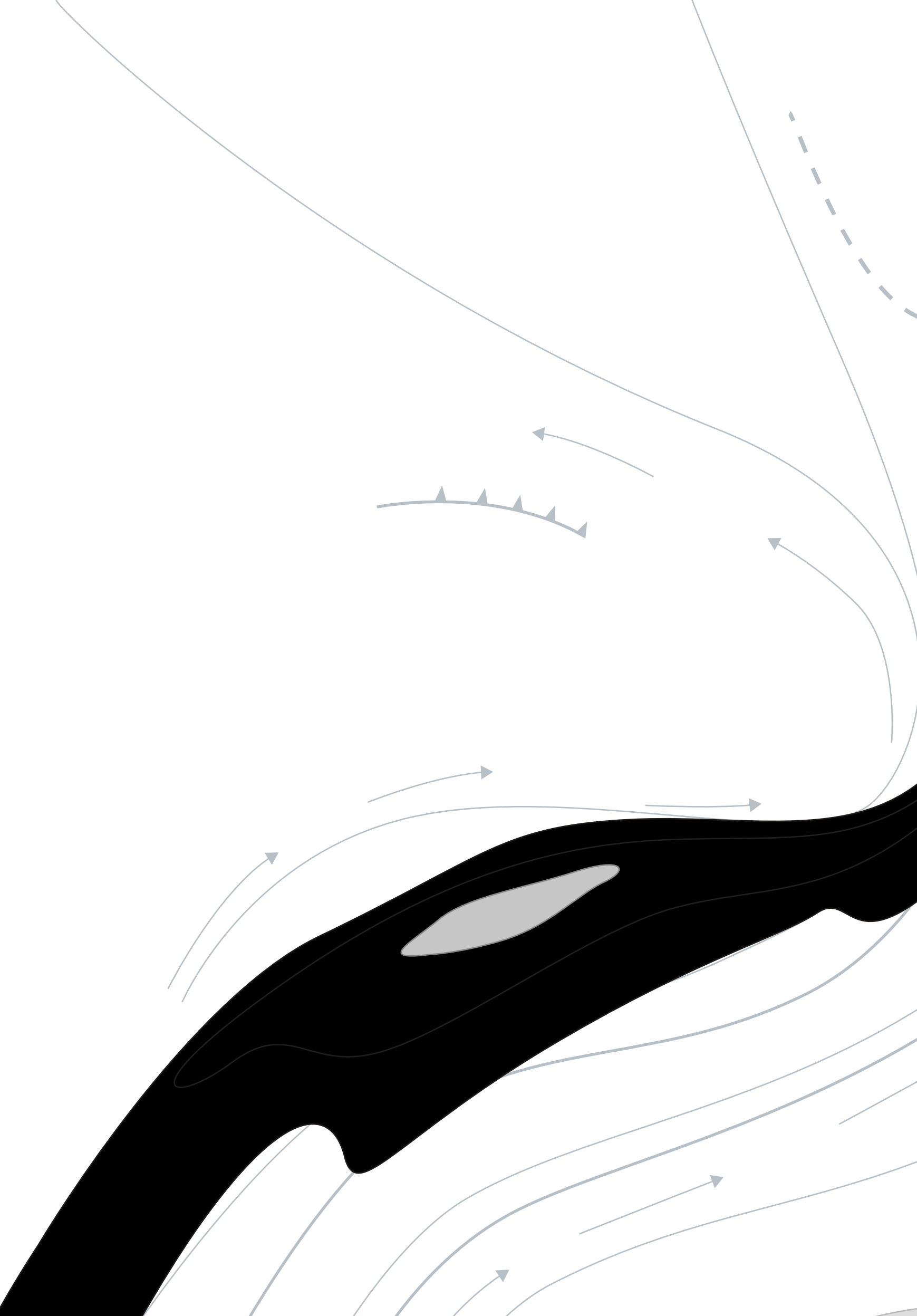
In March 2012, the General and Supervisory Board understood that, given the rigorous evaluation of independence and quality of work performed by KPMG, conducted by Financial Matters Committee/Audit Committee, as well as the consideration of the conditions of independence of the statutory auditor and the external auditor and the benefits and costs associated with its replacement, the maintenance of KPMG showed itself founded in terms of safeguarding the interest of the EDP and its shareholders, without prejudice to the eventual realization during the triennium 2012-2014, an invitation tender for the provision of audit services external, in line with recommendation III.1.3. of 2010 CMVM Regulation.

The Directive No. 2006/43/EC, transposed into national law by Decree-Law No. 224/2008 has established the need for rotation of the partner responsible for the orientation or direct implementation of the statutory accounts at the end of seven years from the date of its appointment.

In this context, at the General Meeting held on April 17, 2012, KPMG, represented by Vítor Manuel da Cunha Ribeirinho, was elected the statutory auditor to exercise functions on the 2012-2014 triennium, adopting, recommendation III.1.3. of CMVM Regulation.

In parallel, and regarding the rotation of the External Auditor, KPMG remains as the external Auditor of EDP, having Vítor Manuel da Cunha Ribeirinho as “partner” in charge of KPMG’s audit replacing Jean-éric Gaign as partner responsible for guidance and direct execution on statutory audit of the EDP group, which represents the adoption of the recommendation III.1.3. of CMVM Regulation.

However, during the year 2012, the General and Supervisory Board has delegated the Financial Matters Committee/Audit Committee monitor this issue and the Commission has presented a proposal to maintain the current statutory auditor and the external auditor by the end of 2013, which will allow the General and Supervisory Board currently in office obtain a deeper understanding of their business, performance and independence. Simultaneously will allow the General and Supervisory Board that will be elected for the triennium 2015-2017 period to have a broader relationship with the statutory auditor and the external auditor that will be elected/hired to the period 2014-2016, with no need for renewal or realization of any tender, when the start of their functions.









**EDP RENOVÁVEIS OPENS
FIRST WIND FARM IN ITALY**

10 WINDMILLS

20 MW | INSTALLED
CAPACITY



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5.1. EDP GROUP'S BUSINESS EVOLUTION

In 2012, the **EDP Group's net profit** reached EUR 1,012 million, compared with EUR 1,125 million in 2011. Net profit decreased 10%, supported by a 3% decrease in EBITDA.

5.1.1. INCOME STATEMENT – EDP GROUP

EUR MILLION	2012	2011	Δ %	Δ ABS.
GROSS PROFIT	5,428	5,436	-0%	-8
Supplies and services	928	901	3%	+27
Personnel costs	582	574	1%	+9
Costs with social benefits	89	61	46%	+28
Other operating costs (net)	201	144	39%	+56
NET OPERATING COSTS	1,800	1,680	7%	+120
EBITDA	3,628	3,756	-3%	-128
Provisions	16	1	-	+15
Net Depreciation and amortisation	1,469	1,488	-1%	-19
EBIT	2,143	2,267	-5%	-125
Capital gains/(losses)	3	21	-87%	-18
Financial Results	(705)	(715)	1%	+10
Results from associated companies	24	19	22%	+4
PRE-TAX PROFIT	1,465	1,592	-8%	-128
Income taxes	283	260	9%	+22
NET PROFIT FOR THE PERIOD	1,182	1,332	-11%	-151
Net Profit attribut. to EDP shareholders	1,012	1,125	-10%	-112
Non-controlling interests	170	207	-18%	-38

EDP consolidated EBITDA fell by 3% year-on-year, to EUR 3,628 million in 2012, penalised by a 22% fall in Brazil (-EUR 147 million) mainly due to tariff deviations (-EUR 67 million due to be recovered in the coming years) and to the delay in the start up of Porto Pecém plant, which originated costs for none fulfilment of energy supply contracted (-EUR 41million). EBITDA from wind operations rose by 17% (+EUR 137 million), backed by portfolio expansion, stronger wind resources and higher prices. EBITDA from operations in Iberia (ex-wind) fell 6% (-EUR 131 million), penalised by regulatory changes in Portugal (-EUR 39 million from interruption of capacity payments) and in Spain (-EUR 18 million); past year's gain from disposal of some gas assets (-EUR 27 million) and restructuring and other costs in long-term contracted generation activity (-EUR 21 million of restructuring costs for the decommissioning of Setubal thermal plant). Forex impact on EBITDA totalled -EUR 19 million reflecting 7% depreciation of BRL and an 8% appreciation of USD versus Euro.

EDP continues to diversify its portfolio geographically: in 2012, Portugal accounted for 46% of the group's EBITDA, Spain for 25%, Brazil for 15%, US for 9% and the Rest of Europe (excluding Iberia) accounted for 5% of EBITDA.

5.1.2. EBITDA – EDP GROUP

EUR MILLION	2012	2011	Δ %	Δ ABS.
Long-Term Contracted Generation Iberia	802.1	838.0	-4%	-36
Liberalised Activities Iberia	316.3	368.5	-14%	-52
Regulated Networks Iberia	1,057.4	1,100.5	-4%	-43
Wind Power	937.6	800.7	17%	+137
Brazil	534.7	681.7	-22%	-147
Other	(19.6)	(33.9)	42%	+14
CONSOLIDATED	3,628.5	3,755.5	-3%	-127

EBITDA from long-term contracted generation, related to Costs for the Maintenance of the Equilibrium System (CMEC) and special regime was 4% lower year-on-year at EUR 802 million in 2012, due to: (i) lower output from our mini-hydro plants (-EUR 17 million on gross profit); (ii) lower results with fuel and CO₂ procurement (-EUR 21 million year-on-year); and (iii) EUR 21 million curtailment.

Gross profit from PPA/CMEC was flat at EUR 900 million in 2012, as the positive impact from higher inflation, higher-than-contracted availability at our CMEC plants and by the commissioning of Sines DeNOx facilities was offset by lower results with fuel and CO₂ procurement costs (EUR 0.8 million in 2011, -EUR 20 million in 2012).

The annual deviation between market gross profit under CMECs assumptions and gross profit under actual market conditions ('revisibility') amounted EUR 491 million in 2012, propelled by a very dry weather (hydro production factor fell 52% short of an average year). The deviation at our hydro plants amounted EUR 272 million in 2012 driven by an output 54% below the CMEC's reference, average realised price in line with the CMEC's reference and availability rates at our plants 4% above contracted level. The deviation at thermal plants in 2012 (EUR 219 million mostly related to Sines coal plant) derived from an average clean dark spread 48% short of CMEC's reference, while availability rates and output exceeded the CMEC reference by 7% and 2% respectively.

Gross profit from special regime fell 19% year-on-year, to EUR 88 million in 2012, penalised by higher gas costs in cogeneration and very low output at our mini-hydro plants: -42% year-on-year due to scarce hydro resources, particularly in nine months of 2012.

EBITDA from liberalised activities in Iberia was 14% lower year-on-year, at EUR 316 million in 2012, supported by (i) +EUR 13 million of electricity gross profit (ii) -EUR 20 million of gross profit in the gas supply business and (iii) +EUR 33 million of operating costs.

In December 2012, EDP started up operations at Alqueva II, a 256MW repowering with pumping. In fourth quarter of 2011, EDP kicked-off operations at Picote II and Bemposta II, two repowerings totalling 437MW.

In the **electricity business**, gross profit was 1.7% higher year-on-year, at EUR 743 million in 2012, as higher average unit margin earned before hedging (+€5/MWh to €12.8/MWh) offset by the impact from lower total volumes (-8%) and lower results from hedging. As from 1 June of 2012, capacity payments in Portugal were interrupted, confining its contribution to 2012 gross profit to EUR 7 million in first five months of 2012 compared with EUR 45 million in 2011.

Volumes sold totalled 44TWh in 2012 (-7.8% year-on-year), reflecting a lower contribution from wholesale market (-17%) and lower sales to retail clients (-1.5% year-on-year despite an 8% increase in Portugal).

Output from our coal plants rose by 25% in 2012, mainly supported by coal plants' cost-competitiveness vis-a-vis CCGTs. Average load factor advanced 10pp, to 52% in 2012 (58% in fourth quarter 2012). Soto 3 plant is producing electricity under the terms of RDL 1221/2010. In 2012, Soto 3 output totalled 1TWh. Our average production cost reached €36/MWh (+13% year-on-year), mainly driven by higher CO₂ costs net of free CO₂ allowances.

Output from our CCGT plants declined by 55% in 2012, impacted by higher production cost. As a result, average load factor was 11pp lower year-on-year, at 9% in 2012. Average production cost reached €79/MWh in 2012, driven by higher average gas cost and lower production.

Output from our hydro plants in 2012 was 18% higher year-on-year, following a 90% year-on-year increase in fourth quarter 2012 backed by normalised hydro resources and additional capacity in place. The contribution from Alqueva II, in place since 1st December 2012, was still limited. The rise in average cost of hydro production to €9.6/MWh derived from the more intense pumping activity (626GWh in 2012 versus 346GWh in 2011). Pumping activity was concentrated at our Alqueva plant, implying an average discount to the pool price of c30% compared with c40% in 2011.

Output from our nuclear plants rose by 1.5% in 2012 backed by an average load factor of 90% (+1pp year-on-year).

The average sourcing cost was almost flat in 2012, as higher average generation costs of the electricity generation (+4.4% prompted by a more intense hydro pumping activity) were offset by higher contribution from cheaper electricity purchases. The average selling price advanced 8.7% in 2012 driven by higher average selling prices to retail clients following an increase in the share of residential consumption in the mix.

In December 2012, the Spanish government has made regulatory changes, which aim to ensure the sustainability of the electricity sector, including a 7% tax on revenues and different taxes rates over gas/coal consumption, as well as on the use of water and nuclear waste.

In the **electricity supply business in Spain**, volumes supplied to our clients in the free market decreased 5% year-on-year to 19.5TWh in 2012, while the number of clients supplied went up by 10% year-on-year, translating EDP's strategy to focus on most attractive clients, even though at the expense of lower volumes, therefore reducing the risk of the company's clients portfolio. Market share fell by a slight 1pp to 11% in 2012, with EDP still maintaining a supply market share that is roughly the double of its share in generation.

In the **electricity supply business in Portugal**, volumes supplied to EDP clients in the free market increased by 8% year-on-year to 9.9TWh in 2012, sustained by contracting some large industrial clients in mid-2011 and by a strong increase of our B2C electricity clients base, on the back of the current liberalisation process. All in all, EDP's market share stood at 40% in 2012, down from 42% in 2011, which is in line with EDP's strategy to focus on the more attractive residential/SMEs segments.

Our **gas sourcing activity** in 2012 is based on an annual 4.3bcm portfolio of long term contracts, which flexibility has been enhanced through several contract renegotiations including changes in take or pay levels. Moreover, rather than solely using volumes available for electricity generation and for the sale to clients in the free market, EDP has chosen, together with its major gas

suppliers, to divert gas to international markets, where market conditions prove to be more attractive. As a result, our consumption of gas was 14% lower year-on-year, at 44TWh (3.7bcm) in 2012, supported by lower sales to final clients (-4.8%) and a 30% decrease in consumption for electricity generation purposes.

Volumes of **gas supplied to our clients in the free market in Spain** decreased 2% year-on-year to 27.6TWh in 2012, in line with the reduction of the number of clients supplied in the same period, which reflects our selective clients contacting policy in a tough retail market environment. Market share fell slightly from 11% in 2011 to 10% in 2012.

Volumes of **gas supplied to our clients in the free market in Portugal** fell 10% year-on-year to 6.1TWh in 2012, reflecting lower demand and a competitive market, namely in the B2B segment. Volumes supplied in fourth quarter 2012 rose 14% quarter-on-quarter to 1.6TWh, while the number of clients went up from 29 thousands as of September 2012 to 56 thousands as of December 2012. All in all, EDP gas supply market share increased by 2pp year-on-year to 17% in 2012.

In accordance with the **rules and calendar defined for the liberalisation of electricity supply in Portugal**, clients of EDP Serviço Universal (electricity last resort supplier in Portugal) has to choose if they want to remain under regulated tariffs after certain dates (July 1st, 2012 for clients with contracted power above 10.35 kVA, and January 1st, 2013 for clients with contracted power below 10.35 kVA – excluding consumers entitled to a social tariff) and pay a transitory tariff, which can be subject to quarterly updates. The aim of this is to incentive consumers to move to the free market. In line with this, in July 2012 the Portuguese regulator introduced a 2% increase on regulated tariffs set for residential consumers with contracted power above 10.35kVA; and non-residential consumers, which were already under a higher transitory tariff since January 1st, 2011. All of this led to a strong level of switching of electricity consumers to the free market over fourth quarter 2012 (total number of consumers in free market rose 43% quarter-on-quarter from 742 thousands by September 2012 to 1,064 thousands by December 2012). In this period, EDP, through its subsidiary for energy supply activities in Portugal, EDP Comercial, managed to increase the number of electricity clients by 56% quarter-on-quarter, to 853 thousands by December 2012, which represented 80% of the total number of clients in free market. The 90% quarter-on-quarter increase in the number of EDP's gas clients was driven both by a more advanced level of liberalisation in gas supply and a strong increase of dual-offer contracting.

Regulated networks activity in Iberia includes our activities of distribution of electricity and gas in Portugal and Spain and our activity of transport of gas in Spain.

EBITDA from regulated networks decreased 4% in 2012 amounting to EUR 1,057 million reflecting the following events from both years: (i) EUR 15 million from the application of IFRIC18 in electricity distribution in Spain (El Musel infrastructures) in third quarter 2012, (ii) EUR 13 million positive impact in third quarter 2012 at the level of gas distribution in Portugal, (iii) EUR 11.6 million tariff deviations from previous years accounted in gas distribution in Portugal in second quarter 2011, (iv) the sale of transmission assets to REE (+EUR 27 million) in first quarter 2011 and (v) EUR 21 million intra-group real estate gain in second quarter 2011 (no impact at consolidated level). Excluding

these impacts, EBITDA decreased 1% year-on-year (-EUR 11 million) due to a combined impact from 8% decrease of regulated revenues in electricity distribution in Spain due to regulatory changes unveiled in March 2012; higher impact from insurance compensations in electricity distribution in Portugal in 2011 due to bad weather (-EUR 8 million) and higher income related to the application of IFRIC18 in electricity distribution in Spain in 2011 (-EUR 9 million even considering the event explained above), which compensated the rise in Portugal distribution grid regulated revenues following an increase in rate of return from 8.56% in 2011 to 10.05% in 2012.

Regulatory receivables in Iberia increased by EUR 977 million, from EUR 1,644 million in December 2011 to EUR 2,621 million in December 2012, driven by an increase of EUR 1,067 million in Portugal and a decrease by EUR 89 million in Spain. Regulatory receivables in Iberia includes tariff adjustment in electricity and gas in Portugal and Spain and revisibility component associated to CMEC.

EBITDA from electricity distribution and last resort supply activities in Portugal were flat in 2012. Excluding a EUR 21 million intra-group real estate gain in second quarter of 2011 (no impact at consolidated level), EBITDA increased by 3% (+EUR 21 million). The increase in EBITDA was supported mainly by higher regulated rate of return on assets and lower sensitivity to changes in consumption.

In 2012, electricity distributed was 4% lower year-on-year driven by the residential, SME and public lighting segments, following the reducing of households' disposable income and increase in taxation over electricity consumption (VAT up from 6% to 23% from October 2011 onwards). The 0.7% decline in the number of supply points had an immaterial impact at gross profit level.

Distribution grid regulated revenues increased by 8% to EUR 1,260 million in 2012, essentially on the back of: (1) a EUR 44 million positive impact due to an increase of return on RAB (from 8.56% in 2011 to 10.05% for 2012). The final asset remuneration was set in 10.05% indexed to average Portuguese Republic 5Y CDS between October 2011 and September 2012 (1,000.5 bp) and (2) a EUR 9 million negative impact from volumes distributed below regulator forecast (47.6TWh for 2012).

Last resort supplier regulated revenues decreased by 13% to EUR 93 million following the switching of clients to liberalized suppliers, in line with the calendar of increasing liberalization of the Portuguese electricity supply market. Volume of electricity supplied by our last resort supplier fell 20% year-on-year to 19.8TWh and as a result market share in electricity supply dropped from 53% in 2011 to 44% in 2012.

EBITDA from our electricity distribution activity in Spain decreased 28% (-EUR 52 million) year-on-year to EUR 130 million in 2012 mainly reflecting: i) the inclusion of EUR 27 million gain related to the sale of transmission assets to REE in 1Q11; ii) higher impact from the application of IFRIC18 in 2011 (-EUR 9 million) including the impact of EUR 15m other operating income in third quarter 2012 consequence of the application of IFRIC18 associated to the start-up of substation in Gijón (Asturias) and iii) negative impact from RDL 13/2012 which implied a 8% decrease of regulated revenues in 2012 (-EUR 13 million). Excluding the impact of sale of transmission assets and application of IFRIC18 associated to the start-up of a new substation, EBITDA decrease 25% year-on-year (-EUR 39 million).

Electricity distributed by HC Distribución, essentially in the region of Asturias, decreased by 5% year-on-year due to lower demand from industrial segment.

EBITDA from gas regulated networks in Spain went up 2% year-on-year (+EUR 3 million) to EUR 215 million in 2012, due mostly to a 3% increase of regulated revenues (+EUR 7 million).

Regulated revenues rose 3% year-on-year backed by a 1% increase in the number of supply points and the 2% increase of our network's extension. The 15% increase of volume of gas distributed through the distribution network to 55.8 GWh was mostly driven to the connection to our network of new Repsol refinery in Cartagena (Murcia region).

In July 2012, EDP has reached an agreement with Enagás (90%) and Ente Vasco de la Energía (10%), the public entity controlled by the government of Spain's Basque Country region, for the sale of the gas transmission assets in Spain (2011 EBITDA: EUR 23,7 million and 2012 EBITDA: EUR 26.7 million). The completion of the transaction occurred in February 2013 with an agreed transaction price that represents an enterprise value of EUR 258 million (EUR 245 million paid by Enagás for 90% of the shares and the entire intra-group debt).

In July 2012, ERSE recognised that EDP has the right to receive EUR 13.5 million (capital plus interests) in 3 annual installments until 2015/2016 related with the economic and financial balance of concession agreement. This way, EDP accounted in third quarter 2012 one revenues amounting to EUR 13 million. **EBITDA from gas regulated activities in Portugal** increased 9% year-on-year (+EUR 5 million) to EUR 62 million in 2012 on the back of revenues explained above and EUR 11.6 million tariff deviations from previous years accounted in second quarter of 2011 based on a decree-law published in Portugal, which allow tariff deviations to be accounted on the same way as electricity. Excluding these impacts, EBITDA increased by 8% year-on-year (EUR +4 million).

Gas volumes distributed in Portugal went up 3% year-on-year supported by the 7% year-on-year increase in the number of supply points, justified by a systematic effort of client connection on existing grids in the region operated by EDP.

In June 2012, ERSE set the gas tariffs for the regulatory period from July 2012 to June 2013, defining a 9% return on assets resulting on annual regulated revenues of EUR 63 million.

EDP Renováveis owns and operates EDP Group wind and solar power assets and develops projects for new renewable capacity. The two main markets in which EDP Renováveis operates are Spain (36% of EDP Renováveis's EBITDA in 2012) and USA (33%). Other markets include Portugal (12%), France, Poland, Romania, Belgium and Brazil (the latter 5 representing 19% of EDP Renováveis's EBITDA in 2012).

EDP Renováveis' EBITDA rose 17% year-on-year (+EUR 137 million) to EUR 938 million in 2012. Installed capacity rose 6% year-on-year (+440MW) to 7.6GW by December 2012. Note that in 2012 EDP Renováveis entered the solar PV technology by commissioning 39MW in Romania and completed its first wind farm in Italy (40MW). Average load factor was stable at 29% and average selling prices went up 10% year-on-year to €63/MWh, with all of the regions where EDP Renováveis operates showing positive contributions (in local currency: Europe +7%; United States of America +3% and Brazil +3%).

The major contributors to this EBITDA were: (1) European markets ex-Iberia (+EUR 78 million year-on-year), following 113MW of new capacity

(26% of total additions; Romania: +65MW; Italy: +40MW; France: +8MW), higher average, load factors (+1pp to 24%) and higher average selling prices (+12% year-on-year to €107/MWh) – 2012 EBITDA includes EUR 32 million gain related to the allocation of PPA in several companies; (2) Spain (+EUR 61 million, including hedging results), reflecting 110MW of new capacity (25% of total added), higher average load factors (+1pp to 27%) and higher average selling prices (+6% year-on-year to €88/MWh); and (2) the United States market (+EUR 47 million), reflecting +EUR 24 million from Forex (8% year-on-year appreciation of the USD versus the EUR), +215MW of capacity (49% of total additions), a steady 33% average load factor and an increase of the average selling price (+3% year-on-year to USD47/MWh).

In **United States of America**, installed capacity rose 215MW, to 3,637MW in 2012. Output under PPA contracts went up 10% year-on-year, reflecting the contribution of PPAs signed over previous periods (359MW of merchant capacity: 184MW which PPA started in January 2012 and 175MW which PPA started in June 2012). Average selling price (excluding revenues from PTCs) for energy sold through PPA/Hedged increased 2% year-on-year to USD52/MWh, reflecting the price escalators annual updates. Average selling price for merchant wind farms improved 3% year-on-year to USD31/MWh, reflecting some recovery in the last few months, but still at very low prices. Overall, average selling price in US increased 3% year-on-year to USD47/MWh in 2012. Note that in fourth quarter 2012, EDP Renováveis concluded the sale of a 49% equity stake in a 599MW wind farms' portfolio to Borealis for USD230 million (EUR 176 million). Average load factor remained stable at 33% in 2012.

In **Spain**, in 2012, EDP Renováveis expanded its portfolio in Spain by 110MW reaching 2.3GW of installed capacity. Average load factor improved 1pp year-on-year to 27% in 2012, while electricity generated went up by 11% year-on-year to 5.1TWh in 2012. Average selling price for capacity under the transitory regime reached €88/MWh (excluding hedging results), down 3% year-on-year on lower average achieved pool prices (-6% year-on-year), while average selling price for capacity under RD661/2007 was €83/MWh, up 7% year-on-year. Note that in 2012, 88% of the generation (4.5TWh) was sold without exposure to market prices, through fixed tariffs (2.3TWh), hedges (2.0TWh) or fixed floor mechanism (0.1TWh), while only 12% (0.6TWh) were sold at market prices plus €38.3/MWh premium. Overall, average selling price in Spain, including hedging results, rose 6% year-on-year to €88/MWh, following better hedging prices (€52/MWh versus €44/MWh), the strategic decision of choosing the fixed tariff option under RD 661/2007, inflation indexation and lower production sold at market prices (-26% year-on-year).

In **Portugal**, EDP Renováveis has 615MW of wind capacity remunerated under the 'old tariff regime', with tariffs set for 15 years and indexed to both CPI and annual operating hours. In September 2012, an extension to this tariff scheme was agreed, under which EDP Renováveis will annually invest EUR 3.6 million between 2013 and 2020 for an additional 7 years of a new framework with cap and floor selling prices of €98/MWh and €74/MWh, respectively, to be applied from the 16th year of operation of the wind farm. In 2012, average load factor was stable at 27%, while wind production increased 4% year-on-year to 1.4TWh in 2012. Average tariff rose 3% year-on-year to €102/MWh, reflecting inflation indexation, voltage dips remuneration and the adjustment by working hours indexation. Still in Portugal, ENEOP consortium

(equity consolidated), licensed to build 1,200MW of wind capacity (480MW attributable to EDP Renováveis) had an installed capacity of 974MW (390MW attributable to EDP Renováveis). Note that in December 2012, EDP Renováveis executed its first minority stake transaction with CTG, selling a 49% equity stake, and 25% of the shareholders loans, in its 615MW of wind capacity in operation and in 29MW ready-to-build (all in Portugal), for EUR 359m (cash-in expected in the first half of 2013).

In **European markets out of Iberia**, EDP Renováveis installed 113MW over the last 12 months (including the first 40MW in Italy), increasing its capacity to 951MW as of December 2012. Output rose 30% year-on-year to 1.7TWh in 2012, reflecting the new capacity brought on stream, while average load factor improved 1pp to 24% in 2012. Average selling price rose 12% year-on-year to €107/MWh, driven by the strong increase of prices in Romania (+61% year-on-year in local currency) and by its higher weight of wind production (28% versus 18% in 2011).

In **France**, EDP Renováveis has 314MW of capacity (+8MW year-on-year). Wind power in France is sold through fixed tariffs indexed to inflation for 15 years. In 2012, average tariff was €89/MWh (+2% year-on-year). In Belgium, our 57MW wind farm sells its power through a 5 year PPA (2014 maturity) at a fixed selling price of €112/MWh. In Italy, EDP Renováveis commissioned its first 40MW of wind capacity, which will receive 'market price plus green certificate' until 2015 (green certificate price set at 0.78 x (€180/MWh - previous year average market price); after 2015, it will be absorbed into a 'pool + premium' scheme (premium of €180/MWh minus previous year average market price).

In **Poland**, EDP Renováveis has 190MW of installed capacity: (i) 120MW from Margonin wind farm, which power is sold in the wholesale market and for which EDP Renováveis has a 15 years long term contract for the sale of the green certificates (GCs); and (ii) 70MW from Korsze wind farm, which output is sold through a 10 year PPA. In 2012, average selling price was PLN427/MWh, down 5% year-on-year mostly due to lower wholesale prices in one of the wind farms.

In **Romania**, EDP Renováveis has 350MW of capacity (+65MW year-on-year), of which 39MW are solar PV. Wind production is sold at 'market price plus green certificate', which value is subject to a floor and a cap set in Euros (for 2012, floor was set at €28.2/MWh and the cap at €57.4/MWh). In 2012, average selling price was up 61% year-on-year to RON608/MWh, following the implementation of the 2 green certificates scheme per MWh produced, in place until 2017. Note that solar PV energy is entitled to receive, in addition to the electricity price, 6 green certificates per MWh produced in the first 15 years of operation.

In **Brazil**, EDP Renováveis has 84MW in operation remunerated through long term contracts (20 years). In 2012, average load factor fell 4pp year-on-year to 31%, given a change in production mix, as a 70MW wind farm (Tramandai) started operations in May 2011, during one of the best wind resource season of the year. Average selling price went up 3% year-on-year to BRL 286/MWh, on inflation update.

EDP Energias do Brasil's contribution to consolidated EBITDA declined 22% year-on-year, penalised by unfavourable forex impact (-EUR 42 million in the wake of a 7% depreciation of BRL versus EUR) and by a 15% (-BRL 245 million) decline in local currency EBITDA. In local currency, EBITDA in distribution declined by 26%, backed by increasing negative tariff deviation. EBITDA in generation dropped by 7% in

local currency, due to the negative contribution from Pecém's coal plant following the delay in commercial operation start-up (-BRL 104 million).

In **electricity distribution in Brazil**, EBITDA in 2012 dropped 26% year-on-year, penalised by negative tariff deviations, justifying the -BRL 231 million difference between regulated revenues and gross profit in 2012. EBITDA was also affected by: (i) negative impact from ANEEL's directive under which the amounts collected from industrial clients for power demand above contracted levels must be registered as investment subsidies and not as operating revenues (BRL 46 million in 2011) and (ii) positive impact of BRL 102 million from the distribution asset revaluation due to the re-estimation of the compensation of distribution concessions in Bandeirante and Escelsa (Escelsa's concession will expire in July 2025 and Bandeirante's in October 2028) on the back of the Provisory Act No. 579. The Provisory Act No. 579 led to the decrease of the electricity costs mostly by reducing the sector costs, namely charges on electricity (pass-through cost for distributors) and also generation costs related to the concessions' renewal conditions.

Volume of electricity sold rose 3.2% year-on-year, reflecting an increase in the residential, commercial & other segments of 6%, justified by the increase of 3.6% in the number of clients and also of the consumption of electricity per capita. On the other hand, the industrial segment partially compensated by declining 4.8% due to the lower industrial activity in Bandeirante's area as well as migration of clients to the free market. Electricity distributed rose 1.5% in 2012 penalized by lower volumes of energy distributed to clients in the free market.

Bandeirante's regulatory review for the period 2011-15, was approved in October 2012 by ANEEL. The gross Regulated Asset Base was set at BRL 3,000 million and the net RAB at BRL 1,545 million, both 27% above the figures in the previous regulatory period. It was also defined a 7.29% increase in Bandeirante's tariff for the period from October 2012 to October 2013 already including the regulatory review impact. The financial adjustment resulting from the tariff freezing between October 2011 and October 2012, including the non-application of the new regulatory methodology, which amounts to BRL 78 million will be returned by Bandeirante to tariffs in three annual installments with the first one included in this tariff readjustment and the remaining in the following two annual tariff readjustments. Regarding Escelsa, in August 2012 ANEEL set a 14.29% tariff increase for the period from August 2012 to August 2013 on the back of the annual tariff readjustment process. Escelsa's new regulatory period will start in August 2013.

EBITDA in our **electricity generation activities in Brazil** went down 7% since the inflation update on PPA's selling price was more than compensated by the negative contribution from Pecém's coal plant (-BRL 104 million in 2012)

due to the delay of the start of its commercial operation. The negative impact from hydro plants energy purchase in fourth quarter 2012 prompted by the extreme dry weather was offset by the energy sold in the spot market in first half 2012.

Electricity volumes sold increased 13% year-on-year reflecting the increase of the installed capacity. Average selling price increased 6% year-on-year in 2012 supported by the update of prices to inflation. Almost all EDP Brasil's installed capacity is contracted under PPA long term contracts.

In December 2012, EDP Brasil was awarded a PPA for Cachoeira Caldeirão hydro plant, a 219MW project with an average 129.7 MW contracted for a 30-year period at a price of BRL 95.31/MWh. The hydro plant PPA starts in January 2017 and the project will have an expected investment of BRL 1.1 billion and estimated leverage of 60%.

The trading and supply activity in Brazil

is carried out by our EDP Comercializadora subsidiary in the free market essentially through a service of energy sourcing to large industrial clients without incurring in material energy market risk. In 2012, gross profit in supply declined BRL 19 million as the 14% increase of volumes were more than compensated by lower unit margins due to higher costs of energy purchased.

EDP Group's net controllable operating costs (supply and services, personnel costs, costs with social benefits and other operating costs (net)) rose 7.1% (+EUR 119 million), to EUR 1,800 million in 2012, driven by a EUR 64 million increase in operating costs and a EUR 55 million rise in other net operating costs. Operating costs rose by 4%, to EUR 1,600 million backed by: (i) +3% in Iberia, prompted by higher costs related to clients' switching to the free market, as part of the liberalisation process, and by an increase of restructuring costs, (ii) +13% at EDP Renováveis backed by larger scale of operations and Forex impact (USD appreciation); and (iii) a 1% fall in Brazil supported by favourable forex impact.

Financial results totalled -EUR 705 million in 2012, mainly driven by a 7% rise in average net debt coupled with lower average cost of debt (-10bp to 4.0%); lower impairment on our financial stake at BCP (EUR 58 million in 2011 and EUR 5 million in 2012) and lower provisions due to a litigation process with a client in Brazil (EUR 22 million in 2011).

Consolidated capex totalled EUR 2,011 million in 2012, standing 7% below 2011. Expansion capex was 6% lower year-on-year, backed by lower expansion in wind & solar (-27% year-on-year) and higher capex in liberalised activities (new hydro in Portugal) and Brazil (new hydro and coal capacity). Maintenance capex was 8% lower year-on-year, at EUR 692m mostly reflecting the completion of DeNOx facilities at our Sines coal plant in 2011. In 2012, hydro & wind capacity absorbed 88% of expansion capex.

5.1.3. CAPEX – EDP GROUP

EUR MILLION	2012	2011	Δ %	Δ ABS.
Long-Term Contracted Generation Iberia	44.1	58.9	-25%	-15
Liberalised Activities Iberia	524.2	465.4	13%	+59
Regulated Networks Iberia	403.6	404.8	-0%	-1
Wind Power	606.5	828.7	-27%	-222
Brazil	388.4	341.2	14%	+47
Other	43.8	61.7	-29%	-18
EDP GROUP	2,010.7	2,160.6	-7%	-150
EXPANSION CAPEX	1,318.6	1,408.2	-6%	-90
MAINTENANCE CAPEX	691.9	752.4	-8%	-60

Capex in new hydro capacity in Portugal (34% of expansion capex) totalled EUR 442 million in 2012, the bulk of which devoted to the conclusion of Alqueva II (EUR 28 million in 2012; total accumulated capex of EUR 187 million), a 256MW hydro repowering with pumping which started operations in December 2012; and the ongoing construction/repowering works in 5 other plants (EUR 359 million in 1,468MW due in 2014/16): 2 repowerings (963MW) and 3 new plants (505MW).

Capex in new wind and solar capacity (46% of expansion capex), at EDP Renováveis level, totalled EUR 607 million and was mainly incurred in the construction of +440MW new capacity in US (+215MW), Spain (+110MW), Romania (+65MW, of which 39MW of solar PV), Italy (+40MW), France and Portugal (+10MW).

In Brazil, capex totalled EUR 388 million, of which: i) EUR 114 million were invested in the construction of Pecém, a 360MW coal plant to be concluded in first quarter of 2013 – the first group (total accumulated capex of EUR 324 million) was commissioned in December 2012, while the second group (EUR 327 million already invested) has started the synchronisation with the electric system in February 2013; and ii) EUR 152 million in the construction of Jari, a new 373MW hydro facility due in 2015; and in the repowering of Mascarenhas (5MW which started operations in February 2013).

EDP Group's consolidated net debt at the end of 2012 amounted to EUR 18,233 million.

As at December 2012, the Group's gross nominal debt totalled EUR 20,076 million. When compared to December 2011, the Group's debt was nearly EUR 1,668 million higher, mostly due to the execution of the planned investment programme.

EDP Group's consolidated net debt at the end of the 2012 amounted to EUR 18,233 million, due to (i) the amount of cash and equivalents and other as at December 2012 that stood at EUR 1,695 million, which was held, mainly, at EDP SA and EDP Finance BV (EUR 1,169 million), EDP Renewables (EUR 246 million), and the Group's Brazilian subsidiaries (EUR 212 million), and (ii) the collateral deposits in the amount of (EUR 428 million).

In terms of maturity, EDP Group's nominal consolidated debt breaks down into 17% in short-term and 83% in medium and long-term, with an average maturity of 4 years.

During 2012, EDP Group maintained its policy of centralizing funding at EDP S.A., EDP Finance B.V. and EDP Sucursal, which represented 86% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings (8%) and project finance debt mainly from the subsidiaries of the EDP Renewables Group (5%) and EDP Produção Group (1%).

In the first half of 2012, EDP S.A. issued a new retail bond in the Portuguese market in the amount of EUR 250 million, for a 3 year period. In the second half of the year, the EDP Finance BV took advantage of a period of lower volatility in international capital markets to issue a 5 year Eurobond in the amount of EUR 750 million, and a CHF 125 million bond, with a tenor of 6 years, both under the MTN programme. These issues allowed EDP to reach different markets and investors and to strengthen its liquidity position.

In August, EDP signed a bilateral loan with China Development Bank for a total of EUR 1,000 million, with a 5 year tenor. This loan is part of the commitments set out in the strategic partnership established between EDP and China Three Gorges, which was announced on December 2011.

In October, EDP signed a EUR 800 million Multicurrency Term Facility Agreement with Bank of China, with a 3 year tenor.

In January 2013, EDP entered into a 5 year Euro term loan in the amount of EUR 1,600 million. This new facility, involving 16 domestic and international banks, is intended to replace the existing EUR 925 million revolving credit facility maturing in April 2013 and the EUR 1,100 million revolving credit facility maturing in November 2013.

During 2012 the Group received EUR 301 million from the FADE, the Spanish Electricity Deficit Amortisation Fund, through its subsidiary HC Energía.

The Group contracted in March three project finance for wind farms in Spain, in the total

5.1.4. DEBT - EDP GROUP

EUR MILLION	DEC 2012	DEC 2011	Δ %
DEBT - SHORT TERM	3,496	2,706	29%
Bonds	640	1,655	-61%
Bank loans	2,519	724	248%
Other loans	15	15	8%
Commercial paper	322	312	3%
DEBT - LONG TERM	16,580	15,702	6%
Bonds	9,771	8,817	11%
Bank loans	6,535	6,791	-4%
Other loans	77	94	-18%
Commercial paper	197	0	100%
NOMINAL DEBT	20,076	18,408	9%
Collateral Deposits	(428)	(68)	527%
Interest accrued	332	304	9%
Fair value hedge adjustments	115	72	60%
Fair Value of Hedging Derivatives	(166)	(105)	58%
TOTAL FINANCIAL DEBT	19,928	18,612	7%
CASH AND EQUIVALENTS AND OTHER	1,696	1,732	-2%
NET DEBT	18,233	16,880	8%

amount of EUR 125 million, in July one project finance in Belgium in the amount of EUR 57 million and in December a project finance in Romania in the amount of EUR 57 million.

Maintaining a prudent financial management policy, by December 2012 EDP Group had access to EUR 1,883 million of available credit lines and EUR 300 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.

Additionally the Group has a EUR 1,000 million Euro Commercial Paper programme (ECP) at EDP SA level and a EUR 500 million "Pagarés" programme at HC. Both programmes are not committed, being used for the Group short term treasury management. As at 31 December, the total amount issued of ECP and "Pagarés" amounted to EUR 21.7 million.

In 2012, the average cost of debt of the EDP Group was 4% and approximately 44% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency of EDP at 74%. The USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 18%.

5.1.5. RATING

In February 2012, following the downgrade of the sovereign, Standard & Poor's ("S&P") downgraded EDP's rating to "BB+" from "BBB" with negative outlook and Moody's downgraded EDP's rating to "Ba1" from "Baa3" with negative outlook.

In August 2012, Fitch downgraded EDP's rating to "BBB-" from "BBB+", with negative outlook. The downgrade was driven by the declining predictability of the regulatory environment in Portugal and Spain.

EDP's credit rating stands as at December 2012 two notches above the Republic of Portugal by Moody's and one notch by Standard and Poor's and by Fitch.

GLOBAL SCALE	S&P	LAST UPDATE	MOODY'S	LAST UPDATE	FITCH	LAST UPDATE
EDP S.A. E EDP FINANCE BV	BB+/OUT-/B	26/9/12	Ba1/OUT-/NP	17/8/12	BBB- / OUT- / F3	2/8/12
HC ENERGIA			Ba1/OUT-/NP	17/8/12	BBB- / OUT- / F3	2/8/12
EDP BRASIL			Ba1/Aa2.br/Stab	26/4/12		
BANDEIRANTE	brAA+/Stab	30/4/12	Baa3/Aa1.br/Stab	22/5/12		
ESCELSA	BB+/brAA+/Stab	30/4/12	Baa3/Aa1.br/Stab	24/4/12		

EDP - Energias de Portugal

Consolidated Income Statement
for the years ended 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	16,339,854	15,120,851
Cost of electricity	6	-8,392,199	-7,320,373
Cost of gas	6	-1,375,841	-1,328,068
Changes in inventories and cost of raw materials and consumables used	6	-1,143,647	-1,035,935
		5,428,167	5,436,475
Revenue from assets assigned to concessions	7	433,661	440,546
Expenditure with assets assigned to concessions	7	-433,661	-440,546
		-	-
Other operating income / (expenses):			
Other operating income	8	389,967	414,342
Supplies and services	9	-928,287	-901,048
Personnel costs and employee benefits	10	-671,536	-634,900
Other operating expenses	11	-589,853	-559,281
		-1,799,709	-1,680,887
		3,628,458	3,755,588
Provisions	12	-16,055	-692
Depreciation, amortisation expense and impairment	13	-1,493,889	-1,517,160
Compensation of amortisation and depreciation	13	24,901	29,654
		2,143,415	2,267,390
Gains / (losses) on the sale of financial assets		2,766	20,877
Financial income	15	731,658	818,848
Financial expenses	15	-1,436,924	-1,534,235
Share of profit in associates		23,777	19,477
Profit before income tax		1,464,692	1,592,357
Income tax expense	16	-282,537	-260,378
Net profit for the year		1,182,155	1,331,979
Attributable to:			
Equity holders of EDP		1,012,483	1,124,663
Non-controlling Interests	33	169,672	207,316
Net profit for the year		1,182,155	1,331,979
Earnings per share (Basic and Diluted) - Euros	30	0.28	0.31

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at
31 December 2012 and 2011

Thousands of Euros	2012		2011	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the year	1,012,483	169,672	1,124,663	207,316
Exchange differences arising on consolidation	-95,270	-173,656	-124,506	-129,539
Fair value reserve (cash flow hedge)	-79,337	-17,945	-88,349	-11,348
Tax effect from the fair value reserve (cash flow hedge)	21,442	4,304	24,471	3,171
Fair value reserve (available for sale investments)	2,338	327	-140,090	-439
Tax effect from the fair value reserve (available for sale investments)	244	-149	16,382	-147
Actuarial gains / (losses)	-136,029	-46,310	33,996	-22,191
Tax effect from the actuarial gains / (losses)	26,182	15,746	1,592	7,549
Other comprehensive income for the year, net of income tax	-260,430	-217,683	-276,504	-152,944
Total comprehensive income for the year	752,053	-48,011	848,159	54,372

LISBON, 5 MARCH 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	17	20,905,340	20,708,313
Intangible assets	18	6,541,862	6,800,478
Goodwill	19	3,318,457	3,327,257
Investments in associates	21	163,881	160,306
Available for sale investments	22	181,298	171,313
Deferred tax assets	23	340,816	511,414
Trade receivables	25	97,099	108,610
Debtors and other assets from commercial activities	26	2,736,902	2,108,393
Other debtors and other assets	27	534,573	333,653
Collateral deposits associated to financial debt	35	415,045	68,372
Total Non-Current Assets		35,235,273	34,298,109
Inventories	24	377,618	346,060
Trade receivables	25	2,280,104	2,043,671
Debtors and other assets from commercial activities	26	2,051,519	1,495,616
Other debtors and other assets	27	296,674	505,694
Current tax assets	28	435,628	644,819
Financial assets at fair value through profit or loss		390	212
Collateral deposits associated to financial debt	35	13,451	-
Cash and cash equivalents	29	1,695,336	1,731,524
Assets classified as held for sale	42	241,851	201,924
Total Current Assets		7,392,571	6,969,520
Total Assets		42,627,844	41,267,629
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-103,706	-111,430
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,123,116	2,935,840
Consolidated net profit attributable to equity holders of EDP		1,012,483	1,124,663
Total Equity attributable to equity holders of EDP		8,192,354	8,109,534
Non-controlling Interests	33	3,239,314	3,277,245
Total Equity		11,431,668	11,386,779
Liabilities			
Financial debt	35	16,715,725	15,786,411
Employee benefits	36	1,933,425	1,823,158
Provisions	37	382,866	415,149
Hydrological correction account	34	33,644	69,142
Deferred tax liabilities	23	852,054	954,002
Institutional partnerships in USA wind farms	38	1,679,753	1,783,861
Trade and other payables from commercial activities	39	1,262,771	1,289,436
Other liabilities and other payables	40	409,737	361,101
Total Non-Current Liabilities		23,269,975	22,482,260
Financial debt	35	3,807,503	2,998,698
Hydrological correction account	34	22,832	-
Trade and other payables from commercial activities	39	3,220,599	3,296,680
Other liabilities and other payables	40	368,143	535,077
Current tax liabilities	41	467,738	546,806
Liabilities classified as held for sale	42	39,386	21,329
Total Current Liabilities		7,926,201	7,398,590
Total Liabilities		31,196,176	29,880,850
Total Equity and Liabilities		42,627,844	41,267,629

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THE OFFICIAL ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three month periods from 1 October to 31 December 2012 and 2011

Thousands of Euros	2012	2011
Turnover	4,249,888	3,958,944
Cost of electricity	-2,263,904	-1,943,208
Cost of gas	-330,994	-366,939
Changes in inventories and cost of raw materials and consumables used	-326,646	-294,840
	1,328,344	1,353,957
Revenue from assets assigned to concessions	147,896	131,707
Expenditure with assets assigned to concessions	-147,896	-131,707
	-	-
Other operating income / (expenses):		
Other operating income	170,118	180,916
Supplies and services	-254,962	-250,887
Personnel costs and employee benefits	-190,649	-163,135
Other operating expenses	-166,833	-140,291
	-442,326	-373,397
	886,018	980,560
Provisions	-12,645	1,041
Depreciation, amortisation expense and impairment	-414,378	-438,958
Compensation of amortisation and depreciation	5,831	4,373
	464,826	547,016
Gains / (losses) on the sale of financial assets	-91	10,597
Financial income	171,850	227,591
Financial expenses	-361,446	-397,039
Share of profit in associates	6,337	2,048
Profit before income tax	281,476	390,213
Income tax expense	-9,404	-18,213
Net profit for the period	272,072	372,000
Attributable to:		
Equity holders of EDP	217,957	301,033
Non-controlling Interests	54,115	70,967
Net profit for the period	272,072	372,000
Earnings per share (Basic and Diluted) - Euros	0.06	0.08

LISBON, 5 MARCH 2013

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Changes in Equity as at
31 December 2012 and 2011

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2010	10,784,959	3,656,538	503,923	502,888	2,794,322	35,111	164,684	312,823	-115,731	7,854,558	2,930,401
Comprehensive income:											
Net profit for the year	1,331,979	-	-	-	1,124,663	-	-	-	-	1,124,663	207,316
Changes in the fair value reserve (cash flow hedge) net of taxes	-72,055	-	-	-	-	-63,878	-	-	-	-63,878	-8,177
Changes in the fair value reserve (available for sale investments) net of taxes	-124,294	-	-	-	-	-	-123,708	-	-	-123,708	-586
Actuarial gains/(losses) net of taxes	20,946	-	-	-	35,588	-	-	-	-	35,588	-14,642
Exchange differences arising on consolidation	-254,045	-	-	-	-	-	-	-124,506	-	-124,506	-129,539
Total comprehensive income for the year	902,531	-	-	-	1,160,251	-63,878	-123,708	-124,506	-	848,159	54,372
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-	-	-616,581	-
Dividends attributable to non-controlling interests	-123,441	-	-	-	-	-	-	-	-	-	-123,441
Purchase and sale of treasury stock	1,141	-	-	-	-1,114	-	-	-	2,255	1,141	-
Share-based payments	2,046	-	-	-	-	-	-	-	2,046	2,046	-
Changes resulting from acquisitions/sales and equity increases	41,477	-	-	-	1,310	-	-	-	-	1,310	40,167
Sale without loss of control of EDP Brasil	395,220	-	-	-	84,329	1,679	384	-66,848	-	19,544	375,676
Other reserves arising on consolidation	-573	-	-	-	-643	-	-	-	-	-643	70
Balance as at 31 December 2011	11,386,779	3,656,538	503,923	539,145	3,385,617	-27,088	41,360	121,469	-111,430	8,109,534	3,277,245
Comprehensive income:											
Net profit for the year	1,182,155	-	-	-	1,012,483	-	-	-	-	1,012,483	169,672
Changes in the fair value reserve (cash flow hedge) net of taxes	-71,536	-	-	-	-	-57,895	-	-	-	-57,895	-13,641
Changes in the fair value reserve (available for sale investments) net of taxes	2,760	-	-	-	-	-	2,582	-	-	2,582	178
Actuarial gains/(losses) net of taxes	-140,411	-	-	-	-109,847	-	-	-	-	-109,847	-30,564
Exchange differences arising on consolidation	-268,926	-	-	-	-	-	-	-95,270	-	-95,270	-173,656
Total comprehensive income for the year	704,042	-	-	-	902,636	-57,895	2,582	-95,270	-	752,053	-48,011
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-170,354	-	-	-	-	-	-	-	-	-	-170,354
Purchase and sale of treasury stock	-857	-	-	-	-6,565	-	-	-	5,708	-857	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Sale without loss of control of Vento II (EDPR NA)	176,122	-	-	-	3,113	-1,135	-	-2,470	-	-492	176,614
Changes resulting from acquisitions/sales and equity increases	4,311	-	-	-	-	-	-	553	-	553	3,758
Other reserves arising on consolidation	123	-	-	-	75	-	-	-14	-	61	62
Balance as at 31 December 2012	11,431,668	3,656,538	503,923	578,435	3,575,072	-86,118	43,942	24,268	-103,706	8,192,354	3,239,314

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THE OFFICIAL ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal
Consolidated and Non-Consolidated Statement of Cash Flows
as at 31 December 2012 and 2011

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Operating activities				
Cash receipts from customers	14,709,734	14,337,258	2,053,315	2,241,167
Proceeds from tariff adjustments securitization	442,340	684,651	-	-
Payments to suppliers	-11,665,153	-10,588,153	-2,168,670	-2,189,230
Payments to personnel	-654,672	-817,903	-22,868	-54,547
Concession rents paid	-266,570	-226,115	-	-
Other receipts / (payments) relating to operating activities	-441,352	-251,123	-44,413	-83,744
Net cash from operations	2,124,327	3,138,615	-182,636	-86,354
Income tax received / (paid)	-127,792	-191,810	21,633	-9,227
Net cash from operating activities	1,996,535	2,946,805	-161,003	-95,581
Investing activities				
Cash receipts relating to:				
Financial assets and investments	31,227	152,822	-	437,764
Property, plant and equipment and intangible assets	6,718	48,964	3,445	2,746
Investment grants	42,057	44,881	-	-
Interest and similar income	91,321	115,820	462,440	463,796
Dividends	22,932	19,560	708,313	854,084
	194,255	382,047	1,174,198	1,758,390
Cash payments relating to:				
Financial assets and investments	-201,109	-614,704	-98,898	-511,755
Changes in cash resulting from consolidation perimeter variations	1,023	-659	-	-
Property, plant and equipment and intangible assets	-2,118,998	-2,311,043	-20,588	-44,645
	-2,319,084	-2,926,406	-119,486	-556,400
Net cash from investing activities	-2,124,829	-2,544,359	1,054,712	1,201,990
Financing activities				
Receipts / (payments) relating to loans	1,530,649	732,952	744,439	439,916
Interest and similar costs including hedge derivatives	-706,962	-637,962	-328,717	-390,629
Governmental grants received	4,817	2,587	-	-
Share capital increases by non-controlling interests	-	4,503	-	-
Receipts / (payments) relating to derivative financial instruments	-57,967	-63,980	3,628	-23,329
Dividends paid to equity holders of EDP	-670,829	-616,581	-670,829	-616,581
Dividends paid to non-controlling interests	-154,656	-137,565	-	-
Treasury stock sold / (purchased)	-859	1,077	1,192	3,123
Purchase / (sale) of non-controlling interests without loss of control	175,687	356,343	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-15,159	141,111	-	-
Net cash from financing activities	104,721	-217,515	-250,287	-587,500
Changes in cash and cash equivalents	-23,573	184,931	643,422	518,909
Effect of exchange rate fluctuations on cash held	-12,615	-41,570	204	25
Cash and cash equivalents at the beginning of the year	1,731,524	1,588,163	661,609	142,675
Cash and cash equivalents at the end of the year (*)	1,695,336	1,731,524	1,305,235	661,609

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

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THE OFFICIAL ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Turnover	6	2,190,214	2,432,189
Cost of electricity	6	-1,733,128	-1,817,445
Changes in inventories and cost of raw materials and consumables used	6	-368,729	-506,380
		88,357	108,364
Other operating income / (expenses):			
Other operating income	8	14,288	13,013
Supplies and services	9	-180,879	-176,852
Personnel costs and employee benefits	10	-13,188	-14,148
Other operating expenses	11	-12,346	-11,898
		-192,125	-189,885
		-103,768	-81,521
Provisions	12	2,927	-9,516
Depreciation, amortisation expense and impairment	13	-14,008	-11,162
		-114,849	-102,199
Gains / (losses) on the sale of financial assets	14	87,945	120,345
Financial income	15	1,490,445	1,472,994
Financial expenses	15	-722,215	-878,942
Profit before income tax		741,326	612,198
Income tax expense	16	91,356	173,606
Net profit for the year		832,682	785,804

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The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at
31 December 2012 and 2011

Thousands of Euros	2012	2011
Net profit for the year	832,682	785,804
Fair value reserve (cash flow hedge)	-20,939	-20,852
Tax effect from the fair value reserve (cash flow hedge)	7,340	5,507
Fair value reserve (available for sale investments)	-928	-138,677
Tax effect from the fair value reserve (available for sale investments)	906	16,248
Other comprehensive income for the year, net of income tax	-13,621	-137,774
Total comprehensive income for the year	819,061	648,030

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The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Statement of Financial Position as at 31 December 2012 and 2011

Thousands of Euros	Notes	2012	2011
Assets			
Property, plant and equipment	17	208,569	200,749
Intangible assets		8	16
Investments in subsidiaries	20	9,909,534	9,708,783
Investments in associates	21	-	-
Available for sale investments	22	40,461	42,544
Investment property		10,490	11,468
Deferred tax assets	23	69,799	18,344
Debtors and other assets from commercial activities		1,555	179
Other debtors and other assets	27	6,014,090	4,848,129
Collateral deposits associated to financial debt	35	348,713	-
Total Non-Current Assets		16,603,219	14,830,212
Inventories		103	807
Trade receivables	25	172,773	149,073
Debtors and other assets from commercial activities	26	269,143	260,829
Other debtors and other assets	27	2,294,529	2,645,774
Current tax assets	28	195,587	162,377
Collateral deposits associated to financial debt	35	12,732	-
Cash and cash equivalents	29	1,305,235	661,609
Total Current Assets		4,250,102	3,880,469
Total Assets		20,853,321	18,710,681
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-97,611	-105,335
Share premium	30	503,923	503,923
Reserves and retained earnings	32	1,990,679	1,895,855
Net profit for the year		832,682	785,804
Total Equity		6,886,211	6,736,785
Liabilities			
Financial debt	35	2,032,437	1,777,527
Provisions	37	27,882	72,172
Hydrological correction account	34	33,644	69,142
Trade and other payables from commercial activities		3,831	3,410
Other liabilities and other payables	40	3,017,085	2,447,314
Total Non-Current Liabilities		5,114,879	4,369,565
Financial debt	35	7,557,620	5,700,385
Hydrological correction account	34	22,832	-
Trade and other payables from commercial activities	39	488,086	508,693
Other liabilities and other payables	40	771,228	1,393,531
Current tax liabilities	41	12,465	1,722
Total Current Liabilities		8,852,231	7,604,331
Total Liabilities		13,967,110	11,973,896
Total Equity and Liabilities		20,853,321	18,710,681

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THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three month periods from 1 October to 31 December 2012 and 2011

Thousands of Euros	2012	2011
Turnover	624,005	697,706
Cost of electricity	-473,204	-486,601
Changes in inventories and cost of raw materials and consumables used	-118,165	-175,189
	32,636	35,916
Other operating income / (expenses):		
Other operating income	3,869	5,336
Supplies and services	-43,201	-44,434
Personnel costs and employee benefits	-3,778	-3,368
Other operating expenses	-2,070	-881
	-45,180	-43,347
	-12,544	-7,431
Provisions	-150	-13,398
Depreciation, amortisation expense and impairment	-3,761	-4,240
	-16,455	-25,069
Gains / (losses) on the sale of financial assets	-	9,983
Financial income	303,540	426,607
Financial expenses	-190,004	-259,270
Profit before income tax	97,081	152,251
Income tax expense	4,784	26,025
Net profit for the period	101,865	178,276

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Statement of Changes in Equity as at
31 December 2012 and 2011

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2010	6,702,149	3,656,538	503,923	502,888	1,997,977	17,813	132,646	-109,636
Comprehensive income:								
Net profit for the year	785,804	-	-	-	785,804	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-15,345	-	-	-	-	-15,345	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-122,429	-	-	-	-	-	-122,429	-
Total comprehensive income for the year	648,030	-	-	-	785,804	-15,345	-122,429	-
Transfer to legal reserve	-	-	-	36,257	-36,257	-	-	-
Dividends paid	-616,581	-	-	-	-616,581	-	-	-
Purchase and sale of treasury stock	1,141	-	-	-	-1,114	-	-	2,255
Share-based payments	2,046	-	-	-	-	-	-	2,046
Balance as at 31 December 2011	6,736,785	3,656,538	503,923	539,145	2,129,829	2,468	10,217	-105,335
Comprehensive income:								
Net profit for the year	832,682	-	-	-	832,682	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-13,599	-	-	-	-	-13,599	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-22	-	-	-	-	-	-22	-
Total comprehensive income for the year	819,061	-	-	-	832,682	-13,599	-22	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-857	-	-	-	-6,565	-	-	5,708
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 31 December 2012	6,886,211	3,656,538	503,923	578,435	2,245,862	-11,131	10,195	-97,611

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The following notes form an integral part of these financial statements

notes to the consolidated and company financial statements
for the years ended 31 december 2012 and 2011

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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. 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 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, energy services 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 and operation, as well as the general basis applicable to the production, transportation, distribution and supply activities of electricity, and to the market organization, are established by the Decree-Law 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 was updated by DL 104/2010 of 29 September, by DL 78/2011 of 20 June, by the DL 75/2012 of 26 March and by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principals of the European Parliament and Council's Directive 2009/72/CE of 13 July, establishing common rules for the electricity internal market.

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.

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, in order to economic and finance balance in terms of efficient management.

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 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 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.

Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 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, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

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 thousands of 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 millions of Euros for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

It is expected an adjustment to the interest rate applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the contractual balance (CMEC), for the period 2013 to 2027, by an average amount of 13 millions of Euros per year, corresponding to a present value of 120 millions of Euros. This adjustment results from the calculation mechanism of the CMEC fixed amount interest rate established under Decree-Law 240/2004, of 27 December.

On 20 August 2012, the Law 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guarantee by the operation of the normal market mechanisms. Availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

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. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November.

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 free supply is developed by EDP Comercial, S.A. 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 S.A.

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. For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sale to final customers from 1 July 2012 for customers with contracted power higher or equal to 10.35 kVA, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a system of transitional rates set by ERSE, as well as for economically vulnerable customers the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the price of access provided by law.

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 the public domain regime.

Gas

The National Natural Gas System (SNGN) basis of organization and operation, were established by the Decree-Law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July, that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment to the DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás, S.A. EDP Group is present in the commercialization of natural gas, either in the regulated market (EDP Gás Serviço Universal) or the free market (EDP Gás.com and EDP Comercial). EDP Gás.com and EDP Comercial, with a trading license in the free market since 2008 and 2010, respectively, have operated in the market since the start of 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL,S.A.

On 15 June 2012, the tariffs set by ERSE were published for the years 2012-2013. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31 December 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, 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 came 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. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principals of the European Parliament and Council's Directive 2009/72/CE of 13 July which came to repeal the Directive 2003/54/CE.

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

Generation

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

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

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 electricity tariffs from 1 October 2007, replaced the concept of "power availability" 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 remuneration 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 their generation units as deemed most appropriate, with the restrictions applicable to the environment. As a consequence of a pre-notification of European Commission, the Royal Decree Law 1221/2010 of 1 October was approved and changed the Royal Decree Law 134/2010 of 12 February and establishes the procedure for supply restrictions, as a protective measure to promote the consumption of local coal. From the endorsement of Royal Decree Law 14/2010 of 23 December, producers under the ordinary regime have the obligation to pay for the utilisation of the transport and distribution networks. The promulgation of the Law 1/2012 of 27 January, temporarily suspended the remuneration of certain ordinary regime installations and facilities for special arrangements (applicable to the facilities that, since 28 January 2012, do not fulfill the administrative requirements referred in this standard).

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 OMI - Polo Español, S.A.

The entities and qualified consumers have free access to the transmission and supply networks, setting out a system of "tariffs" for traffic. The remuneration 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 realised.

The current text of Law 54/1997 also provides that the transmission activity will be performed by a single entity. There is also a distinction made between the primary transmission system (facilities > 380 kV with international networks and with extra-peninsular and insular 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 remuneration 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 electricity distribution activity and modifying the system of "Acometidas" (system that regulates the installation, that allows the connection of the distribution network with the point of delivery of energy to the customers). The new remuneration system is based on investments and increased demand of each distributor. As such, the standard provides new incentives for reducing losses and improving quality, which are pending for new regulatory developments. At 1 April, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity relative to the assets in use that are not amortised, based on their financial retribution and their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2.

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 from 1 January 2003. Additionally, since 1 July 2009, 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 Ministry of Industry, Tourism and Trade based on the costs of regulated activities, including fixed costs and diversification and security of supply costs. Nevertheless, the Ministry may establish territorial supplements if electrical activities are aggravated by regional or local taxation.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the 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 HC - Naturgás Comercializadora Último Recurso, S.A. is included.

Vulnerable Consumers

The Royal Decree 13/2012 defined vulnerable consumers as individuals who meet certain social characteristics of consumption and consumer purchasing power determined by the Ministry of Industry, Tourism and Trade. Until then, these customers applied the criteria defined by Royal Decree 6/2009 of 30 April on the social allowance, which is a subsidy covering the difference between the value of the Tariff of Last Resort (TUR) and the reference value. The decision of the Supreme Court of 7 February 2012 canceled the funding rules of the social allowance that was being undertaken by companies with production facilities, so the cost is currently being financed by the electrical system.

Gas

Naturgás, a subsidiary of HC Energia Group which operates in the natural gas distribution and supply, owns all the EDP Group's gas assets in Spain. The transport and 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. Law 34/1998 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles set by the European Parliament and Council's Directive 2009/72/CE of 13 July which came to repeal the Directive 2003/55/CE.

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

- § Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main network of transport must operate and manage their own networks or hand over their management to an independent operator, in the cases referred by legislation;
- § 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 basic gas network and secondary transmission network, attributed to ENAGÁS, S.A.

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

For suppliers 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-Naturgás Comercializadora de Último Recurso, S.A. currently covers suppliers 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 suppliers of last resort the application of discounts over customers with TUR.

Law 15/2012, of 27 December, of Fiscal measures for the Energetic Sustainability, modifies the type of taxes applied to hydrocarbons of natural gas that until this date was 0% with the exception of vehicle gas, establishes three types of taxes depending of the natural gas use, and the tax payer becomes the supplier rather than the distributor.

The Ministerial Order IET/2812/2012, establishes the tariffs and the revenues related with the access to the gas sector installations by third parties, eliminating the revenues updates for the transport and distribution activities, as it defines as zero the efficiency factor applied to these infrastructures.

Activity in the energy sector in Brazil

Electricity

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

In recent years, the Brazilian electricity sector has undergone major structural and institutional changes, 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.

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.

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.

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on August 31, 2012, relates with the extinction of public service concessions of electricity and the temporary service on the suitability for the public service of electricity.

The Provisional Measure 579 of 11 September 2012, provides a reduction in the price of electricity to the consumer. An average reduction of 20.2% is expected, due to the government action on two fronts: sectoral charges (7%) and concessions renewal (13%).

Regarding concessions renewal, the generation concessionaires which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the size of each distributor, affecting the energy acquisition.

The transmission concessionaires which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operational and maintenance costs will be considered for the annual allowed revenues calculation.

The hydropower concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, according with the following conditions:

- § Each hydroelectric plant should be remunerated by a tariff calculated by the Agência Nacional de Energia Elétrica (ANEEL);
- § Power selling (Physical guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and
- § Compliance with the quality service standards determined by ANEEL.

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 the 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 equal or 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.

In December 2012, ANEEL published the Authorization Resolution No. 3788, authorizing the transfer of the corporate direct control of Evrecy Participações Ltda., owned by EDP - Energias do Brasil S.A., to the Companhia de Transmissão de Energia Elétrica Paulista - CTEEP.

Distribution

The public 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 portion to cover the operating costs established from a standard company, the reference company (with costs that would be charged by an efficient operator at the concession area). 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 operating costs 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 in portion A costs and in the monetary correction of portion B costs, by the index of variation of IGPM (Market prices index), discounted of productivity gains (factor X). Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. In the beginning 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 cannot be removed, sold, transferred or mortgaged 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. At 18 March 2008, EDP Renováveis was converted into a public limited company.

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 thousands of Euros, of which 980,121 thousands of Euros relates to the capital increase and 586,605 thousands of Euros relates to the share premium.

Electricity

Generation

In December 2012, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energías del Occidente, S.L.), EDP Renewables North America, L.L.C. (EDPR NA, previous designated as Horizon Wind Energy, L.L.C.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia. As at 31 December 2012, 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 the subsequent amendments to legislation. In May 2007, the Spanish Government approved the Royal Decree (RD 661/2007) which implemented the new regulatory framework for wind energy installations to be built from 2008 to 2012, which will be applicable for all operating assets from 31 December 2012.

According to RD 661/2007, wind farms are entitled to choose between two remuneration schemes: (i) Fixed tariff and (ii) market plus premium: wind farms receive for each hour the pool price plus a variable premium. Once the decision between the two schemes has been made for a specific wind farm, it is binding for, at least, one year. Wind farms installed before January 2008 are ruled by the transitory regime, established by Decree 436/2004. Under this transitory regime, that ended in December 2012, wind farms could choose between a fixed tariff and a market option receiving market price plus a fixed premium.

In July 2010, the Ministry of Industry established an agreement with two major associations of renewable energy (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 income applicable to wind generation defined by Royal Decree 661/2007, (ii) an addendum to article 44.3 of Royal Decree 661/2007 clarifying that future revisions of the income for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) the definition of a limit of 2,589 hours of operation for the installed capacity.

On 28 January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the remuneration for renewable energy capacity not included in the pre-assignment registry.

In December 2012, through the Law 15/2012 of 27 December, the Spanish Government approved a 7% cross-the-board tax on electricity generation. The tax will be applied from 1 January 2013 onwards.

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 values 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 Portuguese wind sector and the Portuguese Government reached an agreement in principles that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind farm producers can voluntarily invest to obtain further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: i) alternative cap and floor selling prices; ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently iii) alternative levels of investment (on a per MW basis) to adhere a new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh values updated with inflation from 2021 onwards, in exchange for a payment of 5.800€/MW from 2013 to 2020.

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the U.S. Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly 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.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years 31 December 2012 and 2011.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 5 March 2013. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's 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 (E.U.). 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 and company financial statements for the years ended 31 December 2012 and 2011 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2012.

The accounting policies used by the Group in preparing its accompanying consolidated financial statements as at 31 December 2012 are consistent with those used in preparing the annual consolidated financial statements as at 31 December 2011.

However, as described in note 50, the Group adopted in the preparation of consolidated financial statements as at 31 December 2012, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2012. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The adoption of these new standards and interpretations in 2012 did not have a significant impact on the Group's accounts.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 50.

These financial statements also present the fourth quarter income statement of 2012 with comparative figures for the fourth quarter of previous year.

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

In accordance with IFRS 3 — Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

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).

Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset. For consistency purposes, this presentation has been applied to all statements of financial position presented (see note 38).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated 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 attributable to the Group, through the investments in associates.

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

Subsidiaries

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

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

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

Associates

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

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

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

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

Until 31 December 2009, in the acquisition of non-controlling interests, the difference between the fair value of the non-controlling interests acquired and the consideration paid, was accounted against goodwill. The acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The difference between the non-controlling interests acquired and the fair value of the liability, was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability were 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, without a loss of 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 the interest in a subsidiary following a sale or capital increase, in the income statement.

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

The Group uses financial instruments to hedge interest rate risk, exchange rate risk and price risk resulting from its operational and financing activities. Derivatives not qualified for hedge accounting 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 of the hedged item.

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 occurs. 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 that the exchange differences recognised in the exchange differences consolidated reserves to be offset by the foreign exchange differences in foreign currency loans or currency derivatives 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 instrument recognised in equity are transferred to the income statement when the foreign entity is sold, as part of the 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 tests 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 purpose, 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, impairment losses can not be reversed and any subsequent event which determines a fair value increase 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; or at fair value, whenever the Group chooses, on initial recognition, to designate such instruments as at fair value through profit or loss using the fair value option.

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

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

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

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

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

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

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

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

Borrowing costs and other directly attributable costs

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of interest costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditure for the assets is 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 expenses incurred are booked in the income statement on a linear basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in the 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 customers, recognising the assets received by its estimated construction cost against operating income. The assets are depreciated based on its useful life.

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

Portuguese 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 arise when compared to initial recognition.

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 determined 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 and subsequently measured at amortised cost less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

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 grant retirement complementary benefits for 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 on 1 January 2004, to recognise the full amount of the deferred actuarial losses on that date against reserves.

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

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

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

The Group recognises as operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognized as financial results.

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

Defined contribution plans

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

The Group accounts for provisions for dismantling and decommissioning of assets when there is a legal, contractual or constructive obligation at the end of the assets' useful life. Therefore, such provisions have been booked for 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 the 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 readings 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 future periods 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.

f) 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 standards. 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

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

w) Segment reporting

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

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
- (iii) for which discrete financial information is available.

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 Portuguese regulated companies (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on actual costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity and gas tariffs charged to customers in subsequent periods.

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

Decree-Law 87/2011 approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against "Debtors and other assets" and "Trade and other payables", in the same terms defined for the electric sector as mentioned above.

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 and gas emissions 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 in the market on the grant date, usually at the beginning of each year. The use of the licenses is based on actual gas emissions in the period, valued at the quoted price on the date of attribution.

Amortisation of Deferred Income - Subsidies is made in the year in which 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 market quote in the last working day of each month. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Cash Flow Statement

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

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

aa) Group concession activities

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

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

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

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 infrastructure 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 infrastructure (demand risk) and results in the recognition of an intangible asset.

Mixed Model

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

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

Intangible assets within concessions are amortised 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, if any, recognised in the income statement.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

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

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

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the 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.

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after termination of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation — Revisable mechanism

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

Review of the useful life of the assets

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

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

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

The regulatory authority of Brazil, Agência Nacional de Energia Elétrica (ANEEL) issued on 7 February 2012, the Normative Resolution 474, which revised the economic useful life of assets associated to concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012 onwards. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent Generators are amortised during the estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements which includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by the regulator (ANEEL), the respective contractual residual indemnisation values at the end of each concession period, as well as related technical and legal opinions. The remaining period of amortisation and the indemnisation values at the end of the concessions, may be influenced by any changes in the Regulatory Legal Framework in Brazil.

Tariff adjustments

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

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

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and part of deficit of 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 September 2011, the EDP Group sold unconditional tariff adjustment for the additional cost of cogeneration for the period 2009-2011.

In Spain, the Royal Decree Law 6/2009, endorsed on 7 May 2009 establishes, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (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.

The Royal Decree Law 14/2010, endorsed in 2010 addressed the correction of the tariff deficit of the electricity sector. Of this decree, the temporal mismatch of the settlement of 2010 came to be considered as a revenue deficit of the electricity system and established a set of measures so that the various industry players contribute to the reduction, including: the establishment of the generation rates, financing plans of energy efficiency and savings by the generation companies, and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012 was published the Royal Decree Law 1/2012 establishing a moratorium on adding new facilities in the pre-allocation remuneration and the Royal Decree Law 13/2012 which provides reductions in the remuneration for the distribution activity and an extraordinary decrease on other regulated activities. Both decrees were adopted with urgency to reduce the tariff deficit to reach the limit provided for 2012 in the Royal Decree Law 14/2010.

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

Impairment of long term assets and Goodwill

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

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

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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 five years for annual periods starting from 2012, four years for annual periods of 2011 and 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 significant corrections to the income tax booked in the financial statements.

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generations units are located. 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 judgement from those referred to could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

In 2012, was published in Brazil the Provisional Measure 579/12, meanwhile converted into Law 12.783/13, which determines the amount of the indemnization payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indemnization amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked, under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

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. 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, 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.

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.

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EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reals (BRL), Romanian Leu (RON) and Zloty (PLN). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to the investments.

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 of EDP Energias do Brasil, 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. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of this assets.

The exchange rate and interest rate risk on the GBP, CHF 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.

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 2012 and 2011, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

Thousands of Euros	Dec 2012			
	Results		Equity	
	+10%	-10%	+10%	-10%
USD	40,462	-49,454	-27,842	34,029
RON	5,957	-7,280	-	-
PLN	11,628	-14,213	-	-
	<u>58,047</u>	<u>-70,947</u>	<u>-27,842</u>	<u>34,029</u>

Thousands of Euros	Dec 2011			
	Results		Equity	
	+10%	-10%	+10%	-10%
USD	12,432	-15,195	-755	923
RON	-	-	-	-
PLN	-	-	3,309	-4,044
	<u>12,432</u>	<u>-15,195</u>	<u>2,554</u>	<u>-3,121</u>

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.

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 16 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 44% of the Group's liabilities are fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

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 2012 and 2011 would lead to the following increases / (decreases) in equity and results of the EDP Group:

Thousands of Euros	Dec 2012			
	Results		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-20,121	20,121	-	-
Unhedged debt	-83,238	83,238	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	53,985	-59,599
Trading derivatives (accounting perspective)	-4,016	1,355	-	-
	-107,375	104,714	53,985	-59,599
Thousands of Euros	Dec 2011			
	Results		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-19,082	19,082	-	-
Unhedged debt	-66,160	66,160	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	47,501	-51,429
Trading derivatives (accounting perspective)	-7,884	4,658	-	-
	-93,126	89,900	47,501	-51,429

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

Counterparty credit risk management

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

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

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.

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exists that have not been recognised as such and provided for.

Liquidity risk management

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

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations related 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 managed positions 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 and forwards of electricity and fuels 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 a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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.

Thousands of Euros	P@R Distribution by risk factor	
	Dec 2012	Dec 2011
Risk factor:		
Negotiation	-	2,000
Fuel	26,000	45,000
CO2	2,000	1,000
Electricity	18,000	19,000
Hydrological	38,000	19,000
Diversification effect	-43,000	-66,000
Total	41,000	20,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. 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 2012 and 2011 the EDP Group's exposure to credit risk rating is as follows:

	Dec 2012	Dec 2011
Credit risk rating (S&P):		
AAA to AA-	6.63%	12.44%
A+ to A-	56.54%	81.15%
BBB+ to BBB-	33.55%	3.43%
BB+ to B-	0.59%	0.47%
No rating assigned	2.69%	2.51%
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 2012 and 2011 is as follows:

Thousands of Euros	VaR	
	Dec 2012	Dec 2011
Exchange rate risk	1,309	677
Interest rate risk	4,097	3,747
Covariation	-1,993	-604
Total	3,413	3,820

5. CONSOLIDATION PERIMETER

During 2012, the following changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Inovação, S.A. acquired 30% of the share capital of EDT - Engenharia, Inovação e Desenvolvimento Tecnológico, S.A., through its subsidiary EDP Ventures, S.G.P.S., S.A.;
- EDP Renewables Europe, S.L. acquired 100% of the share capital of Pietragalla Eolico S.R.L. and 85% of the share capital of Sibioara Wind Farm, S.R.L.;
- EDP Renewables Canada, Ltd. acquired 100% of the share capital of the following companies:
 - 0867242 BC Ltd.;
 - Eolia Renewable Energy Canada Ltd.;
 - South Branch Wind Farm Inc.
- EDP-RO-PV, S.R.L. (which was incorporated in the 3rd quarter) acquired 100% of the share capital of the following companies:
 - Cujmir Solar S.R.L.;
 - Foton Delta S.R.L.;
 - Foton Epsilon S.R.L.;
 - Potelu Solar S.R.L.;
 - Studina Solar S.R.L.;
 - Vanju Mare Solar S.R.L.
- EDP Renewables Polska SP. ZO.O. acquired 60% of the share capital of J&Z Wind Farms SP. ZO.O. and 100% of the share capital of Korsze Wind Farm SP. ZO.O.

Companies sold and liquidated:

- Generaciones Especiales I, S.L. sold by 5,531 thousands of Euros all of its interests in the following companies (holders of mini-hydrics in Spain):
 - Hidroastur S.A.;
 - Hidroeléctrica del Rumberal S.L.;
 - Hidroeléctrica Fuentermosa S.L.;
 - Hidroeléctrica Gormaz S.A.
- EDP Energias do Brasil, S.A. sold all of its interests in Evrecy Participações Ltda, by the amount of 24,489 thousands of Euros;
- A 49% share interest in 2007 Vento II, L.L.C. was sold with the subsequent loss of 49% share interest in the following companies:
 - High Prairie Wind Farm II, L.L.C.;
 - Old Trail Wind Farm, L.L.C.;
 - Post Oak Wind, L.L.C.;
 - Telocaset Wind Power Partners, L.L.C.
- EDP Renewables North America, L.L.C. liquidated Horizon Wind Energy International, L.L.C.;
- EDP Imobiliária e Participações, S.A. liquidated FCTE - Fórum do Comércio, Transacções Electrónicas e Serviços Empresariais On-line, S.A. through its subsidiary Oni Multimédia - Serviços Interactivos, S.A.; and also liquidated OPTEP, S.G.P.S.;
- EDP Renovables España, S.L. liquidated Parque Eólico Plana de Artajona, S.L.U., Parque Eólico Montes de Castejón, S.L., Siesa Renovables Canarias, S.L., Compañía Eléctrica de Energías Renovables Alternativas, S.A.U. and Corporación Empresarial de Renovables Alternativas, S.L.U.;
- EDP Distribuição - Energia, S.A. liquidated InovGrid, A.C.E.;
- Naturgas Participaciones and EDP Renewables Europe, S.L. liquidated Naturneo Energía, S.L.;
- Naturgás Energía Grupo, S.A. liquidated Naturgas Energía Comercializadoras Ultimo Recurso, S.A.

Companies merged:

- EDP Finance Company (Ireland), Ltd. was merged into EDP Servicios Financieros España, S.A.;
- The following companies were merged into Desarrollos Eólicos Promoción S.A.U., which then changed its designation to EDP Renovables España, S. L.:
 - Agrupación Eólica S.L.U.;
 - Ceasa Promociones Eólicas S.L.U.;
 - Desarrollos Eólicos, S.A.;
 - Generaciones Especiales I, S.L.;
 - Neo Catalunya S.L.;
 - Santa Quiteria Energía, S.L.U.;
 - Sinae Inversiones Eólicas S.A.
- Oni Multimédia - Serviços Interactivos, S.A. was merged into EDP Imobiliária e Participações, S.A.;
- Naturgas Energía Servicios Comunes, S.A. was merged into Naturgas Energía Servicios, S.A.

Companies incorporated:

- 2012 Vento XI, L.L.C. *;
- Casellaneta Wind S.R.L.;
- Central Eólica Aventura, S.A.;
- Central Eólica Baixa do Feijão I, S.A.;
- Central Eólica Baixa do Feijão II, S.A.;
- Central Eólica Baixa do Feijão III, S.A.;
- Central Eólica Baixa do Feijão IV, S.A.;
- EDP Renewables, S.G.P.S., S.A.;
- EDP Renewables Belgium, S.A.;
- EDP Renewables Canada GP Ltd. *;
- EDP Renewables Canada LP Ltd.;
- EDP Renováveis Servicios Financieros, S.L.;
- EDPR PT - Promoção e Operação, S.A.;
- EDPR Wind Ventures XI, L.L.C. *;
- EDPR-RO-PV, S.R.L.;
- Gas Transporte Span, S.L.;
- Laterza Wind S.R.L.;
- MFW Gryf SP. ZO.O.;
- MFW Neptun SP. ZO.O.;
- MFW Pomorze SP. ZO.O.;
- Monts de la Madeleine Energie, S.A.S.;
- Monts du Forez Energie, S.A.S.;
- SBWFI GP Inc.;
- South Dundas Wind Farm LP;
- Verde Wind Power L.L.C. *

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA and EDPR Canada, a set of subsidiaries legally incorporated in the United States and Canada without share capital and that as at 31 December 2012 does not have any assets or liabilities, or any operating activity.

Other changes:

- EDP Energias do Brasil, S.A. made a "stock split", in which its shareholders received two shares for each one they held. The company's share capital has not changed, as well as the consolidation percentage in the EDP Group;
- Decrease of the financial interest in Windplus, S.A. from 42% to 31% through dilution, proceeding a share capital increase not fully subscribed by EDP Inovação, S.A., followed by a contribution in kind to subscribe a share capital increase in Principle Power, Inc for exchange of 31% of Windplus for 50.3% of Principle Power;
- EDP Gás.Com — Comércio de Gás Natural, S.A. demerged part of its assets, namely the business associated to natural gas supply to final customers, which were subsequently merged in EDP Comercial — Comercialização de Energia, S.A., as at 28 December 2012.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2012 and 2011 are listed in Annex I.

6. TURNOVER

Turnover analysed by sector is as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Electricity and network access	14,404,399	13,241,733	1,761,552	1,923,688
Gas and network access	1,771,137	1,688,936	232,827	211,223
Sales of CO ₂ licenses	17,313	37,036	51,421	163,119
Other	147,005	153,146	144,414	134,159
	16,339,854	15,120,851	2,190,214	2,432,189

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

Thousands of Euros	Dec 2012					
	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	8,105,482	3,232,648	2,516,774	364,631	184,864	14,404,399
Gas and network access	251,013	1,520,124	-	-	-	1,771,137
Sales of CO ₂ licenses	17,313	-	-	-	-	17,313
Other	81,569	35,859	22,634	-	6,943	147,005
	8,455,377	4,788,631	2,539,408	364,631	191,807	16,339,854

Thousands of Euros	Dec 2011					
	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	7,230,770	3,255,486	2,322,204	306,350	126,923	13,241,733
Gas and network access	407,805	1,281,131	-	-	-	1,688,936
Sales of CO ₂ licenses	37,036	-	-	-	-	37,036
Other	97,778	44,092	10,729	-	547	153,146
	7,773,389	4,580,709	2,332,933	306,350	127,470	15,120,851

In 2012, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,457,820 thousands of Euros (income in 31 December 2011: 610,757 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x).

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Additionally, the caption Electricity includes on a consolidated basis 474,575 thousands of Euros (31 December 2011: 237,032 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

Following the revision of the Commercial Relations Code, from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production acquired under the applicable legislation, buying in the market all the electricity needed to supply its customers. Following this amendment, from 1 January 2012 onward the electricity purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover by its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 31 December 2012, the electricity from special regime producers sold in the market amounts to 837,773 thousands of Euros.

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

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Cost of electricity	8,392,199	7,320,373	1,733,128	1,817,445
Cost of gas	1,375,841	1,328,068	-	-
Changes in inventories and cost of raw materials and consumables used:				
Fuel, steam and ashes	497,340	418,130	-	-
Gas	493,792	491,413	316,730	342,756
Cost of consumables used	16,552	33,603	-	-
CO ₂ licenses	48,394	5,680	51,991	163,623
Own work capitalised	-87,808	-80,523	-	-
Other	175,377	167,632	8	1
	1,143,647	1,035,935	368,729	506,380
	10,911,687	9,684,376	2,101,857	2,323,825

On a company basis, Cost of electricity includes costs of 908,895 thousands of Euros (31 December 2011: 991,867 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

7. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Revenue from assets assigned to concessions	433,661	440,546
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-336,283	-338,432
Personnel costs capitalised (see note 10)	-85,775	-88,192
Capitalised interest expense from financial debt (see note 15)	-11,603	-13,922
	-433,661	-440,546
	-	-

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

Thousands of Euros	Dec 2012			Dec 2011		
	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	336,135	97,526	433,661	301,465	139,081	440,546
Expenditure with assets assigned to concessions	-336,135	-97,526	-433,661	-301,465	-139,081	-440,546
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Gains on fixed assets	10,940	38,227	1,264	1,416
Reversal of adjustments	40,985	33,301	24	-
Customers contributions	40,071	53,609	-	-
Income arising from institutional partnerships - EDPR NA	127,350	111,610	-	-
Gains on business combinations (badwill)	32,393	51,695	-	-
Gains on sale of electricity transmission assets in Brazil	12,478	-	-	-
Remeasurement of IFRIC 12 indemnization amount in Brazil concessions	40,838	-	-	-
Other operating income	84,912	125,900	13,000	11,597
	389,967	414,342	14,288	13,013

The caption Reversal of Adjustments includes 35,859 thousands of Euros (31 December 2011: 28,470 thousands of Euros) related to impairment for trade receivables and 5,126 thousands of Euros (31 December 2011: 4,831 thousands of Euros) impairment for Debtors and other assets from commercial activities (see notes 25 and 26).

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Customers contributions includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 37,335 thousands of Euros (31 December 2011: 47,687 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 38).

EDPR Italia acquired 100% of Pietragalla Eólico S.R.L. share capital. Additionally, EDPR Romania acquired 100% of the share capital of six solar photovoltaic companies. During 2012, EDPR Group carried out the purchase price allocation to the identifiable assets acquired and liabilities assumed of these companies which originates an operating income of 29,754 thousands of Euros in EDPR Romania and 2,639 thousands of Euros in EDPR Italia (see note 19). These bargain purchases arose from EDPR Group negotiation power, financing capacity and liquidity, as were as from Romanian Solar market stage of development which enables favorable transactions.

During 2010, the Group acquired 85% of EDP Renewables Italia, S.r.l. The EDPR Group granted the seller a put option over the remaining 15% of the interest which, in line with the Group's accounting policy, has been treated as an advance purchase of non-controlling interests. The acquisition cost recognised in the annual accounts for 2011 included the balance settled in cash, consideration contingent on the successful implementation of projects underway, and an amount reflecting the fair value of the put option. The contingent consideration and the amount of the put option are both at fair value (see notes 19 and 40). In 2011, EDPR Italia increased its share capital and the minority shareholder, Energía in Natura, S.r.l., did not subscribe this increase. As a result, the percentage ownership on the non-controlling interests has fallen to 6.48% and as well the percentage to be acquired through that written put option. After this operation, the Group updated the estimate of the amount payable taking into account the reduced percentage of the anticipated acquisition of non-controlling interests, and considering the updated estimate of energy prices and the number of MW to be installed in the future. In light of the above, the EDPR Group has reduced the liability associated with the put option by 34,625 thousands of Euros and the contingent consideration by 17,070 thousands of Euros, and recognised a profit for the year of 51,695 thousands of Euros (see note 40).

In May 2012, EDP Energias do Brasil, S.A. signed a sale and purchase agreement to sell its financial investment in Evrecy Participações, Ltda. (owner of electricity transmission assets) to Companhia de Transmissão de Energia Elétrica Paulista - CTEEP for 25,181 thousands of Euros (63,164 thousands of Brazilian Real). On 21 December 2012, after ANEEL's approval, the disposal process was completed, originating a gain of 12,478 thousands of Euros.

In 2012, Provisional Measure 579/12, meanwhile converted into Law 12.783/13, was issued in Brazil, which establishes the calculation rule of the indemnities payable to distribution companies, related to the assets not fully amortised or depreciated at the end of the concession period, based on the new replacement value methodology. This methodology determined an increase in the indemnity receivable by Bandeirante and Escelsa, accounted for as a financial asset under IFRIC 12 terms, of 40,838 thousands of Euros (102,439 thousands of Brazilian Real), against other operating income. This amount corresponds to the difference between the residual value of the assets according to the new replacement value versus the historical cost (see note 26).

The caption Other operating income includes the power purchase agreements between EDPR NA and its customers which were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other operating income. As at 31 December 2012, the amortisation for the period amounts to 9,888 thousands of Euros (31 December 2011: 10,334 thousands of Euros).

As at 31 December 2011, Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity transmission network and powerstations owned by Hidrocantabrico to Rede Eléctrica de España ("REE").

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Supplies and services				
Consumables and communications	52,345	54,403	9,382	11,324
Rents and leases	112,579	102,154	45,676	40,865
Maintenance and repairs	326,291	326,897	17,452	15,871
Specialised works:				
- Commercial activity	152,507	156,386	5,554	9,778
- IT services, legal and advisory fees	98,019	89,081	30,226	26,400
- Other services	59,106	46,452	11,459	12,784
Provided personnel	-	-	44,309	44,575
Other supplies and services	127,440	125,675	16,821	15,255
	928,287	901,048	180,879	176,852

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Personnel costs				
Board of Directors remuneration	16,742	15,945	5,437	5,080
Employees' remuneration	502,028	484,365	1,527	1,608
Social charges on remuneration	120,082	120,514	406	372
Performance, assiduity and seniority bonus	77,776	81,747	4,507	5,583
Other costs	24,817	33,790	886	1,240
Own work capitalised:				
- Assigned to concessions (see note 7)	-85,775	-88,192	-	-
- Other	-73,473	-78,920	-	-
	582,197	569,249	12,763	13,883
Employee benefits				
Pension plans costs	29,266	34,872	230	85
Medical plans costs and other benefits	8,585	7,458	134	135
Cost of rationalising human resources	25,133	15,797	-	-
Other	26,355	7,524	61	45
	89,339	65,651	425	265
	671,536	634,900	13,188	14,148

Pension plans costs include 12,205 thousands of Euros (31 December 2011: 16,858 thousands of Euros) related to defined benefit plans (see note 36) and 17,061 thousands of Euros (31 December 2011: 18,014 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 8,585 thousands of Euros (31 December 2011: 7,458 thousands of Euros) related to the net charge of the year. The cost of rationalising human resources results essentially from: i) a restructuring plan in EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante; and ii) 76 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following Setúbal power plant decommissioning process, in the amount of 21,391 thousands of Euros.

Other employee benefits include costs with medical services of employees in the amount of 8,044 thousands of Euros and costs with tariff discount of active workers in the amount of 11,532 thousands of Euros.

The breakdown by management positions and category of professional staff as at 31 December 2012 and 2011 is as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Executive Board members*	55	49	7	7
Senior management	676	650	-	-
Specialists	4,223	4,089	-	-
Middle Technicians	207	205	-	-
Intermediate Technicians	71	90	-	-
Qualified and highly Qualified Professionals	6,891	6,931	-	-
Semi Qualified Professionals	152	154	-	-
	12,275	12,168	7	7

* Do not include Non-executive Board members

In 2012, began a standardization process of the professional categories segments. Two segments have already been eliminated in all countries, except Portugal.

11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Concession rents paid to local authorities and others	276,374	255,467	-	-
Direct and indirect taxes	118,401	123,725	1,492	808
Impairment losses on doubtful debts and others	59,996	55,895	15	24
Irrecoverable debts	25,954	15,602	-	-
Losses on fixed assets	41,069	41,995	584	391
Donations	20,624	19,975	8,443	7,780
Other operating costs	47,435	46,622	1,812	2,895
	589,853	559,281	12,346	11,898

The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts in low tension electricity and rents paid to city councils where the power plants area located.

The impairment losses on doubtful debts and others are analysed in notes 25 and 26, respectively.

12. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Charge for the period	54,411	71,755	12,171	15,679
Write-back for the period	-38,356	-71,063	-15,098	-6,163
	16,055	692	-2,927	9,516

The caption Provisions for the period is analysed in the note 37.

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Property, plant and equipment:				
Buildings and other constructions	15,836	14,510	2,899	2,087
Plant and machinery	936,805	932,472	26	24
Other	77,445	72,338	11,075	9,043
Impairment loss	54,131	5,058	-	-
	1,084,217	1,024,378	14,000	11,154
Intangible assets:				
Concession rights and impairment	78,319	86,451	-	-
Intangible assets related to concessions - IFRIC 12	328,248	367,436	-	-
Other rights	3,105	3,406	8	8
	409,672	457,293	8	8
	1,493,889	1,481,671	14,008	11,162
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-24,901	-29,654	-	-
Impairment of Goodwill	-	35,489	-	-
	1,468,988	1,487,506	14,008	11,162

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

During 2012, as a result of impairment tests related to wind generation assets (see note 19) in Spain and United States of America, EDPR Group recognized impairment losses of 45,617 and 7,784 thousands of Euros, respectively (see note 17).

In 2011, the caption Impairment of goodwill includes essentially, an impairment loss of EDPR Italia Group of 34,737 thousands of Euros resulting from the assessment of the recoverability of these assets based on the update of the assumptions in the estimates of MW to install and future energy prices (see note 19).

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

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

Thousands of Euros	Dec 2012		Dec 2011	
	Disposal %	Value	Disposal %	Value
Available for sale investments:				
Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A.	-	-	7.70%	9,983
Investments in subsidiaries and associates:				
EDP - Energias do Brasil, S.A.	11.23%	87,945	13.80%	110,362
		87,945		120,345

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, totalling 193,909 thousands of Euros were used as a contribution in kind to subscribe a share capital increase in EDP Investments and Services, S.L. of 281,854 thousands of Euros. In accordance with the company's accounting policy, common control transactions are accounted for in company's separate financial statements in accordance with the fair value accounting method, which determined the recognition of a gain of 87,945 thousands of Euros. In October 2012, the financial investment in EDP Investments and Services, S.L. was allocated to EDP Branch in Spain.

On 4 October 2011, the sale of the investment held by EDP, S.A. in the share capital of Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A. was completed for 85,000 thousands of Euros, generating a capital gain of 9,983 thousands of Euros, net of transaction costs of 503 thousands of Euros.

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

15. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Financial income				
Interest income from bank deposits and other applications	53,998	80,377	22,770	35,349
Interest income from loans to subsidiaries and related parties	12,263	8,040	433,734	325,696
Interest from derivative financial instruments	135,149	140,040	23,335	28,749
Derivative financial instruments	223,691	265,911	350,285	437,216
Other interest income	57,846	60,681	1,272	1,485
Income from equity investments	5,828	7,885	643,458	638,498
Foreign exchange gains	59,665	71,758	12,743	5,331
CMEC	77,322	81,272	-	-
Other financial income	105,896	102,884	2,848	670
	731,658	818,848	1,490,445	1,472,994
Financial expenses				
Interest expense on financial debt	807,627	776,628	312,049	320,179
Capitalised borrowing costs:				
Assigned to concessions (see note 7)	-11,603	-13,922	-	-
Other	-131,400	-126,721	-	-
Interest from derivative financial instruments	110,444	113,255	17,577	33,171
Derivative financial instruments	277,315	250,182	339,879	377,320
Other interest expense	41,239	54,560	8,752	8,769
Impairment of financial investments:				
Available for sale financial assets	9,328	63,435	-	-
Subsidiaries	-	-	25,307	51,854
Foreign exchange losses	54,801	123,813	5,453	77,618
CMEC	18,240	17,974	-	-
Unwinding of liabilities	114,969	107,940	-	-
Unwinding of pension liabilities	48,202	44,926	-	-
Unwinding of medical liabilities and other plans	45,251	43,161	-	-
Other financial expenses	52,511	79,004	13,198	10,031
	1,436,924	1,534,235	722,215	878,942
Financial income / (expenses)	-705,266	-715,387	768,230	594,052

The caption Other financial Income - CMEC totalling 77,322 thousands of Euros includes 18,976 thousands of Euros related to interest of the initial CMEC (31 December 2011: 19,080 thousands of Euros) included in the annuity for 2012, 55,687 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 December 2011: 57,629 thousands of Euros) and 2,659 thousands of Euros relating to the financial component of the revisable mechanism of CMEC for 2012 (31 December 2011: 4,563 thousands of Euros).

The caption Other financial income includes essentially an amount of 68,808 thousands of Euros related with interest income of tariff adjustment and tariff deficit in the national electricity system in Portugal (31 December 2011: 21,578 thousands of Euros) and 10,851 thousands of Euros (31 December 2011: 7,282 thousands of Euros) related with interest income of tariff adjustment and tariff deficit in Spain. The caption Other financial expenses includes an amount of 4,453 thousands of Euros related with interests of tariff adjustment in Portugal (31 December 2011: 4,009 thousands of Euros).

Other financial expenses - CMEC, in the amount of 18,240 thousands of Euros (31 December 2011: 17,974 thousands of Euros), relates to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

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

The caption Impairment of available for sale financial assets in the amount of 9,328 thousands of Euros, refers essentially to impairment of the investment held in BCP in the amount of 5,495 thousands of Euros (31 December 2011: 57,851 thousands of Euros), as a result of the listed price decrease of this shares (see note 22).

As at 31 December 2012, the caption Impairment of financial investments, on a company basis, includes 25,307 thousands of Euros of the net effect related to the increased of impairment losses on equity investments in subsidiaries in the amount of 66,091 thousands of Euros (see note 20) and to the decrease of provision to cover the negative equity of subsidiary companies in the amount of 40,784 thousands of Euros (see note 37). In 2011 this caption includes an impairment booked against financial expenses as a result of losses on the subsidiaries EDP Imobiliária e Participações, S.A. (50,784 thousands of Euros) and EDP Investimentos, S.A. (1,020 thousands of Euros).

The Unwinding of discounted value liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 7,862 thousands of Euros (31 December 2011: 4,741 thousands of Euros), (ii) the unwinding related to the put option of EDP Renewables Itália of 214 thousands of Euros (31 December 2011: 1,400 thousands of Euros), (iii) the implied financial return in institutional partnership in USA wind farms which amounted to 68,431 thousands of Euros (31 December 2011: 62,538 thousands of Euros), and (iv) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 10,610 thousands of Euros (31 December 2011: 10,628 thousands of Euros), 3,035 thousands of Euros (31 December 2011: 5,051 thousands of Euros) and 10,575 thousands of Euros (31 December 2011: 11,958 thousands of Euros), respectively.

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Income from equity investments is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Group companies	-	-	640,299	633,979
Other companies				
Ampla Investimentos e Serviços, S.A.	-	1,656	-	1,656
Tejo Energia, S.A.	1,667	2,222	-	-
REN - Rede Eléctrica Nacional, S.A.	3,159	2,465	3,159	2,465
Other	1,002	1,542	-	398
	5,828	7,885	643,458	638,498

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal the limit is 4 years regarding tax years in which tax losses have been assessed or 5 or 6 years if tax losses and tax benefits have been used. In Spain the period is 4 years and in Brazil it is 5 years, being the last year considered settled by the tax administration the year of 2008. 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 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 (5 years in Portugal since 2012, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, introducing a set of amendments to the Spanish income tax legislation. From 1 January 2012 onwards, the period for off setting prior years' tax losses carry forward is extended from 15 to 18 years.

The Law 64-B/2011 of December 30, (2012 State Budget Law) has extended the period to carry forward tax losses from 4 to 5 years (for tax losses generated after 1 January 2012). However, the deduction of tax losses (even if generated before 2012) cannot exceed to 75% of the taxable income earned in each tax period. This limitation does not prevent the deduction of the non-deducted losses, in the same conditions, until the end of the respective taxable deductible period.

Royal Decree-Law 12/2012, published on March 31, 2012, provides for the implementation of a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% of the adjusted operational profit. The amount of financial expenses incurred with interest which exceed the above mentioned 30% may be deducted in the 18 following years, provided that this limit is not exceeded each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 million of Euros in 2011. On 24 April 2012, an additional favourable decision was issued regarding the municipal surcharge of 2010 on the amount of 12.7 million of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 million of Euros in 2012.

Following these decisions, as at 31 December 2012, the total amount of 2009 and 2011 Municipal surcharge paid in excess, regarding which EDP is still awaiting for a formal decision on the administrative and legal procedures, amounts to 12.9 million of Euros.

The Royal Decree-Law 20/2012, which was approved in July 2012, introduces a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carry forward for the years 2012 and 2013:

- Companies whose last year income are between 20 and 60 million of Euros, can only deduct tax losses until the limit of 50% of the taxable income contrary to the former foreseen limit of 75%; and
- Companies whose last year income exceed 60 million of Euros, can only deduct tax losses until the limit of 25% of the taxable income when compared to the former foreseen limit of 50%.

Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Current tax	-154,025	-187,484	-15,204	69,213
Deferred tax	-128,512	-72,894	106,560	104,393
	-282,537	-260,378	91,356	173,606

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The reconciliation between the nominal and the effective income tax rate for the Group, at 2012, is analysed as follows:

Thousands of Euros	Dec 2012		
	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,464,692	388,143
Tax losses and tax credits	-2.2%	-122,974	-32,588
Tax benefits	-2.2%	-119,887	-31,770
Fair value of financial instruments and financial investments	0.5%	29,317	7,769
Financial investments in associates and subsidiaries	-5.0%	-276,325	-73,226
Autonomous taxation	0.4%	20,721	5,491
State surcharge	2.5%	139,970	37,092
Other adjustments, tax differential and changes in estimates	-1.2%	-69,336	-18,374
Effective tax rate and total income tax	19.3%	1,066,178	282,537

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

The Law 64-A/2011 of 30 December, modified the above referred tax, where the state surcharge applies (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the corporate income tax rate in Portugal applicable to entities with taxable income exceeding 7.5 millions of Euros will be 31,5%.

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

Thousands of Euros	Dec 2011		
	Rate	Tax basis	Tax
Nominal rate and income tax	26.5%	1,592,357	421,975
Tax losses and tax credits	-6.9%	-413,072	-109,464
Tax benefits	-3.9%	-232,026	-61,487
Differences between tax and accounting gains and losses	-1.4%	-84,472	-22,385
Fair value of financial instruments and financial investments	0.5%	31,883	8,449
Financial investments in associates and subsidiaries	-0.3%	-18,045	-4,782
Autonomous taxation	0.2%	14,868	3,940
State surcharge	1.0%	62,585	16,585
Other adjustments, tax differential and changes in estimates	0.7%	28,483	7,547
Effective tax rate and total income tax	16.4%	982,561	260,378

The reconciliation between the nominal and the effective income tax rate for the Company, at 2012, is analysed as follows:

Thousands of Euros	Dec 2012		
	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	741,326	196,451
Non deductible provisions and amortisations for tax purposes	2.8%	79,328	21,022
Tax losses and tax credits	-6.8%	-190,177	-50,397
Dividends	-24.2%	-677,947	-179,656
Difference between tax and accounting gains/losses	-3.6%	-100,457	-26,621
State surcharge	2.6%	73,389	19,448
Financial investments in associates and subsidiaries	-9.1%	-255,181	-67,623
Other adjustments and changes in estimates	-0.5%	-15,020	-3,980
Effective tax rate and total income tax	-12.3%	-344,739	-91,356

Financial investments in subsidiaries and associated companies includes the effect of the reversal of a deferred tax liability which was accounted for following the sale of the shareholding in Oni, by virtue of the extinction of the facts which gave rise to its constitution on the transaction date.

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

Thousands of Euros	Dec 2011		
	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	612,198	162,232
Non deductible provisions and amortisations for tax purposes	1.2%	28,642	7,590
Tax losses and tax credits	-16.8%	-387,592	-102,712
Dividends	-29.4%	-678,049	-179,683
Difference between tax and accounting gains/losses	-14.0%	-323,004	-85,596
State surcharge	3.6%	84,109	22,289
Other adjustments and changes in estimates	0.5%	8,581	2,274
Effective tax rate and total income tax	-28.4%	-655,115	-173,606

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During 2011, as a result of tax legislation changes in Spain and of corporate restructures of EDP's Spanish fiscal group of subsidiaries, EDP re-estimated the future recovery of tax losses and credits brought forward which led to the recognition of deferred tax assets in the amount of 70 millions of Euros.

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

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

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Profit before tax	1,464,692	1,592,357	741,326	612,198
Income tax	-282,537	-260,378	91,356	173,606
Effective income tax rate	19.3%	16.4%	-12.3%	-28.4%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Cost:				
Land and natural resources	175,796	176,310	74,569	75,026
Buildings and other constructions	654,384	551,944	93,556	95,906
Plant and machinery:				
Hydroelectric generation	8,866,085	8,036,060	254	254
Thermoelectric generation	7,672,378	7,752,912	-	-
Renewable generation	11,565,234	10,899,201	-	-
Electricity distribution	1,360,638	1,990,302	-	-
Gas distribution	1,136,865	1,100,039	-	-
Other plant and machinery	121,409	114,955	182	165
Other	809,611	775,526	117,155	109,323
Assets under construction	2,784,191	2,731,386	26,747	12,432
	35,146,591	34,128,635	312,463	293,106
Accumulated depreciation and impairment losses:				
Depreciation charge	-1,030,086	-1,019,320	-14,000	-11,154
Accumulated depreciation in previous years	-13,147,618	-12,390,019	-89,894	-81,203
Impairment losses	-54,131	-5,058	-	-
Impairment losses in previous years	-9,416	-5,925	-	-
	-14,241,251	-13,420,322	-103,894	-92,357
Carrying amount	20,905,340	20,708,313	208,569	200,749

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost:							
Land and natural resources	176,310	3,987	-586	2,643	-7,963	1,405	175,796
Buildings and other constructions	551,944	983	-3,989	149,309	-44,505	642	654,384
Plant and machinery	29,893,469	38,453	-124,274	1,215,204	-296,607	-3,636	30,722,609
Other	775,526	28,111	-36,615	48,273	-3,118	-2,566	809,611
Assets under construction	2,731,386	1,601,467	-6,994	-1,477,183	-63,675	-810	2,784,191
	34,128,635	1,673,001	-172,458	-61,754	-415,868	-4,965	35,146,591
		Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	155,315	15,836	-3,926	-	-7,731	575	160,069
Plant and machinery	12,699,358	990,512	-117,152	-58,140	-50,723	-2,591	13,461,264
Other	565,649	77,869	-21,188	-56	-2,468	112	619,918
	13,420,322	1,084,217	-142,266	-58,196	-60,922	-1,904	14,241,251

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR Europe and EDPR North America during 2012. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. The subgroup EDP Brasil carried out investments related with the coal power plant Porto de Pecém and with the hydroelectric plant Santo Antônio do Jari. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power stations and power enhancement projects.

Charge / Impairment losses includes 53,401 thousands of Euros on wind generation assets in United States of America and Spain (see note 13), and 22,499 thousands of Euros regarding the depreciation of Setúbal thermoelectric power plant, up to its recoverable amount, following the decision to terminate of the operation at 31 December 2012.

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Disposals / Write-offs includes 88,228 thousands of Euros related with Barreiro thermal power plant due to the completion of dismantling works, during the second quarter of 2012. The accumulated depreciation associated to this thermal power plant amounts to 88,228 thousands of Euros.

Transfers include 61,754 thousands of Euros of cost of acquisition and 58,196 thousands of Euros of accumulated depreciation, related to cogeneration activity assets, which were classified as assets held for sale (see note 42).

Transfers from assets under construction into operation in 2012, refer mainly to wind farms of EDP Renováveis that became operational and to thermoelectric plant of Pecém I.

The movement in Exchange differences in the period results mainly from the appreciation of the Zloty (PLN) and the depreciation of the American Dollar (USD) and Brazilian Real (BRL) against the Euro in 2012.

Perimeter Variations / Regularisations includes the effect of the acquisition of Pietragalla Eolica S.R.L., J&Z SP. ZO.O., the acquisition of solar photovoltaic companies in Romania, the effect of the sale of the companies holders of the mini-hydrics detained in Spain, as well as the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during 2012 (see note 5).

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Cost:							
Land and natural resources	163,184	3,554	-289	15,174	-6,163	850	176,310
Buildings and other constructions	502,184	2,358	-6,594	74,048	-28,594	8,542	551,944
Plant and machinery	28,201,221	126,687	-37,508	1,562,398	-550	41,221	29,893,469
Other	805,664	18,777	-73,187	85,237	-1,420	-59,545	775,526
Assets under construction	3,210,711	1,584,224	-43,755	-1,979,054	-56,689	15,949	2,731,386
	32,882,964	1,735,600	-161,333	-242,197	-93,416	7,017	34,128,635

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	144,266	14,510	-5,376	-	-5,474	7,389	155,315
Plant and machinery	11,818,193	937,509	-16,181	-84,211	7,018	37,030	12,699,358
Other	596,922	72,359	-57,893	-55	-2,034	-43,650	565,649
	12,559,381	1,024,378	-79,450	-84,266	-490	769	13,420,322

Acquisitions / Increases include the investment in wind farms by the subgroups EDPR EU and EDPR NA during 2011. 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 242,197 thousands of Euros of cost of acquisition and 84,266 thousands of Euros of accumulated depreciation, related to the regulated gas transmission activity in Spain, which were classified as assets held for sale (see note 42).

Transfers from assets under construction into operation in 2011, refer mainly to wind farms of EDP Renováveis that became operational and hydroelectric plants of Bemposta II and Picote II.

Perimeter Variations / Regularisations includes the effect of the acquisition of Home Energy II S.A. and ECE Participações, and the effect of the sale of Subgroup Veinco, transactions made by EDP Group during 2011.

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

As at 31 December 2012, Property, plant and equipment financed through lease contracts for the Group, amounts to 14,985 thousands of Euros (14,249 thousands of Euros at 31 December 2011), with accumulated depreciation of 6,277 thousands of Euros (5,754 thousands of Euros at 31 December 2011) and, the respective future lease payments amount to 8,606 thousands of Euros (7,882 thousands of Euros at 31 December 2011). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousands of Euros	Dec 2012			Dec 2011		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,281	268	3,549	3,211	214	3,425
Between one and five years	4,070	255	4,325	3,882	177	4,059
More than five years	712	20	732	389	9	398
	8,063	543	8,606	7,482	400	7,882

During 2012, the costs incurred with these assets amounted to 657 thousands of Euros (31 December 2011: 690 thousands of Euros) and are booked in the income statement under Supplies and services.

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The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Cost:						
Land and natural resources	75,026	-	-457	-	-	74,569
Buildings and other constructions	95,906	-	-3,291	361	580	93,556
Other	109,742	6,203	-1,272	2,918	-	117,591
Assets under construction	12,432	17,594	-	-3,279	-	26,747
	<u>293,106</u>	<u>23,797</u>	<u>-5,020</u>	<u>-</u>	<u>580</u>	<u>312,463</u>

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	22,473	2,899	-2,632	-	563	23,303
Other	69,884	11,101	-978	-	584	80,591
	<u>92,357</u>	<u>14,000</u>	<u>-3,610</u>	<u>-</u>	<u>1,147</u>	<u>103,894</u>

The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Cost:						
Land and natural resources	46,498	13,525	-19	15,022	-	75,026
Buildings and other constructions	24,569	2	-5,062	68,148	8,249	93,906
Other	122,680	5,063	-33,608	15,587	20	109,742
Assets under construction	82,951	28,238	-	-98,757	-	12,432
	<u>276,698</u>	<u>46,828</u>	<u>-38,689</u>	<u>-</u>	<u>8,269</u>	<u>293,106</u>

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,394	2,087	-4,477	-	7,469	22,473
Other	94,199	9,067	-33,384	-	2	69,884
	<u>111,593</u>	<u>11,154</u>	<u>-37,861</u>	<u>-</u>	<u>7,471</u>	<u>92,357</u>

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

As at 31 December 2012 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,883 thousands of Euros (3,555 thousands of Euros at 31 December 2011), with accumulated depreciation of 1,494 thousands of Euros (1,587 thousands of Euros at 31 December 2011) and the respective future lease payments amount to 2,277 thousands of Euros (1,733 thousands of Euros at 31 December 2011). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousands of Euros	Dec 2012			Dec 2011		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	823	79	902	783	48	831
Between one and five years	1,097	71	1,168	753	39	792
More than five years	201	6	207	107	3	110
	<u>2,121</u>	<u>156</u>	<u>2,277</u>	<u>1,643</u>	<u>90</u>	<u>1,733</u>

During 2012, the costs incurred related to these assets amount to 147 thousands of Euros (169 thousands of Euros at 31 December 2011) and are booked under Supplies and services in the income statement.

18. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Cost:		
Concession rights	15,443,537	15,463,265
CO ₂ licenses	320,164	359,058
Other intangibles	101,616	97,157
Intangible assets in progress	551,038	563,295
	<u>16,416,355</u>	<u>16,482,775</u>
Accumulated depreciation and impairment losses:		
Depreciation of concession rights	-406,567	-453,887
Depreciation of industrial property and other intangibles	-3,105	-3,406
Accumulated depreciation in previous years	-9,464,821	-9,225,004
	<u>-9,874,493</u>	<u>-9,682,297</u>
Carrying amount	<u>6,541,862</u>	<u>6,800,478</u>

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straightline 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 straightline basis over the period of the concession, until 2047, 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 straightline basis over the period of the concession, until 2032.

The movements in Intangible assets during the year ended 31 December 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost:							
Concession rights:							
Distribution and generation Brazil	1,448,562	-	-	-	-78,658	-	1,369,904
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,371,528	28,866	-	-	-	25	1,400,419
Other concession rights	10,827	-	-	-	-	-	10,827
CO ₂ licenses	359,058	169,046	-206,191	-1,749	-	-	320,164
Assigned to concessions (IFRIC 12):							
Intangible assets	12,493,994	497	-35,309	332,523	-267,672	-	12,524,033
Intangible assets in progress	191,760	432,382	-446	-455,704	-7,584	-	160,408
Other intangibles	97,157	155	-10	389	-1,518	5,443	101,616
Other intangible assets in progress	371,535	23,781	-40	-389	-1,582	-2,675	390,630
	<u>16,482,775</u>	<u>654,727</u>	<u>-241,996</u>	<u>-124,930</u>	<u>-357,014</u>	<u>2,793</u>	<u>16,416,355</u>

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Concession rights	675,011	78,319	-	-	-12,904	-	740,426
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	328,248	-24,301	-	-179,703	-	9,102,486
Other intangibles	29,044	3,105	-	-	-580	12	31,581
	<u>9,682,297</u>	<u>409,672</u>	<u>-24,301</u>	<u>-</u>	<u>-193,187</u>	<u>12</u>	<u>9,874,493</u>

Transfers of intangible assets assigned to concessions in the amount of 123,181 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the application of revised amortisation rates in the Brazilian electricity sector, as result of the useful lives revision for the assets allocated to concessions by "Agência de Energia Elétrica" (ANEEL), in the amount of 12,985 thousands of Euros (32,572 thousands of Brazilian Reais) during 2012.

Transfers in CO₂ Licences in the amount of 1,749 thousands of Euros are related with the transfer of cogeneration assets to assets held for sale (see note 42).

Acquisitions / Increases of CO₂ Licences as at 31 December 2012 include 109,026 thousands of Euros of CO₂ licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 60,020 thousands of Euros of licences purchased at market. The market for CO₂ licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO₂ licenses correspond to CO₂ licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 6,282 thousands of Euros sold in the market.

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In the caption Hydric Portugal, the acquisitions include 28,497 thousands of Euros (31 December 2011: 54,266 thousands of Euros) relates to the power enhancement performed during 2012 in the hydroelectric plant of Alqueva. In 2011, the negative movement in Perimeter variations / Regularisations of 2,528 thousands of Euros relates to the fact that the power enhancements predicted contractually in Pedrógão have not been performed, which implies a revision of the amount to be paid of concession rent and the update of the discount rate used in the calculation of the concession right to 6.533%.

The movements in Intangible assets during the year ended 31 December 2011, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Cost:							
Concession rights:							
Distribution and generation Brazil	1,254,421	251,138	-	-	-56,997	-	1,448,562
Gas Portugal	138,354	-	-	-	-	-	138,354
Hydric Portugal	1,320,346	54,266	-556	-	-	-2,528	1,371,528
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	212,230	377,951	-231,123	-	-	-	359,058
Assigned to concessions (IFRIC 12):							
Intangible assets	12,308,883	20,044	-27,104	343,722	-215,012	63,461	12,493,994
Intangible assets in progress	257,298	420,502	-623	-476,845	-8,572	-	191,760
Other intangibles	93,411	2,391	-22	594	27	756	97,157
Other Intangible assets in progress	340,098	23,416	-388	-594	-630	9,633	371,535
	15,935,868	1,149,708	-259,816	-133,123	-281,184	71,322	16,482,775

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Concession rights	597,280	86,451	-	-	-8,720	-	675,011
Intangible assets assigned to concessions (IFRIC 12)	8,698,820	367,436	-13,440	-	-138,035	63,461	8,978,242
Other intangibles	25,629	3,406	-25	-	42	-8	29,044
	9,321,729	457,293	-13,465	-	-146,713	63,453	9,682,297

Transfers in the amount of 133,123 thousands of Euros are related with the movement of Financial Assets associated with Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12.

In the caption Concession rights - distribution and generation Brazil, the amount of 251,138 thousands of Euros in Acquisitions / Increases related to the concession rights acquired in the operation of acquisition of Hidroeléctrica de Santo Antônio do Jari.

Acquisitions of CO₂ Licences as at 31 December 2011 includes 214,782 thousands of Euros of CO₂ licences granted free of charge to the EDP Group plants operating in Portugal and in Spain. The disposals / write-off of CO₂ licenses correspond to the licenses consumed during 2010 and delivered to regulatory authorities in the amount of 180,217 thousands of Euros and 50,906 thousands of Euros sold in the market.

19. GOODWILL

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
HC Energia Group	1,919,526	1,916,548
EDP Renováveis Group	1,301,218	1,311,133
EDP Brasil Group	55,564	57,427
Other	42,149	42,149
	3,318,457	3,327,257

The movements in Goodwill during 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,916,548	2,978	-	-	-	-	1,919,526
EDP Renováveis Group	1,311,133	12,465	-32	-	-10,047	-12,301	1,301,218
EDP Brasil Group	57,427	-	-	-	-1,863	-	55,564
Other	42,149	-	-	-	-	-	42,149
	3,327,257	15,443	-32	-	-11,910	-12,301	3,318,457

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The movements in Goodwill during 2011, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,908,476	8,072	-	-	-	-	1,916,548
EDP Renováveis Group	1,343,294	-	-12,846	-35,489	16,174	-	1,311,133
EDP Brasil Group	58,991	-	-	-	-1,564	-	57,427
Other	38,418	3,731	-	-	-	-	42,149
	3,349,179	11,803	-12,846	-35,489	14,610	-	3,327,257

HC Energia Group

During 2012, the goodwill from HC Energia Group increased by 2,978 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 31 December 2012 and 31 December 2011, is analysed as follows:

Thousands of Euros	EDP Renováveis Group	
	Dec 2012	Dec 2011
Goodwill in EDPR Europe Group	699,522	697,691
Goodwill in EDPR North America Group	600,302	611,882
Goodwill in EDPR Brasil Group	1,394	1,560
	1,301,218	1,311,133

EDPR Europe Group

In 2012, the increase net of regularisations in EDP Renováveis Group includes the goodwill after purchase price allocation for the companies acquisition of EDPR Italia Group and EDPR Romania Group.

During 2011, the decrease in EDPR Europe goodwill in the amount of 12,846 thousands of Euros, results from the redefinition of the final price of the liability related with the put option of Caja Madrid over the non-controlling interest held by this entity over EDPR España in the amount of 3,363 thousands of Euros and the sale of Subgrupo Veinco by 9,483 thousands of Euros. On the other hand in 2011, the impairment in EDPR Italia Group goodwill, relates essentially with an update of the assumptions in the estimatives of MW to install and future energy prices of 34,737 thousands of Euros (see note 13).

Other information for purchase price allocation included in 2012

During 2012 the EDPR Italia Group acquired 100% of the share capital of the company Pietragalla Eolico S.R.L. (see note 5) and has carried out the final purchase price allocation that originates the recognition of an operating income in the amount of 2,639 thousands of Euros (see note 8).

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	1,227	10,300	11,527
Total assets	1,227	10,300	11,527
Deferred tax liabilities	-	2,833	2,833
Other liabilities	1,035	-	1,035
Total liabilities	1,035	2,833	3,868
Net assets acquired	192	7,467	7,659
Consideration transferred	5,020		5,020
Goodwill/ (Badwill)			-2,639

During 2012 the EDPR Romania Group acquired 100% of the share capital of the companies Cujmir Solar S.R.L., Foton Delta S.R.L., Foton Epsilon S.R.L., Potelu Solar S.R.L., Studina Solar S.R.L. and Vanju Mare Solar S.R.L. (see note 5) and has carried out the final purchase price allocation that originated the recognition of an operating income in the amount of 29,754 thousands of Euros (see note 8).

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	26	43,305	43,331
Other assets (including licenses)	500	14,167	14,667
Total assets	526	57,472	57,998
Deferred tax liabilities	-	9,195	9,195
Other liabilities	513	-	513
Total liabilities	513	9,195	9,708
Net assets acquired	13	48,277	48,290
Consideration transferred	18,536		18,536
Goodwill/ (Badwill)			-29,754

Goodwill impairment test analysis — EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, 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 testing is performed for each cash flow generating unit, identified in each country where EDP Group develops its activities/operations, namely:

- HC Energia (including Naturgás) - Generation, Distribution & supply of electricity and Distribution & supply of gas;
- EDP Renováveis Europe — Wind generation;
- EDP Renováveis North America and Brasil - Wind generation;
- EDP Brasil - Generation, Distribution, and supply.

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.

Goodwill impairment test analysis — HC Energia Group (including Naturgás)

The discount rates after taxes used by the Group in the impairment test analysis range between 6.77% and 7.47% (2011: between 6.3% and 7.2% respectively).

Regarding to generation business the future cash flow projection corresponds to the remaining useful life of the respective assets (power plans). In the electricity and gas transmission business the cash flow projection period considered was five years added by a growth rate, since long-term contracts exists. Remaining businesses estimated curves prices for the reference periods.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;
- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. Contracted prices for future long term purchases were also used;
- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;
- Operating costs: Operating costs were projected consistent with the company's experience and internal models;
- The growth rates used to make projections for the electricity and gas generation and supply assets is zero. However, for the electricity and gas distribution business is used 1% of the growth rate. These growth rates are based on the market growth and inflation expectations;
- In the regulated business, namely distribution of electricity and gas, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates;
- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as (i) pool price; (ii) cost of fuel (iii) discount rates; and (iv) trade energy. The sensitivity analysis results show that (i) a 5% decrease on the pool price or in trade energy ; or (ii) a 5% increase in the fuel costs; or (iii) a +100bps increase on the discount rate do not result in any impairment indicators.

Goodwill impairment test analysis — EDP Renováveis

The future cash flows projection used is the useful life of the assets (25 years) which is consistent with the current depreciation method. This projection also incorporate the long-term off-take contract in place and long-term estimates of energy prices, whenever the asset holds merchant exposure.

The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;
- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;
- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;
- Operating costs: established contracts for land leases and maintenance agreements were used; other operating costs were projected consistent with the company's experience and internal models;
- Terminal value: considered as a 15% of the initial investment in each wind farm, considering inflation;

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- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

	2012	2011
Portugal and Spain	7.0% - 7.1%	6.7%
United States	5.5% - 6.8%	5.0% - 6.9%
Rest of Europe	5.9% - 8.2%	6.0% - 8.6%

Impairment tests done have taken into account the regulation changes in each country, as disclosed in note 1.

Were performed a series of sensitivity analyses of the results of impairment tests to reasonable changes in some of the key variables, such as:

- EDPR NA, decrease in the Net Capacity Factors of 2.1%;
- EDPR NA, 10% reduction of Merchant Prices;
- EDPR EU, decrease of the terminal value until 10%.

Furthermore, EDPR Group has done an additional sensitivity analysis increasing 100 basis points the discount rate used in case base for EDPR NA and EDPR EU CGU's. These sensitivity analyses performed for each assumption independently would not suppose any impairment for the goodwill allocated to each country.

Goodwill impairment test analysis — EDP Brasil

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets / power purchase agreements. The period of considered cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rate used of 8.05% in 2011 (8.3% in 2011), reflects the Group's best estimate regarding the specific risks related to each CGU.

The terminal value of the distribution business corresponds to the present value of the assets and the end of the concession period (Regulatory Asset Base). In the generation / supply business, the terminal value corresponds to the present value of the assets net of amortisation at the end of the concession period.

This sensitivity analysis of considering +100bps on the discount rate does not result in any impairment indicators for "goodwill".

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

Thousands of Euros	Company	
	Dec 2012	Dec 2011
Acquisition cost	11,012,092	10,863,358
Effect of equity method (transition to IFRS)	-902,524	-1,020,632
Equity investments in subsidiaries	10,109,568	9,842,726
Impairment losses on equity investments in subsidiaries	-200,034	-133,943
	9,909,534	9,708,783

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:

Thousands of Euros	Company	
	Dec 2012	Dec 2011
	Net amount	Net amount
Investments in subsidiaries:		
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.	482,695	481,695
EDP Investments and Services, S.L.	281,854	-
EDP Comercial, S.A.	238,473	188,463
EDP Energias do Brasil, S.A.	-	193,909
Other	142,626	80,830
	9,909,534	9,708,783

The variation in the caption Investments in subsidiaries on a company basis (200,751 thousands of Euros) results, essentially, from the share capital increase of EDP Investments and Services, S.L. realised through a contribution in kind of 11.23% of the share voting rights over EDP Energias do Brasil (net effect of 87,945 thousands of Euros), from the supplementary capital conceded to EDP Imobiliária e Participações, S.A. (65,000 thousands of Euros), EDP Comercial, S.A. (50,000 thousands of Euros) and EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. (50,000 thousands of Euros) and from the impairment losses on equity investments in EDP Imobiliária e Participações, S.A. (65,000 thousands of Euros).

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, in the amount of 193,909 thousands of Euros was used to subscribe a share capital increase in EDP Investments and Services, S.L., through a contribution in kind of the referred shares, evaluated in 281,854 thousands of Euros, having been recognised a gain on the financial statements of EDP, S.A. in the amount of 87,945 thousands of Euros (see note 14).

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Associated companies:				
Investments in associates	164,018	160,443	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	163,881	160,306	-	-

As at 31 December 2012, for the Group, Investments in associates include goodwill of 47,009 thousands of Euros (31 December 2011: 44,311 thousands of Euros).

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

Thousands of Euros	Group			
	Dec 2012		Dec 2011	
	Cost	Impairment	Cost	Impairment
CEM - Companhia de Electricidade de Macau, S.A.	69,262	-	67,923	-
D. E. de Canárias, S.A.	9,933	-	12,372	-
ENEOP - Eólicas de Portugal, S.A.	9,908	-	10,696	-
SeaEnergy Renewables Inch Cape Limited	14,498	-	14,889	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	32,600	-	29,894	-
Principle Power, Inc.	5,179	-	-	-
Other	22,638	-137	24,669	-137
	164,018	-137	160,443	-137

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance as at 1 January	160,443	147,008
Acquisitions / Perimeter entries	6,054	14,516
Disposals	-2,389	-1,756
Share of profit of associates	23,777	19,477
Dividends received	-17,391	-13,281
Exchange differences	-2,101	3,859
Changes in the consolidation method	-	-4,790
Transfers / Regularisations	-4,375	-4,590
Balance as at 31 December	164,018	160,443

In 2012, EDP Inovação, S.A. acquired 50.3% of the share capital of Principle Power, Inc. and Generaciones Especiales I, S.L. sold its interest in Hidroastur, S.A. (see note 5).

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Banco Comercial Português, S.A.	29,653	19,665	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	38,408	39,361	38,408	39,361
Tejo Energia, S.A.	26,246	29,507	-	-
Others	86,991	82,780	2,053	3,183
	181,298	171,313	40,461	42,544

As at 30 June 2012, the investment held in Banco Comercial Português, S.A. decreased by 5,495 thousands of Euros, having an impairment loss been recognised in the income statement (see note 15). During the third quarter of 2012, regarding BCP share capital increase, EDP Group subscribed 250,778,389 shares of BCP at 0.04 Euros per share in a total investment of 10,031 thousands of Euros. After this operation, the Group holds 395,370,529 shares, maintaining its actual share of 2.01%, but reducing the share average cost, which in comparison with the securities market value as at 31 December 2012, generated a positive effect of 5,452 thousands of Euros in fair value reserves (see note 32).

During 2012, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., decreased by 953 thousands of Euros being the decrease booked against fair value reserves (see note 32).

As at 31 December 2012, the financial investment held in Tejo Energia, S.A., decreased by 3,261 thousands of Euros and the decrease was booked against fair value reserves (see note 32).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 48,229 thousands of Euros (31 December 2011: 37,388 thousands of Euros), as a result of its reinsurance activity.

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In 2012, the movements in Available for sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value reserve	Other variations	Balance at 31 December
Banco Comercial Português	19,665	10,031	-	-5,495	5,452	-	29,653
REN - Redes Energéticas Nacionais	39,361	-	-	-	-953	-	38,408
Tejo Energia	29,507	-	-	-	-3,261	-	26,246
Others	82,780	12,701	-1,126	-3,833	1,451	-4,982	86,991
	171,313	22,732	-1,126	-9,328	2,689	-4,982	181,298

In 2011, the movements in Available for sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value reserve	Other variations	Balance at 31 December
Ampla Energia e Serviços	181,221	-	-68,939	-	-112,282	-	-
Ampla Investimentos e Serviços	23,191	-	-5,575	-	-17,616	-	-
Banco Comercial Português	72,901	5,726	-1,111	-57,851	-	-	19,665
REN - Redes Energéticas Nacionais	48,220	-	-	-	-8,859	-	39,361
Tejo Energia	25,253	-	-	-	4,254	-	29,507
Others	93,179	9,952	-12,319	-5,584	-5,014	2,566	82,780
	443,965	15,678	-87,944	-63,435	-139,517	2,566	171,313

The financial investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., were sold during 2011 and resulted in a capital gain of 9,983 thousands of Euros (see note 14).

Available for sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group as at 31 December 2012 and 2011 is analysed as follows:

Thousands of Euros	Dec 2012	Dec 2011
Banco Comercial Português, S.A.	5,452	-
REN - Redes Energéticas Nacionais, SGPS, S.A	12,588	13,541
Tejo Energia, S.A.	19,891	23,152
Others	7,419	6,319
	45,350	43,012

In addition in 2012, the variation in fair value reserve of available for sale investments includes the amount of 351 thousands of Euros attributable to non-controlling interests.

23. DEFERRED TAX ASSETS AND LIABILITIES

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

Thousands of Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Europe				
Tax losses and tax credits	301,906	153,868	-	-
Provisions	474,694	483,928	5,714	31,081
Financial instruments	45,852	54,326	17,956	44,436
Tangible and intangible fixed assets	192,061	241,505	139,770	95,903
Reinvested gains	-	-	7,837	8,040
Financial and available for sale investments	41,904	76,915	17,235	78,437
Tariff adjustments and tariff deficit	33,592	24,000	425,327	218,450
Allocation of fair value to assets and liabilities acquired	32,391	11,878	628,885	647,148
Accounting revaluations	-	-	113,375	123,485
Deferred income relating to CMEC	-	-	287,656	215,324
Other temporary differences	15,484	14,596	20,306	33,078
Assets/liabilities compensation of deferred taxes	-994,016	-816,936	-994,016	-816,936
	143,868	244,080	670,045	678,446
Brazil				
Tax losses and tax credits	82,005	75,260	-	-
Provisions	107,692	98,913	-	-
Allocation of fair value to assets and liabilities acquired	-	664	139,731	158,781
Accounting revaluations and other temporary differences	6,390	92,497	22,376	98,947
	196,087	267,334	162,107	257,728
United States of America and Canada				
Tax losses and tax credits	607,466	520,423	-	-
Property, plant and equipment	2,346	-	297,861	221,980
Allocation of fair values	-	-	81,288	66,902
Gains from institutional partnerships in USA wind farms	-	-	251,786	271,959
Other temporary differences	2,123	22,590	41	-
Assets/liabilities compensation of deferred taxes	-611,074	-543,013	-611,074	-543,013
	861	-	19,902	17,828
	340,816	511,414	852,054	954,002

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.

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:

Thousands of Euros	Net Deferred tax assets		Net Deferred tax liabilities	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Tax losses and tax credits	61,424	72,626	-	-
Provisions	3,486	20,756	-	-
Financial instruments	16,248	22,949	12,829	27,552
Financial and available for sale investments	4,030	1,075	-	67,623
Property, plant and equipment	11,722	10,350	-	-
Accounting revaluations	-	-	13,092	13,021
Other temporary differences	3,065	3,039	4,255	4,255
Assets/liabilities compensation of deferred taxes	-30,176	-112,451	-30,176	-112,451
	69,799	18,344	-	-

The deferred tax movement, for the Group and for the Company, in 2012 and 2011 is analysed as follows:

Thousands of Euros	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Balance at 1 January	-442,588	-340,740	18,344	-67,926
Charges to the profit and loss account	-128,512	-72,894	106,560	104,392
Charges against reserves	67,752	50,365	8,229	19,102
Exchange differences and other variations	-7,890	-79,319	-63,334	-37,224
Balance at 31 December	-511,238	-442,588	69,799	18,344

On an individual basis, the caption Other temporary differences includes the tax losses charge-off from the subsidiaries of the EDP Sucursal Group for fiscal consolidation.

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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 fair value allocation of assets, liabilities and contingent liabilities on the acquisition of the company ECE Participações S.A. (Hidroelétrica Santo Antônio do Jari), occurred in 2011, determined the allocation of 82,227 thousands of Euros in deferred tax liabilities, as at 31 December 2011. This amount is presented under accounting revaluations and other temporary differences.

Taxes recorded against reserves are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Current tax				
Changes in fair value of derivative financial instruments	17	2,653	17	2,653
	17	2,653	17	2,653
Deferred tax				
Financial instruments and fair value	25,729	24,989	7,323	2,854
Actuarial gains and losses	41,928	9,141	-	-
Changes in fair value of financial assets held for sale	95	16,235	906	16,248
	67,752	50,365	8,229	19,102
	67,769	53,018	8,246	21,755

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Expiry date:		
2012	-	617
2013	552	736
2014	4,694	5,233
2015	60,057	20,503
2016	1,505	20,902
2017	486,853	764
2018 a 2031	2,207,128	1,880,298
Without expiry date	818,541	1,021,326
	3,579,330	2,950,379

24. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Merchandise	75,307	90,673
Finished, intermediate products and sub-products	28,799	39,494
Raw and subsidiary materials and consumables (coal and fuel)	187,602	124,311
Nuclear fuel	16,905	15,140
Other consumables	69,005	76,442
	377,618	346,060

The caption Other consumables includes CO₂ licenses that correspond to the amount of trading licenses held for sale, valued at market price against the profit and loss, as described in accounting policy 2 y) in the amount of 103 thousands of Euros (31 December 2011: 807 thousands of Euros) (see note 48).

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	1,050,200	925,710	182,731	159,033
Spain	684,331	730,606	-	-
Brazil	496,175	422,973	-	-
U.S.A.	42,575	31,660	-	-
Other	55,620	33,312	-	-
	2,576,312	2,310,843	182,731	159,033
Public Sector:				
Portugal	102,510	94,859	-	-
Brazil	53,574	30,178	-	-
Spain	91,327	41,545	-	-
	2,576,312	2,310,843	182,731	159,033
Impairment losses	-296,208	-267,172	-9,958	-9,960
	2,280,104	2,043,671	172,773	149,073

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Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Trade receivables - Non-Current:				
Corporate sector and individuals:				
Brazil	11,281	19,577	-	-
Public Sector:				
Portugal	126,501	132,258	-	-
Brazil	8,571	30,948	-	-
	146,353	182,783	-	-
Impairment losses	-49,254	-74,173	-	-
	97,099	108,610	-	-
	2,377,203	2,152,281	172,773	149,073

The movement in Impairment losses, in 2012, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Exchange differences	Charge for the year	Reversal of Impairment losses	Charge-off	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals:							
Portugal	133,518	-	39,339	-7,415	-7,796	2	157,648
Brazil	72,522	-6,450	4,623	-18,343	-	-3,948	48,404
Spain	49,706	-	7,566	-1,400	-	30	55,902
Public sector:							
Portugal	80,784	-	3,287	-5,223	-	-	78,848
Brazil	228	-30	337	-148	-	-8	379
Spain	4,587	-	3,024	-3,330	-	-	4,281
	341,345	-6,480	58,176	-35,859	-7,796	-3,924	345,462

The movement in Impairment losses, in 2011, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Exchange differences	Charge for the year	Reversal of Impairment losses	Charge-off	Perimeter Variations / Regularisations	Balance at 31 December
Corporate sector and individuals:							
Portugal	130,033	-	33,080	-13,508	-16,102	15	133,518
Brazil	72,184	-6,162	10,494	-5,506	-	1,512	72,522
Spain	46,021	-	7,692	-2,170	-82	-1,755	49,706
Public sector:							
Portugal	86,220	-	-	-5,436	-	-	80,784
Brazil	468	-31	199	-408	-	-	228
Spain	2,765	-	3,270	-1,442	-	-6	4,587
	337,691	-6,193	54,735	-28,470	-16,184	-234	341,345

During 2012, the movement in Impairment losses in EDP S.A. is related with reversals, booked in other operating income.

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Amounts receivable from tariff expenses - Electricity - Spain	432,415	553,268	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	668,965	374,859	-	-
Receivables relating to other goods and services	75,366	98,871	43,078	61,458
Amounts receivable relating to CMEC	432,133	122,080	-	-
Accrued income relating to energy sales and purchase activity in the market	111,116	117,227	163,640	165,968
Sundry debtors and other operations	347,439	245,189	63,356	34,341
	2,067,434	1,511,494	270,074	261,767
Impairment losses on debtors - Current	-15,915	-15,878	-931	-938
	2,051,519	1,495,616	269,143	260,829

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Amounts receivable from tariff adjustments - Electricity - Portugal	980,225	424,787
Amounts receivable relating to CMEC	944,167	1,012,330
Amounts receivable from concessions - IFRIC 12	706,480	581,012
Sundry debtors and other operations	109,335	93,140
	2,740,207	2,111,269
Impairment losses on debtors - Non current	-3,305	-2,876
	2,736,902	2,108,393

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The amounts receivable from Spanish tariff expenses correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2012, according to the applicable legal framework (see note 3). During 2012, the Spanish Electricity Deficit Amortisation Fund (FADE), launched sixteen bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 301,259 thousands of Euros related with tariff adjustments from previous years.

The caption Amounts receivable relating to CMEC totalize 1,376,300 thousands of Euros, and includes 944,167 thousands of Euros as non-current and 432,133 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 680,929 thousands of Euros as non-current and 41,688 thousands of Euros as current, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2012. The remaining 263,238 thousands of Euros as non-current and 390,446 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation in 2011 and 2012.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 706,480 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes the effect of the depreciation of Brazilian Real against Euro in the amount of 27,807 thousands of Euros, transfers from intangible assets assigned to concessions in the amount of 123,181 thousands of Euros (see note 18), a revaluation of the financial assets in the amount of 40,838 thousands of Euros (102,439 thousands of Reals), as well as 7,439 thousands of Euros arising from the sale of financial assets of Evrecy Participações Ltda. to CTEEP — Companhia de Transmissões de Energia Elétrica Paulista, which results in a gain of 12,478 thousands of Euros (see note 8).

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	394,057	29,726
Receipts through the electric energy tariff	-406,135	-
Tariff adjustment of 2010	188,032	131,858
Tariff adjustment for the year	226,421	396,471
Transfer from tariff adjustments payable	2,515	-
Interest income	14,194	7,384
Securitisation adjustment of cogeneration	-73,951	-110,926
Transfer from Non-Current to Current	29,726	-29,726
Balance as at 31 December 2011	374,859	424,787
Receipts through the electric energy tariff	-666,216	-
Tariff adjustment of 2011	987	-
Tariff adjustment for the year	619,015	980,007
Transfer to tariff adjustment payable	-9,491	-
Interest income	68,808	-
Securitisation adjustment of 2010 CMEC	-143,566	-
Transfer from Non-Current to Current	424,569	-424,569
Balance as at 31 December 2012	668,965	980,225

On 21 September 2011, EDP Serviço Universal, S.A. sold without recourse of the rights to receive the full amount of the electricity tariffs adjustment related to the over cost of cogeneration produced from renewable sources between 2009 and 2011. The transaction totalled 180,524 thousands of Euros and generated a financial loss of 4,603 thousands of Euros, including transaction costs.

On 13 December 2012, EDP Distribuição - Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the rights for the compensation correction portion of the compensation mechanism to maintain the contractual balance (CMEC), referring to 2010, in accordance with the terms of Decree-Law n.º 109/2011. The transaction amounted to 144,320 thousands of Euros, of which 141,081 thousands of Euros were received at the moment of the transaction and 3,239 thousands of Euros were deferred in 12 monthly payments between February 2013 and January 2014, generating a financial profit of 254 thousands of Euros, including transaction costs.

In 2012, the movements in Impairment losses on debtors - Current are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Balance at beginning of year	15,878	74,912	938	914
Charge of the year	1,809	1,160	15	24
Reversal of impairment losses / Charge off	-5,126	-60,609	-22	-
Perimeter variations / Others regularisations	3,354	415	-	-
Balance at year end	15,915	15,878	931	938

As at 31 December 2011, in the caption Reversal of impairment losses / Charge off is booked the amount of 4,831 thousands of Euros related to impairment losses (see note 8).

In 2012, the movements in Impairment losses on debtors - Non-Current are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at beginning of year	2,876	2,858
Charge of the year	11	-
Perimeter variations / Others regularisations	418	18
Balance at year end	3,305	2,876

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Debtors and other assets - Current:				
Loans to subsidiaries	-	-	1,036,546	1,802,680
Dividends	-	-	86,204	152,358
Loans to related parties	38,348	122,903	17,167	20,235
Receivables from the State and concessionors	48,349	30,565	-	-
Derivative financial instruments	129,814	216,817	127,169	246,766
Subsidiary Companies	-	-	1,022,077	421,855
Guarantees and tied deposits	19,548	37,834	-	-
Sundry debtors and other operations	60,615	97,575	5,366	1,880
	<u>296,674</u>	<u>505,694</u>	<u>2,294,529</u>	<u>2,645,774</u>
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	5,885,502	4,765,436
Loans to related parties	265,542	133,180	90	90
Guarantees and tied deposits	72,498	74,350	5	3,419
Derivative financial instruments	147,026	104,697	128,493	79,184
Sundry debtors and other operations	49,507	21,426	-	-
	<u>534,573</u>	<u>333,653</u>	<u>6,014,090</u>	<u>4,848,129</u>
	<u>831,247</u>	<u>839,347</u>	<u>8,308,619</u>	<u>7,493,903</u>

The Derivative financial instruments portfolio current and non current, in the amount of 129,814 thousands of Euros and 147,026 thousands of Euros respectively, correspond to the fair value of trading and hedge portfolios as at 31 December 2012 (see note 43).

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
State and other public entities:				
Income tax	168,834	271,353	81,917	77,246
Value added tax (VAT)	207,245	307,087	110,415	81,876
Turnover tax (Brazil)	17,026	30,598	-	-
Other taxes	42,523	35,781	3,255	3,255
	<u>435,628</u>	<u>644,819</u>	<u>195,587</u>	<u>162,377</u>

On EDP Group basis, the caption Other taxes includes the amount of 30,026 thousands of Euros (31 December 2011: 27,700 thousands of Euros) related with credits from PIS and COFINS from Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to the credits calculated based on expenses with materials applied or consumed in the electricity supply activity and in the depreciation of fixed assets to be offset with debits of these contributions.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Cash	60	40	-	-
Bank deposits:				
Current deposits	416,038	475,206	26,345	170,629
Term deposits	1,052,822	1,219,813	601,914	490,980
Specific demand deposits in relation to institutional partnerships - EDPR NA	65	24,636	-	-
Other deposits	29,084	5,152	-	-
	<u>1,498,009</u>	<u>1,724,807</u>	<u>628,259</u>	<u>661,609</u>
Operations pending cash settlement:				
Current deposits	196,976	-	676,976	-
Other short term investments (Euros)	291	6,677	-	-
Cash and cash equivalents	<u>1,695,336</u>	<u>1,731,524</u>	<u>1,305,235</u>	<u>661,609</u>

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

The caption Specific demand deposits of institutional partnerships - EDPR NA corresponding to funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships (see note 38).

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On individual basis, the caption Operations pending cash settlement relate with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at trade date of each emission. This caption includes: (i) 480,000 thousands of Euros, issued at 31 December 2012, acquired by EDP Finance B.V., and which settlement date occurred at 3 January 2013; and (ii) 196,976 thousands of Euros issued on 28 December 2012 and which settlement date occurred on 2 January 2013.

30. SHARE CAPITAL AND SHARE PREMIUM

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have non-controlling 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. On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to China Three Gorges International (Europe), S.A., through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

In result of this transaction the 780,633,782 shares representing 21.35% of the share capital and voting rights of EDP are directly attributed to China Three Gorges International (Europe), S.A. Accordingly, Parpública has reduced its qualified shareholding in EDP from 25.49% of the respective share capital and voting rights to 4.14%, holding a total amount of 151,517,000 shares in EDP, all of which correspond to class B shares.

The share capital amounts of 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, 3,505,020,715 are class A shares and 151,517,000 are class B shares.

Share capital and Share premium are analysed as follows:

Thousands of Euros	Group and Company	
	Share capital	Share premium
Balance as at 31 December 2011	3,656,538	503,923
Movements during the year	-	-
Balance as at 31 December 2012	3,656,538	503,923

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

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Net profit attributable to the equity holders of EDP (in Euros)	1,012,483,169	1,124,662,975	832,681,740	785,804,149
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,012,483,169	1,124,662,975		
Weighted average number of ordinary shares outstanding	3,624,042,958	3,624,423,735	3,625,555,958	3,625,936,735
Weighted average number of diluted ordinary shares outstanding	3,624,622,918	3,625,029,212	3,626,135,918	3,626,542,212
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.31		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.31		
Basic earnings per share from continuing operations (in Euros)	0.28	0.31		
Diluted earnings per share from continuing operations (in Euros)	0.28	0.31		

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

The average number of shares was determined as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
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	-32,494,757	-32,113,980	-30,981,757	-30,600,980
Average number of shares during the year	3,624,042,958	3,624,423,735	3,625,555,958	3,625,936,735
Effect of stock options	579,960	605,477	579,960	605,477
Diluted average number of shares during the year	3,624,622,918	3,625,029,212	3,626,135,918	3,626,542,212

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Book value of EDP, S.A. treasury stock (thousands of Euros)	103,706	111,430	97,611	105,335
Number of shares	31,904,523	32,359,146	30,391,523	30,846,146
Market value per share (in Euros)	2.290	2.391	2.290	2.391
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	73,061	77,371	69,597	73,753

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Operations performed from 1 January 2012 to 31 December 2012:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,483,938	-
Purchase price average (in Euros)	2.006	-
Purchase total value (thousands of Euros)	2,977	-
Volume sold (number of shares)	-1,938,561	-
Selling price average (in Euros)	2.153	-
Sold total value (thousands of Euros)	4,173	-
Final position (number of shares)	30,391,523	1,513,000
Highest market price (in Euros)	2.480	-
Lowest market price (in Euros)	1.640	-
Average market price (in Euros)	2.048	-

The volume and the selling prices disclosed above include the effect of the treasury stock attributable to employees, as mentioned in note 45.

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

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Legal reserve	578,435	539,145	578,435	539,145
Fair value reserve (cash flow hedge)	-121,097	-40,625	-16,069	4,870
Tax effect of fair value reserve (cash flow hedge)	34,979	13,537	4,938	-2,402
Fair value reserve (available for sale investments)	45,350	43,012	8,238	9,166
Tax effect of fair value reserve (available for sale investments)	-1,408	-1,652	1,957	1,051
Exchange differences arising on consolidation	24,268	121,469	-	-
Treasury stock reserve (EDP, S.A.)	97,611	105,335	97,611	105,335
Other reserves and retained earnings	2,464,978	2,155,619	1,315,569	1,238,690
	3,123,116	2,935,840	1,990,679	1,895,855

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

Thousands of Euros	Group	
	Increases	Decreases
Balance as at 31 December 2010	495,872	-313,343
Changes in fair value	7,660	-190,098
Transfer of impairment to profit or loss	-	60,664
Transfer to the income statement relating to assets sold	-17,743	-
Balance as at 31 December 2011	485,789	-442,777
Changes in fair value	8,674	-13,939
Transfer of impairment to profit or loss	-	7,603
Balance as at 31 December 2012	494,463	-449,113

Changes in fair value reserve attributable to the EDP Group during the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	5,452	-5,495
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-953
Tejo Energia, S.A.	-	-3,261
Other	3,222	-4,230
	8,674	-13,939

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Exchange differences on consolidation

Exchange differences 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 2012		Exchange rates at Dec 2011	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.319	1.285	1.294	1.392
Brazilian Real	BRL	2.704	2.508	2.416	2.327
Macao Pataca	MOP	10.533	10.062	10.353	10.985
Canadian Dollar	CAD	1.314	1.284	1.322	1.376
Zloty	PLN	4.074	4.185	4.458	4.121
Romanian Leu	RON	4.445	4.459	4.323	4.239
Pound Sterling	GBP	0.816	0.811	0.835	0.868

Treasury stock reserve (EDP, S.A.)

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

Dividends

On 17 April 2012, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which occurred on 16 May 2012 of the net profit for the year 2011 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 5,630 thousands of Euros).

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Non-controlling interests in income statement	169,672	207,316
Non-controlling interests in equity and reserves	3,069,642	3,069,929
	3,239,314	3,277,245

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
EDP Renováveis Group	1,516,865	1,319,812
Energias do Brasil Group	1,604,316	1,844,400
Other	118,133	113,033
	3,239,314	3,277,245

During the year ended 31 December 2012 EDP Group generated profits of 169,672 thousands of Euros attributable to non-controlling interest (31 December 2011: 207,316 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 38,792 thousands of Euros, a decrease of 4,805 thousands of Euros related to dividends paid and a decrease of the fair value reserve net of taxes of 12,627 thousands of Euros. In November 2012, EDP Renováveis has reached an agreement with Borealis Infrastructure for the sale, without loss of control of Vento II, of 49% equity shareholding in a portfolio of wind farm assets in the United States of America, and, as a result, the Group recognised non-controlling interests of 176,614 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 123,070 thousands of Euros of profits attributable to non-controlling interests, 169,978 thousands of Euros from the negative exchange differences, a decrease of 162,554 thousands of Euros related to dividends paid and the effect of changes in actuarial losses net of taxes, resulted in a decrease on the period in the non-controlling interests of 30,565 thousands of Euros.

34. HYDROLOGICAL ACCOUNT

This caption is analysed as follows:

Thousands of Euros	Group and Company	
	Dec 2012	Dec 2011
Non-Current	33,644	69,142
Current	22,832	-
	56,476	69,142

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The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Dec 2012	Dec 2011
Balance at the beginning of the year	69,142	75,098
Amounts received / (paid) during the year	-15,155	-8,036
Financial charges	2,489	2,080
Balance at the end of the year	56,476	69,142

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.

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.

35. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	61,567	45,161	61,567	45,161
EDP Finance B.V.	2,205,915	358,445	-	-
EDP Brasil Group	113,666	147,014	-	-
HC Energia Group	1,917	907	-	-
EDP Renováveis Group	95,486	126,041	-	-
EDP Produção	8,862	8,021	-	-
Portgás	26,759	33,803	-	-
Others	4,578	4,724	-	-
	2,518,750	724,116	61,567	45,161
Non-convertible bond loans:				
EDP, S.A.	150,000	-	150,000	-
EDP Finance B.V.	348,231	1,621,314	-	-
EDP Brasil Group	141,521	34,175	-	-
	639,752	1,655,489	150,000	-
Commercial paper:				
EDP, S.A.	319,500	311,400	7,335,000	5,641,400
HC Energia Group	2,192	498	-	-
	321,692	311,898	7,335,000	5,641,400
Other loans:				
Investco preference shares	2,847	1,058	-	-
EDP Brasil Group	8,843	9,176	-	-
EDP Renováveis Group	2,885	3,111	-	-
EDP Produção	1,231	1,231	-	-
	15,806	14,576	-	-
Accrued interest	311,503	292,619	11,053	13,824
Total Debt and borrowings - Current	3,807,503	2,998,698	7,557,620	5,700,385
Collateral Deposits - Current ⁽¹⁾				
Collateral deposit - BEI	-12,732	-	-12,732	-
Other collateral deposits	-719	-	-	-
Total Collateral Deposits - Current	-13,451	-	-12,732	-
	3,794,052	2,998,698	7,544,888	5,700,385

⁽¹⁾ Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit in the amount of 361,445 thousands of Euros (348,713 thousands of Euros non-current and 12,732 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 67,051 thousands of Euros (66,332 thousands of Euros non-current and 719 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

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Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,097,196	1,137,824	1,097,196	1,137,824
EDP Finance B.V.	3,653,295	3,972,309	-	-
EDP Brasil Group	803,140	794,732	-	-
HC Energia Group	2,231	3,126	-	-
EDP Renováveis Group	792,181	680,350	-	-
EDP Produção	150,876	159,738	-	-
Portgás	35,609	43,278	-	-
	<u>6,534,528</u>	<u>6,791,357</u>	<u>1,097,196</u>	<u>1,137,824</u>
Non-convertible bond loans:				
EDP, S.A.	731,942	630,782	731,942	630,782
EDP Finance B.V.	8,654,038	7,831,887	-	-
EDP Brasil Group	385,244	353,924	-	-
	<u>9,771,224</u>	<u>8,816,593</u>	<u>731,942</u>	<u>630,782</u>
Commercial paper:				
EDP, S.A.	196,976	-	196,976	-
	<u>196,976</u>	<u>-</u>	<u>196,976</u>	<u>-</u>
Other loans:				
Investco preference shares	17,263	19,719	-	-
EDP Brasil Group	35,000	46,313	-	-
EDP Renováveis Group	21,787	24,284	-	-
EDP Produção	2,319	3,505	-	-
Others	1,163	517	-	-
	<u>77,532</u>	<u>94,338</u>	<u>-</u>	<u>-</u>
	<u>16,580,260</u>	<u>15,702,288</u>	<u>2,026,114</u>	<u>1,768,606</u>
Accrued interest	20,056	11,802	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	115,409	72,321	6,323	8,921
Total Debt and borrowings - Non-current	<u>16,715,725</u>	<u>15,786,411</u>	<u>2,032,437</u>	<u>1,777,527</u>
Collateral Deposits - Non-current ^(*)				
Collateral deposit - BEI	-348,713	-	-348,713	-
Other collateral deposits	-66,332	-68,372	-	-
Total Collateral Deposits - Non-current	<u>-415,045</u>	<u>-68,372</u>	<u>-348,713</u>	<u>-</u>
	<u>16,300,680</u>	<u>15,718,039</u>	<u>1,683,724</u>	<u>1,777,527</u>

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 2012 and 2011 these loans amounted to 1,018,578 thousands of Euros and 888,776 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

EDP Group has short-term credit facilities of 183,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being 183,000 thousands of Euros available; as well as Commercial Paper programs of 300,000 thousands of Euros with guaranteed placement, being fully available. EDP Group has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,700,000 thousands of Euros are available. For liquidity management needs in USD, has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 December 2012 is totally drawn down.

In non-current debt it is presented an amount of 200,000 thousands of Euros, with upfront interests paid in the amount of 3,024 thousands of Euros, relating to a Commercial Paper program with a firm underwriting commitment for a period exceeding one year.

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The nominal value of Bond loans issued and outstanding, as at 31 December 2012, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros	
					Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	Aug/11	Euribor 6 months + 1.5%	n.a.	Mar/13	150,000	150,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
					900,000	900,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	757,920	-
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)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	88,020	-
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	757,920	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	75,792	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.5%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.0%	Fair Value	Nov/18	103,922	-
EDP Finance B.V.	Dec-12	Variable Rate (iv)	n.a.	Dec/13	350,000	-
					9,095,156	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110.5% of CDI	n.a.	Oct/13	110,963	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	144,252	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	61,649	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	44,385	-
Energias do Brasil	Sep/12	105.5% of CDI	n.a.	Feb/14	166,445	-
					527,694	-
					10,522,850	900,000

- (i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan is associated to interest rate swaps.
(iv) These issues correspond to private placements.

Loans by maturity, is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Bank loans:				
Up to 1 year	2,558,583	740,584	64,171	48,146
From 1 to 5 years	5,142,798	5,422,511	659,126	625,655
More than 5 years	1,407,686	1,380,647	438,070	512,169
	9,109,067	7,543,742	1,161,367	1,185,970
Bond loans:				
Up to 1 year	908,935	1,924,756	156,537	4,065
From 1 to 5 years	6,952,783	5,753,834	456,324	339,703
More than 5 years	2,937,950	3,135,080	281,941	300,000
	10,799,668	10,813,670	894,802	643,768
Commercial paper:				
Up to 1 year	324,089	318,672	7,336,912	5,648,174
From 1 to 5 years	196,976	-	196,976	-
	521,065	318,672	7,533,888	5,648,174
Other loans:				
Up to 1 year	15,896	14,686	-	-
From 1 to 5 years	52,837	61,859	-	-
More than 5 years	24,695	32,480	-	-
	93,428	109,025	-	-
	20,523,228	18,785,109	9,590,057	7,477,912

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

Thousands of Euros	Dec 2012		Dec 2011	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	3,807,503	3,452,211	2,998,698	2,650,355
Debt and borrowings - Non-current	16,715,725	17,164,909	15,786,411	13,939,717
	20,523,228	20,617,120	18,785,109	16,590,072

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements in IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 31 December 2012, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Debt and borrowings - Non-current	-	3,628,541	3,396,826	3,333,080	1,986,948	4,370,330	16,715,725
Debt and borrowings - Current	3,807,503	-	-	-	-	-	3,807,503
	3,807,503	3,628,541	3,396,826	3,333,080	1,986,948	4,370,330	20,523,228

Future payments of capital in debt and interests and guarantees are detailed in note 44.

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

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Bank loans:							
Euro	2,415,111	641,451	506,810	744,239	850,536	884,953	6,043,100
Brazilian Real	64,187	106,817	79,175	37,958	38,429	322,133	648,699
US Dollar	6,008	1,136,880	795,513	-	-	-	1,938,401
Others	73,277	70,043	71,626	36,868	26,454	200,599	478,867
	2,558,583	1,955,191	1,453,124	819,065	915,419	1,407,685	9,109,067
Bond loans:							
Euro	719,625	1,398,277	1,799,642	2,250,000	1,043,160	1,339,623	8,550,327
Brazilian Real	161,094	254,975	57,701	51,043	22,193	3,231	550,237
US Dollar	28,216	-	75,792	-	-	1,595,096	1,699,104
	908,935	1,653,252	1,933,135	2,301,043	1,065,353	2,937,950	10,799,668
Commercial paper:							
Euro	324,089	-	-	196,976	-	-	521,065
	324,089	-	-	196,976	-	-	521,065
Other loans:							
Euro	3,084	10,694	2,994	9,201	1,305	-	27,278
Brazilian Real	10,189	6,637	6,072	5,294	4,246	24,695	57,133
US Dollar	1,122	1,266	-	-	-	-	2,388
Others	1,501	1,501	1,501	1,501	625	-	6,629
	15,896	20,098	10,567	15,996	6,176	24,695	93,428
	3,807,503	3,628,541	3,396,826	3,333,080	1,986,948	4,370,330	20,523,228

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Provisions for social liabilities and benefits	939,399	1,003,943
Provisions for medical liabilities and other benefits	994,026	819,215
	1,933,425	1,823,158

Provisions for social liabilities and benefits as at 31 December 2012 include 932,194 thousands of Euros relating to retirement pension defined benefit plans (31 December 2011: 994,661 thousands of Euros) and 7,205 thousands of Euros (31 December 2011: 9,282 thousands of Euros) related 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:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at the beginning of the year	1,003,943	1,104,406
Charge for the period	60,407	61,784
Pre-retirements (curtailments)	20,269	15,183
Actuarial (gains)/losses	8,067	-21,562
Charge-off	-149,441	-155,592
Transfers, reclassifications and exchange differences	-3,846	-276
Balance at the end of the year	939,399	1,003,943

Pre-retirements (curtailments) are related with costs of rationalising human resources and result from 76 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following of the Setúbal Generation Center decommissioning process.

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at the beginning of the year	819,215	800,473
Charge for the year	53,836	50,619
Pre-retirements (curtailments)	1,174	614
Benefits Reduction	-	1,308
Actuarial (gains)/losses	174,272	9,757
Charge-off	-44,308	-41,710
Transfers, reclassifications and exchange differences	-10,163	-1,846
Balance at the end of the year	994,026	819,215

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 thousands of 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 recognised in 2012 gains of 182,339 thousands of Euros and in 2011 gains of 11,805 thousands of Euros.

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 with 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). The responsibilities for 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, until 31 May 2011. From this date, the plans management became the responsibility of EnerPrev, a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

- DB 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 DB 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.

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As at 31 December 2012 and 2011 the number of participants covered by the pension plans was as follows:

	2012			2011		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants:						
Retirees and pensioners	17,959	1,517	1,743	18,010	1,564	1,669
Active workers	5,932	1,433	1,493	6,168	1,348	1,690
	23,891	2,950	3,236	24,178	2,912	3,359

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

Assumptions	Dec 2012					
	Portugal	Spain	Brazil			
			Bandeirante	Escelsa	Energest	
Expected return of plan assets	3.25%	not applicable	9.30%	9.30%	9.30%	
Discount rate	3.25%	3.35%	9.30%	9.30%	9.30%	
Salary increase rate	3.00%	3.00%	6.90%	6.90%	6.90%	
Pension increase rate	2.00%	not applicable	5.00%	5.00%	5.00%	
Social Security salary appreciation	2013 - 0% // After 2013 - 1.9%	not applicable	not applicable	not applicable	not applicable	
Inflation rate	2.00%	2.25%	5.00%	5.00%	5.00%	
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational	
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	
Assumptions	Dec 2011					
	Portugal	Spain	Brazil			
			Bandeirante	Escelsa	Energest	
Expected return of plan assets	5.00%	not applicable	11.10%	11.10%	11.10%	
Discount rate	5.00%	5.40%	10.25%	10.25%	10.25%	
Salary increase rate	3.50%	2.75% IPC + 0.5%) in all years	7.59%	7.59%	7.59%	
Pension increase rate	2.50%	not applicable	4.50%	4.50%	4.50%	
Social Security salary appreciation	2012 - 0% // After 2012 - 1.9%	not applicable	not applicable	not applicable	not applicable	
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%	
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational	
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 2012.

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The liability for retirement pensions and related coverage for the Group, as at 31 December 2012 and 2011 is analysed as follows:

Thousands of Euros	Dec 2012			
	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,727,211	104,539	349,616	2,181,366
Fair value of plan assets at the end of the year	-960,342	-	-321,431	-1,281,773
Asset ceiling	-	-	32,601	32,601
Provision at the end of the year	766,869	104,539	60,786	932,194

Thousands of Euros	Dec 2011			
	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,804,825	90,599	311,105	2,206,529
Fair value of plan assets at the end of the year	-941,238	-	-311,384	-1,252,622
Asset ceiling	-	-	40,754	40,754
Provision at the end of the year	863,587	90,599	40,475	994,661

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

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:

Thousands of Euros	2012	2011	2010	2009	2008
Provision for Pension Plans					
Liability at the end of the year	2,181,366	2,206,529	2,340,207	2,302,307	2,192,985
Fair value of plan assets at the end of the year	-1,281,773	-1,252,622	-1,290,865	-1,233,762	-1,146,273
Asset ceiling	32,601	40,754	43,733	27,436	20,841
Provision at the end of the year	932,194	994,661	1,093,075	1,095,981	1,067,553

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:

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Plan liabilities	-25,009	-53,764	11,939	-9,112	-33,781
Experience adjustments for the Plan assets	32,511	-70,732	-33,724	13,676	-136,929

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:

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Plan liabilities	3,469	-12,478	-3,238	2,701	4,693
Experience adjustments for the Plan assets	21,032	35,706	4,244	5,160	-18,938

The past service liability of the pension plans for the Group, as at 31 December 2012 and 2011 is as follows:

Thousands of Euros	Dec 2012			
	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,804,825	90,599	311,105	2,206,529
Current service cost	11,796	376	33	12,205
Interest cost	86,121	5,662	30,020	121,803
Benefits paid	-189,262	-10,217	-16,424	-215,903
Curtailments / settlements	20,217	-	52	20,269
Actuarial losses and gains	-6,486	18,341	59,827	71,682
Currency fluctuation	-	-	-38,480	-38,480
Other	-	-222	3,483	3,261
Liability at the end of the year	1,727,211	104,539	349,616	2,181,366

Thousands of Euros	Dec 2011			
	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,961,418	92,936	285,853	2,340,207
Current service cost	13,781	3,480	-403	16,858
Interest cost	93,240	3,339	28,581	125,160
Benefits paid	-192,580	-10,239	-16,273	-219,092
Curtailments / settlements	15,183	-	-	15,183
Actuarial losses and gains	-86,217	-2,719	37,817	-51,119
Currency fluctuation	-	-	-25,321	-25,321
Other	-	3,802	851	4,653
Liability at the end of the year	1,804,825	90,599	311,105	2,206,529

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

Thousands of Euros	Dec 2012			
	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	11,796	376	33	12,205
Curtailments / settlements	20,217	-	52	20,269
Operational component (see note 10)	32,013	376	85	32,474
Interest cost	86,121	5,662	30,020	121,803
Expected return on plan assets	-45,553	-	-28,048	-73,601
Financial component (see note 15)	40,568	5,662	1,972	48,202
Net cost for the year	72,581	6,038	2,057	80,676

Thousands of Euros	Dec 2011			
	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	13,781	3,480	-403	16,858
Curtailments / settlements	15,183	-	-	15,183
Operational component (see note 10)	28,964	3,480	-403	32,041
Interest cost	93,240	3,339	28,581	125,160
Expected return on plan assets	-55,201	-	-25,033	-80,234
Financial component (see note 15)	38,039	3,339	3,548	44,926
Net cost for the year	67,003	6,819	3,145	76,967

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

Thousands of Euros	Dec 2012			
	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	941,238	-	311,384	1,252,622
Group contribution	-	-	6,313	6,313
Plan participants contributions	-	-	925	925
Benefits paid	-58,960	-	-15,892	-74,852
Actual return on plan assets	45,553	-	28,048	73,601
Actuarial gains/(losses)	32,511	-	26,991	59,502
Currency fluctuation	-	-	-36,495	-36,495
Other variations	-	-	157	157
Assets value at the end of the year	960,342	-	321,431	1,281,773

The actuarial gains/losses in Brazil include the amount of 4,113 thousands of Euros (10,317 thousands of Reais) related to actuarial gains and losses of asset ceiling not recognised in reserves (2011: positive in 632 thousands of 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 32,601 thousands of Euros, converted at closing rate of Brazilian Real (88,140 thousands of Reais). As at 31 December 2011 the value of the asset ceiling was 40,754 thousands of Euros.

Thousands of Euros	Dec 2011			
	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	1,013,829	-	277,036	1,290,865
Group contribution	-	-	7,522	7,522
Plan participants contributions	-	-	836	836
Benefits paid	-57,060	-	-16,010	-73,070
Actual return on plan assets	55,201	-	25,033	80,234
Actuarial gains/(losses)	-70,732	-	41,809	-28,923
Currency fluctuation	-	-	-24,919	-24,919
Other variations	-	-	77	77
Assets value at the end of the year	941,238	-	311,384	1,252,622

As at 31 December 2012 and 2011, the assets of the pension fund in Portugal are analysed as follows:

Thousands of Euros	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2012	-2,512	535,916	222,703	147,783	56,452	960,342
31 December 2011	10,466	524,803	194,954	159,777	51,238	941,238

%	Fund assets by nature					
	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2012	-0.26%	55.80%	23.19%	15.39%	5.88%	100.00%
31 December 2011	1.11%	55.76%	20.71%	16.98%	5.44%	100.00%

Properties included in the fund, that are being used by the Group amount to 118,232 thousands of Euros as at 31 December 2012 (124,722 thousands of Euros at 31 December 2011). Bonds include 16,166 thousands of Euros (4,916 thousands of Euros as at 31 December 2011) relating to bonds issued by EDP Finance B.V.

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

Thousands of Euros	2012	2011
Shares:		
EDP Renováveis	5,911	5,849
EDP S.A.	-	27
	5,911	5,876

Pension fund assets in Brazil as at 31 December 2012 and 2011 are analysed as follows:

Thousands of Euros	Fund assets by nature					Total
	Liquidity	Bonds	Shares	Property	Other	
31 December 2012	-	289,354	26,144	1,109	4,824	321,431
31 December 2011	-	272,074	31,949	1,281	6,080	311,384

%	Fund assets by nature					Total
	Liquidity	Bonds	Shares	Property	Other	
31 December 2012	-	90.02%	8.13%	0.35%	1.50%	100.00%
31 December 2011	-	87.38%	10.26%	0.41%	1.95%	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 that the benefits are expected to be paid.

The expected return rate of assets for 2012, as presented as follows:

Portugal	2012	
	Weight	Expected annual return rate
Bonds	55.40%	2.90%
Shares	23.60%	6.80%
Hedge Funds	3.10%	3.90%
Property	16.00%	4.50%
Other	1.90%	6.50%
Total	100.00%	5.00%

The real return rate of assets in 2012 was positive in 8.73% (2011: negative in 1.39%).

Brazil	2012	
	Weight	Expected annual return rate
Bonds	82.40%	10.22%
Shares	14.40%	16.27%
Hedge Funds	-	-
Property	0.60%	10.01%
Other	2.60%	10.77%
Total	100.00%	11.10%

The expected return rate of assets for 2013 and subsequent years, in accordance with expectations in January 2013, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, amounting to 3.25% in Portugal and 9.30% in Brazil.

As at 31 December 2012 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 and other benefits	Total
2013	188,545	35,833	224,378
2014	180,193	36,646	216,839
2015	169,099	37,572	206,671
2016	158,460	38,233	196,693
2017	150,317	39,525	189,842
2018	139,574	40,356	179,930
2019	131,569	41,513	173,082
2020	123,063	42,472	165,535
2021	111,781	43,362	155,143
2022	100,340	43,780	144,120

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In 2012 and 2011, no contributions to the pension funds were made.

In 2012, the pensions paid by the funds in Portugal totalled 58,960 thousands of Euros (31 December 2011: 57,060 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2013	10,445
2014	11,156
2015	11,382
2016	7,145
2017	5,850
2018	5,344
2019	4,801
2020	4,262
2021	3,725
2022	3,192

In 2012, the pensions paid by the Funds in Spain totalled 10,218 thousands of Euros (10,239 thousands of Euros in December 2011).

The amount of 104,539 thousands of Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 64,996 thousands of Euros (31 December 2011: 42,057 thousands of Euros) related with provisions for revision of the collective labour agreement. The provision includes 39,543 thousands of Euros (31 December 2011: 48,542 thousands of Euros) related with responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2013	15,361	6,524	640	22,525
2014	16,579	7,174	49	23,802
2015	17,718	7,864	71	25,653
2016	19,025	8,578	205	27,808
2017	20,845	9,294	101	30,240
2018	22,413	10,085	185	32,683
2019	23,964	10,887	65	34,916
2020	25,577	11,694	117	37,388
2021	27,280	12,707	71	40,058
2022	28,818	13,714	85	42,617

The contributions made to the Pension funds in 2012 amounted to 6,313 thousands of Euros (31 December 2011: 7,522 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2012 totalled 15,892 thousands of Euros (31 December 2011: 16,010 thousands of Euros).

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

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

Assumptions	Dec 2012		Dec 2011	
	Portugal	Brazil	Portugal	Brazil
Discount rate	3.25%	9.3%	5.00%	10.25%
Annual increase rate of medical service costs	3.5%	11.44% (b)	4.00%	11% (c)
Estimated administrative expenses per beneficiary per year (Euros)	215€ / year	not applicable	200€ / year	not applicable
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational
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) 11.44% in the first year, decreasing to 6% in 11 years.

(c) 11% in the first year, decreasing to 6% in 11 years.

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The number of participants covered by the Medical and other benefits plans as at 31 December 2012 and 2011 is as follows:

	Dec 2012		Dec 2011	
	Portugal	Brazil	Portugal	Brazil
Number of participants:				
Retirees and pensioners	17,947	2,151	18,010	1,980
Current employees	5,932	1,168	6,168	1,205
	23,879	3,319	24,178	3,185

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

Thousands of Euros	2012	2011	2010	2009	2008
Provision for medical care					
Liability at the end of the year	994,026	819,215	800,473	770,357	750,982
Provision at the end of the year	994,026	819,215	800,473	770,357	750,982

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

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Medical Plan liabilities	36,991	35,051	15,249	57,164	-4,160
	36,991	35,051	15,249	57,164	-4,160

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

Thousands of Euros	2012	2011	2010	2009	2008
Experience adjustments for the Medical Plan liabilities	-39,238	-2,469	-7,931	-9,771	2,717
	-39,238	-2,469	-7,931	-9,771	2,717

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

Thousands of Euros	Dec 2012			Dec 2011		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Evolution of the liability						
Liability at the beginning of the year	741,503	77,712	819,215	758,314	42,159	800,473
Current service cost	6,575	2,010	8,585	6,860	598	7,458
Current interest cost	36,488	8,763	45,251	37,442	5,719	43,161
Benefits reduction	-	-	-	-	1,308	1,308
Benefits paid	-37,249	-7,059	-44,308	-36,903	-4,807	-41,710
Curtailements / settlements	1,174	-	1,174	852	-238	614
Actuarial gains and losses	108,338	65,934	174,272	-28,172	37,929	9,757
Currency fluctuation	-	-13,295	-13,295	-	-4,956	-4,956
Other and "mútua"	3,132	-	3,132	3,110	-	3,110
Liability at end of the year	859,961	134,065	994,026	741,503	77,712	819,215
Provision at end of the year	859,961	134,065	994,026	741,503	77,712	819,215

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

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

Thousands of Euros	Dec 2012			Dec 2011		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the year						
Current service cost	6,575	2,010	8,585	6,860	598	7,458
Curtailement	1,174	-	1,174	852	-238	614
Operational component (see note 10)	7,749	2,010	9,759	7,712	360	8,072
Interest cost	36,488	8,763	45,251	37,442	5,719	43,161
Financial component (see note 15)	36,488	8,763	45,251	37,442	5,719	43,161
Net cost for the year	44,237	10,773	55,010	45,154	6,079	51,233

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

Thousands of Euros	Central Assumptions	Sensitivity assumption - medical care inflation	
		+1%	-1%
Liabilities at the end of the year	859,961	920,631	810,340

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Medical Care Plan and Other Benefits in Brazil includes liabilities of 135,123 thousand Euros relating to medical care, whose sensitivity analysis is as follows:

Thousands of Euros	Central Assumptions	Sensitivity assumption - medical care inflation	
		+1%	-1%
Liabilities at the end of the year	135,123	153,595	119,743
2013 cost for the year	14,685	16,041	13,581

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	78,495	87,143	-	-
Provision for customer guarantees under current operations	10,121	37,867	-	-
Provisions for dismantling and decommissioning	169,402	140,212	-	-
Provision for other liabilities and charges	124,848	149,927	27,882	72,172
	382,866	415,149	27,882	72,172

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at the beginning of the year	87,143	92,406
Charge for the year	26,018	33,779
Reversals	-12,739	-13,559
Charge-off for the year	-21,695	-56,972
Other and exchange differences	-232	31,489
Balance at the end of the year	78,495	87,143

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

Provision for legal and labour matters and other contingencies, includes provisions for litigation in progress and other labour contingencies of 51,701 thousands of Euros (31 December 2011: 79,529 thousands of Euros), relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 14,722 thousands of Euros (31 December 2011: 19,498 thousands of Euros). The requests result from the 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, which estimated liability amounts to 2,852 thousands of 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;
- iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2006 to 2008, in a total amount of 3,852 thousands of Euros. In the second quarter of 2012, and following a final and unfavorable decision relating to the litigations of the years 2004 and 2005, the EDP Group used the provision for litigation in the amount of 6,344 thousands of Euros;
- iv) Following the decision by the arbitration court, which partially accepted Terriminas claim, condemning EDP Produção to pay the amount of 1.3 millions of Euros regarding the price differential for 1985 and 1986, as at 31 December 2012, EDP Produção booked a provision in the amount of 5 millions of Euros, corresponding to the initial amount updated to current prices;
- v) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

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

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at the beginning of the year	37,867	108,480
Charge for the year	27	6,165
Reversals	-2,924	-23,614
Charge-off for the year	-34,119	-38,804
Other and exchange differences	9,270	-14,360
Balance at the end of the year	10,121	37,867

Provisions for customer guarantees under current operations of 10,121 thousands of Euros (31 December 2011: 37,867 thousands of Euros) includes essentially provisions for commercial losses.

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The movement in Provision for dismantling and decommissioning is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at the beginning of the year	140,212	65,331
Unwinding	7,862	4,741
Increase of the responsibility	23,125	41,094
Other and exchange differences	-1,797	29,046
Balance at the end of the year	169,402	140,212

As at 31 December 2012, Provision for dismantling and decommissioning on a consolidated basis includes the following situations:

- i) The Group holds a provision of 29,059 thousands of Euros (31 December 2011: 22,877 thousands of Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it;
- ii) Provisions for dismantling of wind farms of 63,336 thousands of Euros (31 December 2011: 57,694 thousands of Euros) to cover the costs of returning the sites to their original state, from which 37,652 thousands of Euros referring to the wind farms of the EDP North America Group, 24,810 thousands of Euros to the wind farms of the EDP Europe Group and 874 thousands of Euros to the wind farms of the EDP Brazil Group;
- iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 31 December 2012, the provision which amounts to 56,044 thousands of Euros (31 December 2011: 43,215 thousands of Euros) and 20,194 thousands of Euros (31 December 2011: 15,608 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the 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.

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

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Balance at the beginning of the year	149,927	164,977	72,172	21,867
Charge for the year	28,366	31,811	12,171	56,463
Reversals	-22,693	-33,890	-55,882	-6,163
Charge-off for the year	-22,930	-14,519	-	-
Other and exchange differences	-7,822	1,548	-579	5
Balance at the end of the year	124,848	149,927	27,882	72,172

During the second quarter of 2012, the EDP Group reversed a provision in the amount of 16,667 thousands of Euros related to a litigation with Iberdrola for damages and losses for their unjustified opposition to the access of HC Energia to the transportation networks in the community of Valencia during the years 2001 and 2002. On 17 May 2012, HC Energia was notified by the High Court of Valencia of the decision to accept an expert report which strengthens the HC Energia position. Thus, HC Energia reviewed the contingency associated with this litigation, and considered as remote the possibility of returning to Iberdrola the compensation received following the court decision subject to an appeal by Iberdrola.

As at 31 December 2012, Provision for other liabilities and charges includes, in individual basis, the variation of 40,784 thousands of Euros related to a reduction on the provision to cover for the negative equity of subsidiary companies, booked against financial results (see note 15).

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

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 31 December 2012, the more relevant situations considered as possible contingencies are described as follows:

- i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 28,117 thousands of Euros, on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged by Bandeirante, between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;
- ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 32,366 thousands of 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 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consists of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2012, the amount of this tax contingency totals 224 millions of 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 in force at present date (actual article 81).

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Consequently, EDP Group is currently using all available legal means to defend its interest and those of its shareholders, based on the conviction that reason is on its side, both from a legal and tax perspective, being at this moment in the initial phase of the judicial claim. As a result of the administrative appeal implied dismissing, EDP presented a judicial claim, on 6 June 2012.

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Deferred income related to benefits provided	737,598	773,252
Liabilities arising from institutional partnerships in USA wind farms	942,155	1,010,609
	1,679,753	1,783,861

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

As referred in the note 2 a), EDP Group changed the presentation of Deferred tax equity costs to be deducted to the caption Institutional partnerships in US wind farms. Prior to 2012, amounts included in transaction costs related to institutional partnerships were included as a component of non-current Other debtors and other assets. In 2012, the EDP Group included these transaction costs as a reduction of Institutional partnerships in USA wind farms instead of an asset (see note 27). In accordance with IAS 1, the Group has retrospectively reclassified amounts within 2011 comparative figures to conform to this change in presentation. The Group reclassified 12,948 thousands of Euros as at 31 December 2011 from Other debtors and other assets — Non-current - Sundry debtors and other operations to Institutional partnerships in US wind farms.

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Suppliers	1,169,387	1,110,659	236,425	250,114
Accrued costs related with supplies	391,834	371,858	175,934	180,632
Property, plant and equipment suppliers and accruals	731,769	788,496	6,708	5,342
Holiday pay, bonus and other charges with employees	142,229	154,622	7,284	14,861
CO ₂ emission licenses	142,084	185,154	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	144,994	67,473	-	-
Amounts payable for tariff adjustments - Electricity - Spain	8,280	39,624	-	-
Other creditors and sundry operations	490,022	578,794	61,735	57,744
	3,220,599	3,296,680	488,086	508,693

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Government grants for investment in fixed assets	522,551	541,850
Amounts payable for tariff adjustments - Electricity - Portugal	842	12,376
Energy sales contracts - EDPR NA	49,449	61,664
Deferred income - CMEC	392,841	377,508
Amounts payable for concessions	240,051	247,933
Other creditors and sundry operations	57,037	48,105
	1,262,771	1,289,436

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2011	173,831	61,557
Payment through the electricity tariff	-175,952	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the year	-	12,135
Interest expense	3,768	241
Transfer to tariff adjustments receivable	2,515	-
Transfer from Non-Current to Current	63,311	-63,311
Balance as at 31 December 2011	67,473	12,376
Payment through the electricity tariff	-70,177	-
Tariff adjustment of the year	141,202	-
Interest expense	4,453	-
Transfer of tariff adjustment to receive	-10,333	842
Transfer from Non-Current to Current	12,376	-12,376
Balance as at 31 December 2012	144,994	842

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The caption CO₂ emission licenses related with the CO₂ consumptions made during the year in Portugal and Spain, in the amounts of 81,892 thousands of Euros and 60,192 thousands of Euros, respectively. These licenses will be returned to the "Instituto do Ambiente" in each country.

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

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

Deferred income - CMEC non-current in the amount of 392,841 thousands of Euros (31 December 2011: 377,508 thousands of Euros) which refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2012 and including unwinding (see note 15).

Amounts payable for concessions refer to the amounts payable non-current related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 150,489 thousands of Euros (31 December 2011: 152,259 thousands of 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 89,562 thousands of Euros (31 December 2011: 95,674 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2011: 14,317 thousands of Euros).

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Other liabilities and other payables - Current:				
Payables to related companies	137,402	128,587	-	-
Derivative financial instruments	62,629	111,857	61,543	75,745
Payables - Group companies	-	-	679,503	1,288,583
Amounts payable for acquisitions and success fees	135,932	215,524	-	-
Other creditors and sundry operations	32,180	79,109	30,182	29,203
	368,143	535,077	771,228	1,393,531
Other liabilities and other payables - Non-Current:				
Payables to related companies	108,850	94,259	-	-
Put options over non-controlling interest liabilities	90,371	89,651	-	-
Derivative financial instruments	145,614	95,719	-	-
Payables - Group companies	-	-	3,006,023	2,436,252
Amounts payable for acquisition and success fees	41,735	48,675	-	-
Other creditors and sundry operations	23,167	32,797	11,062	11,062
	409,737	361,101	3,017,085	2,447,314
	777,880	896,178	3,788,313	3,840,845

The caption Payables - Group companies Current on a Company basis includes 462,142 thousands of Euros (31 December 2011: 885,752 thousands of Euros) related to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and with EDP Servicios Financieros España, S.A. and also 189,116 and 28,245 thousands of Euros, related to debt financing obtained from EDP Renováveis and EDPR Europe, respectively (see note 46).

The caption Payables - Group companies Non-Current on a company basis, of 3,006,023 thousands of 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.

Following Ente Vasco de la Energía 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 Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia 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 shareholding position. As a consequence of the agreement mentioned above, as at 31 December 2012 the caption Amounts payable for acquisitions and success fees (current) includes the amount of 109,074 thousands of Euros (31 December 2011: 214,767 thousands of Euros). Additionally, this caption includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 10,085 thousands of Euros.

The caption Put options over non-controlling interest liabilities Non-Current includes the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 83,425 thousands of Euros (31 December 2011: 83,244 thousands of Euros) and the put option of Energia in Natura to EDPR Europe for 6.48% of EDPR Italia share capital of 3,475 thousands of Euros (31 December 2011: 3,266 thousands of Euros).

The Amounts payable for acquisitions and success fees Non-Current refers essentially to the contingent price payable arising from the acquisition of EDPR Italia, Relax Wind Group, EDPR Romania Group, Greenwind, Elektrownia Wiatrowa Kresy, Bodzanow, Starozreby, Wyszorod, Elebrás and solar photovoltaic companies held by EDPR-RO-PV, S.R.L (see note 5). As at 31 December 2011, this caption includes the contingent price reduction associated with the exercise of the put option held by Energia in Natura to EDPR Europe in the amount of 17,070 thousands of Euros.

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
State and other public entities:				
Income tax	103,633	167,316	9,930	1,158
Withholding tax	64,763	65,999	256	213
Value added tax (VAT)	94,461	97,835	2,229	307
Turnover tax (Brazil)	52,956	59,596	-	-
Social tax (Brazil)	41,984	36,952	-	-
Other taxes	109,941	119,108	50	44
	467,738	546,806	12,465	1,722

As at 31 December 2012, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 44,512 thousands of Euros, Naturgas Group of 29,667 thousands of Euros (31 December 2011: HC Energia Group of 53,539 thousands of Euros and Naturgás Group of 34,656 thousands of Euros) and EDP Brasil Group of 12,710 thousands of Euros (31 December 2011: 13,437 thousands of Euros).

42. 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, are presented under accounting policies - note 2 u).

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Assets classified as held for sale		
Assets of the business of gas transmission - Naturgas	212,850	201,924
Assets of the business of cogeneration	29,001	-
	241,851	201,924
Liabilities classified as held for sale		
Liabilities of the business of gas transmission - Naturgas	-23,628	-21,329
Liabilities of the business of cogeneration	-15,758	-
	-39,386	-21,329
	202,465	180,595

As a result of the negotiations for the sale of the gas transmission network of Naturgás Energia, the assets and liabilities associated with this business were reclassified to assets and liabilities held for sale. The assets of the business of gas transmission relate mostly to tangible fixed assets in operation and in progress. This operation will be concluded during the first quarter of 2013.

On 21 January 2013, EDP Produção sold the cogeneration assets, particularly representative 82% of Soporgen, S.A to the other shareholder, Soporcel, S.A., for the amount of 5,060 thousands of Euros, as a result of the call option exercised by Soporcel as established in the shareholders' agreement. Consequently, as at 31 December 2012, the assets and liabilities associated with Soporgen are presented in the captions of assets and liabilities classified as held for sale. Simultaneously with this divestment, EDP Produção received full reimbursement of the shareholders loans granted to Soporgen, including accrued interest, in the amount of 3,281 thousands of Euros.

These reclassification were made only for presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell will be higher than the book value of their assets and liabilities, in accordance with IFRS 5.

43. DERIVATIVE FINANCIAL INSTRUMENTS

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

In 2012 the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousands of Euros	Fair value		Notional			Total
	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	
Net investment hedge						
Cross currency interest rate swaps	3,867	-422	-	122,412	-	122,412
	<u>3,867</u>	<u>-422</u>	<u>-</u>	<u>122,412</u>	<u>-</u>	<u>122,412</u>
Fair value hedge						
Interest rate swaps	68,239	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	131,981	-37,933	-	497,911	514,236	1,012,147
	<u>200,220</u>	<u>-37,933</u>	<u>-</u>	<u>1,497,911</u>	<u>514,236</u>	<u>2,012,147</u>
Cash flow hedge						
Commodities swaps	7,894	-16,106	553,172	98,354	-	651,526
Interest rate swaps	14	-108,903	120,888	248,837	552,033	921,758
Foreign exchange forwards	125	-8,728	255,759	259,379	-	515,138
OMIP futures	2,346	-	13,686	-	-	13,686
	<u>10,379</u>	<u>-133,737</u>	<u>943,505</u>	<u>606,570</u>	<u>552,033</u>	<u>2,102,108</u>
Trading						
Commodities swaps	7,157	-10,164	2,340,530	898	-	2,341,428
Interest rate swaps	45,181	-11,209	470	501,881	600,470	1,102,821
Cross-currency interest rate swaps	4,707	-2,378	-	57,000	104,460	161,460
Currency forwards	5,329	-12,400	453,045	30,738	-	483,783
	<u>62,374</u>	<u>-36,151</u>	<u>2,794,045</u>	<u>590,517</u>	<u>704,930</u>	<u>4,089,492</u>
	<u>276,840</u>	<u>-208,243</u>	<u>3,737,550</u>	<u>2,817,410</u>	<u>1,771,199</u>	<u>8,326,159</u>

In 2011 the fair value and the maturity of the derivative financial instruments are analysed as follows:

Thousands of Euros	Fair value		Notional			Total
	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	
Net investment hedge						
Cross currency interest rate swaps	7,807	-	-	77,008	-	77,008
	<u>7,807</u>	<u>-</u>	<u>-</u>	<u>77,008</u>	<u>-</u>	<u>77,008</u>
Fair value hedge						
Interest rate swaps	54,302	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	95,205	-52,177	-	177,911	730,314	908,225
	<u>149,507</u>	<u>-52,177</u>	<u>-</u>	<u>1,177,911</u>	<u>730,314</u>	<u>1,908,225</u>
Cash flow hedge						
Commodities swaps	50,289	-28,901	1,000,785	2,885	-	1,003,670
Interest rate swaps	82	-71,615	52,816	279,481	488,350	820,647
Foreign exchange forwards	11,265	-28,652	559,667	-	-	559,667
OMIP futures	539	-1,239	16,352	-	-	16,352
	<u>62,175</u>	<u>-130,407</u>	<u>1,629,620</u>	<u>282,366</u>	<u>488,350</u>	<u>2,400,336</u>
Trading						
Commodities swaps	23,398	-334	2,874,382	551	-	2,874,933
Interest rate swaps	48,177	-10,145	-	500,000	600,000	1,100,000
Cross-currency interest rate swaps	15,970	-1,131	1,901	-	99,800	101,701
Currency forwards	3,965	-2,160	96,377	92,785	-	189,162
Commodities forwards	10,515	-10,369	258,681	-	-	258,681
Options purchased and sold	-	-853	-	-	-	-
	<u>102,025</u>	<u>-24,992</u>	<u>3,231,341</u>	<u>593,336</u>	<u>699,800</u>	<u>4,524,477</u>
	<u>321,514</u>	<u>-207,576</u>	<u>4,860,961</u>	<u>2,130,621</u>	<u>1,918,464</u>	<u>8,910,046</u>

The fair value of the derivative financial instruments is booked in Other debtors and other assets (see note 27) and other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities. These entities use generally discounted cash flow techniques 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.

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

Thousands of Euros	Hedging instrument	Hedged risk	2012		2011	
			Changes in fair value		Changes in fair value	
			Instrument	Risk	Instrument	Risk
Net investment	Cross-currency interest rate swaps	Subsidiary accounts in PLN and BRL	-4,362	4,966	8,881	-8,881
Fair value	Interest rate swap	Interest rate	13,937	-12,459	10,234	-10,234
Fair value	Cross-currency interest rate swaps	Exchange and interest rate	51,020	-46,166	103,147	-103,147
Cash flow	Interest rate swap	Interest rate	-37,356	-	-44,899	-
Cash flow	Currency forwards	Exchange rate	8,784	-	16,673	-
Cash flow	OMIP futures	Commodity prices	3,046	-	-700	-
Cash flow	Commodities swaps	Commodity prices	-29,600	-	-19,199	-
			5,469	-53,659	74,137	-122,262

The changes in the fair value reserve related to cash flow hedges in 2012 and 2011 were as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Balance at the beginning of the year	-40,625	45,180
Fair value changes	-78,747	-18,966
Transfers to results from hedging of financial liabilities and commodity prices	-590	-69,383
Effect of sales without a loss of control of EDP Brasil	-	2,544
Effect of the sale without loss of control of Vento II	-1,135	-
Balance at the end of the year	-121,097	-40,625

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the income statement in 2012 and 2011 are as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Derivatives held for trading	-59,964	8,667	10,562	-4,118
Net investment hedge - ineffectiveness	604	-	-	-
Fair value hedges				
Derivatives	64,957	113,381	-39,323	-7,407
Hedged liabilities	-58,625	-113,381	39,323	7,407
Cash flow hedges				
Transfer to results from hedging of financial liabilities	-440	7,459	-	-
Transfer to results from hedging of commodity prices	1,030	61,924	698	28,234
Ineffectiveness	-156	-397	-156	-397
	-52,594	77,653	11,104	23,719

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2012 are as follows:

	Group			
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,687,645	EUR	[5.01% - -0.34%]	[5.50% - -0.34%]
Interest rate swaps	238,584	USD	[5.82% - 5.79%]	[4.01% - 3.51%]
Interest rate swaps	98,350	PLN	5.41%	4.22%
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.21% - 2.15%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	25,204	USD / BRL	8.19%	[1.81% - 1.78%]
CIRS (currency interest rate swaps)	79,255	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	134,010	EUR / PLN	[3.84% - 3.16%]	0.19%
CIRS (currency interest rate swaps)	45,403	EUR / BRL	[5.65% - 5.38%]	[0.22% - 0.19%]
CIRS (currency interest rate swaps)	281,833	EUR / CHF	[4.48% - 2.91%]	[4.01% - 3.51%]
Exchange rate contracts				
Currency forwards	240,313	BRL / USD		

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The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2011 were as follows:

	Notional	Currency	Group	
			EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,574,715	EUR	[5.01% - 0.88%]	[5.50% - 0.88%]
Interest rate swaps	253,896	USD	[5.82% - 5.79%]	4.31%
Interest rate swaps	92,036	PLN	5.41%	4.90%
Currency interest rate				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[5.54% - 3.26%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	1,901	USD / BRL	[12.98% - 11.42%]	4.96%
CIRS (currency interest rate swaps)	99,800	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	77,008	EUR / PLN	[4.13% - 4.01%]	1.39%
CIRS (currency interest rate swaps)	177,911	EUR / CHF	[4.20% - 4.18%]	3.51%
Exchange rate contracts				
Currency forwards	253,896	BRL / USD		

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 December 2012 and 2011, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2012	Dec 2011	Dec 2012	Dec 2011
Financial guarantees				
EDP, S.A.	312,237	268,890	312,237	268,890
HC Energia Group	37,539	33,083	-	-
EDP Brasil Group	867,623	645,811	-	-
EDP Renováveis Group	3,411	5,656	-	-
Other	3,711	3,711	-	-
	1,224,521	957,151	312,237	268,890
Operating guarantees				
EDP, S.A.	745,324	770,668	745,324	770,668
HC Energia Group	334,226	357,709	-	-
EDP Brasil Group	433,613	322,233	-	-
EDP Renováveis Group	1,208,810	1,100,414	-	-
Other	9,272	10,094	-	-
	2,731,245	2,561,118	745,324	770,668
Total	3,955,766	3,518,269	1,057,561	1,039,558
Real guarantees	29,504	19,820	-	-

The financial guarantees contracted include, at 31 December 2012 and 2011, 1,139,074 thousands of Euros and 743,665 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 129,845 thousands of Euros at 31 December 2012 for loans obtained by Brazilian companies to finance the construction of hydroelectrical power plants, which have counter-guarantees of 51,938 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2012 and 2011, 397,266 thousands of Euros and 465,989 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above, the Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2012 and 2011 these loans amounted to 1,018,578 thousands of Euros and 888,776 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35).

In addition, regarding the information disclosed above, EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, willful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2012 and 2011, EDPR's obligations under the tax equity agreements, in the amount of 901,301 thousands of Euros and 942,123 thousands of Euros, are reflected on the balance sheet Institutional Partnerships in US Wind farms.

Real guarantees, as at 31 December 2012, includes 9,615 thousands of Euros (31 December 2012: 6,482 thousands of Euros) related with guarantees provided to projects and loans obtained in Brazil.

In addition EDP has constituted an escrow deposit in the amount of 361,445 thousand of Euros (348,713 thousand of Euros non-current and 12,732 thousand of Euros current, as presented in note 35, associated with several loans contracted with the EIB. This escrow deposit will be reduced by the repayment of these loans.

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The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, as at 31 December 2012 and 2011, by maturity, as follows:

Thousands of Euros	Dec 2012				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,838,923	4,265,240	8,312,603	6,176,972	5,084,108
Finance lease commitments	8,606	3,549	4,325	732	-
Operating lease commitments	977,501	53,430	88,047	73,940	762,084
Purchase obligations	35,528,350	4,217,391	7,027,214	5,454,492	18,829,253
Other long term commitments	2,149,686	249,086	475,500	433,896	991,204
	62,503,066	8,788,696	15,907,689	12,140,032	25,666,649

Thousands of Euros	Dec 2011				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	22,275,659	3,478,927	7,230,868	6,106,545	5,459,319
Finance lease commitments	7,882	3,425	4,059	398	-
Operating lease commitments	1,002,777	71,529	101,127	73,131	756,990
Purchase obligations	32,376,753	5,152,650	8,005,283	5,214,648	14,004,172
Other long term commitments	2,419,855	265,182	523,169	485,601	1,145,903
	58,082,926	8,971,713	15,864,506	11,880,323	21,366,384

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 to its customers in the Europe, United States of America and Brazil as well to comply with medium and long term investment objectives of the Group.

The short and long term debt corresponds to the balance of borrowings and related falling due 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.

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

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

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

As at 31 December 2012, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 6.48% 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 6.48% 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 build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvoga 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 Greenvoga 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 of Ribeirado-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park.

45. 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 the creation of value added.

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 Remunerations Committee 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 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 31 December 2012	567,201	2.21

Information regarding stock options as at 31 December 2012, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
567,201	2.21	1.05	567,201	391,615

During 2012 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During 2012, EDP Group granted treasury stocks to employees (941,383 shares) totalling 2,051 thousands of Euros.

46. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2012 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	168,037,578	4.60%	4.60%
Parpública Group	151,517,000	4.14%	4.14%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,667,974	3.35%	3.35%
Banco Espírito Santo Group	86,865,254	2.38%	2.38%
Sonatrach	87,007,443	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	31,904,523	0.87%	
Remaining shareholders	1,491,639,955	40.80%	
	3,656,537,715	100.00%	

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The number of shares of EDP S.A. held by company officers in 31 December 2012 and 2011 are as follows:

	2012	2011
	Nr. of shares	Nr. of shares
General and Supervisory Board		
<i>Until 20 February:</i>		
António de Almeida	100	100
Diogo Campos Barradas de Lacerda Machado	260	260
Ricardo José Minotti da Cruz Filipe	6,622	6,622
	6,982	6,982
<i>From 21 February:</i>		
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Eduardo de Almeida Catroga	1,375	1,375
Fernando Masaveu Herrero	44,188,463	-
Luís Filipe da Conceição Pereira	1,459	19,739
Rui Eduardo Rodrigues Pena	2,945	1,445
Vasco Joaquim Rocha Vieira	3,203	-
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	44,245,488	70,602
	2012	2011
	Nr. of shares	Nr. of shares
Executive Board of Directors		
<i>Until 20 February:</i>		
Jorge Manuel Pragana da Cruz Morais	100,000	100,000
	100,000	100,000
<i>From 21 February:</i>		
António Luís Guerra Nunes Mexia	41,000	41,000
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
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	100,000
Miguel Stillwell de Andrade	111,576	61,198
	330,570	255,192

Remuneration of company

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations 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 Remunerations Committee appointed by the General and Supervisory Board.

In 2012, the annual fixed and variable remuneration cost accounted for the members of the Executive Board of Directors (EBD) and the fixed remuneration of the General and Supervisory Board (GSB), was as follows:

Thousands of Euros	EBD	GSB
President	1,195	499
Members	4,822	1,087
	6,017	1,586

The remuneration costs accounted with the EBD, includes the amount of 1,833 thousands of Euros related to the annual variable remuneration. This amount was calculated considering the maximum potential variable remuneration for the year, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the estimated amount from the previous year compared with the amount paid.

The EBD and GSB remuneration recorded costs disclosed include the company officers remuneration in exercise until 20 February 2012, election date of the new company officers and the remuneration of this new officers nominated in that date.

Additionally the Remunerations Committee policy of the GSB, foresees in certain circumstances, a variable multi-annual remuneration to the EBD members, which payment would be made at the end of the current mandate (2012-2014). On this basis, an estimated amount of 3,074 thousands of Euros was accrued.

During 2012 the costs incurred with the fees of the Statutory Auditor amounts to 180,000 Euros and the remuneration costs of the members of the Remunerations Committee of the General Assembly amounts to 35,000 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 May 11, 2012, with the entry into force of the strategic partnership agreement signed with the China Three Gorges Corporation in December 2011, this company (as well as three other companies in the CTG Group) became members of the General and Supervisory Board of EDP.

Subsequently and in the framework of the implementation of this partnership, an agreement was concluded between EDP Renewables Europe and a CTG Group society (China Three Gorges International (Hong Kong) Company Limited) whereby the parties agreed on the sale of a 49% stake in EDP Renováveis Portugal, subject to prior obtaining regulatory approvals (see note 49).

In its normal activity, EDP celebrates business and conducts operations with different entities, including financial institutions, as well as holders of qualified participations in the EDP share capital and EDP subsidiaries or group companies. These operations are conducted under normal market conditions for similar operations, irrespective of their relevance, and are part of EDP's current activity.

Balances and transactions with subsidiaries and associates

The credits and debits over subsidiaries and associates, at Company level and eliminated in the consolidated financial statements are analysed as follows:

Credits

Thousands of Euros	December 2012			
	Intra-Group Financial Mov.	Loans and Interests to receive	Other Credits	Total
Companies				
Balwerk	13,505	265,125	1,691	280,321
EDP Comercial	62,543	10,070	114,903	187,516
EDP Distribuição	529,322	2,339,954	13,283	2,882,559
EDP Finance BV	-	104,009	1,939	105,948
EDP Gás - SGPS	3,114	112,019	1,464	116,597
EDP Produção	314,591	3,979,577	88,037	4,382,205
EDP Imobiliária e Participações	1,870	96,733	299	98,902
EDP Renováveis	-	-	227,552	227,552
Other	31,129	23,144	308,683	362,956
	956,074	6,930,631	757,851	8,644,556

Thousands of Euros	December 2011			
	Intra-Group Financial Mov.	Loans and Interests to receive	Other Credits	Total
Companies				
Balwerk	7,796	262,750	4,941	275,487
EDP Comercial	48,371	40,280	96,084	184,735
EDP Distribuição	170,354	2,040,367	40,320	2,251,041
EDP Finance BV	-	116,561	349	116,910
EDP Gás - SGPS	25,541	108,726	2,235	136,502
EDP Produção	1,327	3,850,476	231,208	4,083,011
EDP Imobiliária e Participações	-	178,107	368	178,475
EDP Renováveis	-	-	237,918	237,918
HC Energia	1,494	87,173	47,083	135,750
Other	26,112	46,064	111,346	183,522
	280,995	6,730,504	771,852	7,783,351

Debits

Thousands of Euros	December 2012			
	Intra-Group Financial Mov.	Loans and Interests to pay	Other Debits	Total
Companies				
EDP Finance BV	-	10,110,805	6,128	10,116,933
EDP Servicios Financieros (España)	-	213,360	-	213,360
EDP Produção	-	-	232,083	232,083
EDP Renováveis	-	189,116	3,867	192,983
EDP Serviço Universal	-	-	85,905	85,905
Other	13,930	187,744	106,777	308,451
	13,930	10,701,025	434,760	11,149,715

Thousands of Euros	December 2011			
	Intra-Group	Loans and	Other	Total
	Financial Mov.	Interests to pay	Debits	
Companies				
EDP Finance BV	-	8,528,004	1,187	8,529,191
EDP Produção	-	-	255,870	255,870
EDP Renováveis	-	198,714	9,872	208,586
EDP Serviço Universal	-	-	115,617	115,617
Naturgás Comercializadora	-	145,187	-	145,187
Other	7,819	147,755	143,943	299,517
	7,819	9,019,660	526,489	9,553,968

Expenses and income related to intra-Group transactions, at Company level, eliminated on consolidation are analysed as follows:

Expenses

Thousands of Euros	December 2012			
	Interest on	Interest	Other	Total
	Intra-Group	on Loans	Expenses	
Financial Mov.	Obtained	Expenses		
Companies				
EDP Finance BV	-	-228,450	-4,941	-233,391
EDP Produção	-333	-	-941,924	-942,257
HC Energia	-	-	-37,211	-37,211
Empresa Hidroeléctrica do Guadiana	-	-	-28,567	-28,567
Naturgás Comercializadora	-	-	-17,545	-17,545
Other	-766	-6,872	-79,578	-87,216
	-1,099	-235,322	-1,109,766	-1,346,187

Thousands of Euros	December 2011			
	Interest on	Interest	Other	Total
	Intra-Group	on Loans	Expenses	
Financial Mov.	Obtained	Expenses		
Companies				
EDP Finance BV	-	-176,885	-4,730	-181,615
EDP Produção	-677	-	-1,179,509	-1,180,186
EDP Renováveis	-	-935	-27,098	-28,033
HC Energia	-	-	-95,991	-95,991
Empresa Hidroeléctrica do Guadiana	-	-	-38,083	-38,083
Other	-536	-3,457	-116,809	-120,802
	-1,213	-181,277	-1,462,220	-1,644,710

Income

Thousands of Euros	December 2012			
	Interest on	Interest	Other	Total
	Intra-Group	on Loans	Income	
Financial Mov.	Granted	Income		
Companies				
EDP Comercial	1,688	1,441	566,431	569,560
EDP Distribuição	11,279	134,542	254,554	400,375
EDP Gás.Com	18	-	238,341	238,359
EDP Produção	2,190	247,862	328,233	578,285
HC Energia	-	-	199,567	199,567
Other	1,361	33,083	217,415	251,859
	16,536	416,928	1,804,541	2,238,005

Thousands of Euros	December 2011			
	Interest on	Interest	Other	Total
	Intra-Group	on Loans	Income	
Financial Mov.	Granted	Income		
Companies				
EDP Comercial	494	1,923	479,303	481,720
EDP Distribuição	13,010	70,172	35,996	119,178
EDP Gás.Com	-	-	217,524	217,524
EDP Produção	757	214,147	104,928	319,832
EDP Renováveis	-	588	73,950	74,538
HC Energia	-	-	117,792	117,792
Other	991	23,263	106,416	130,670
	15,252	310,093	1,135,909	1,461,254

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Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

Assets and liabilities

Thousands of Euros	December 2012		
	Assets	Liabilities	Net Value
Associates	268,041	539	267,502
Jointly controlled entities	39,393	12,014	27,379
	307,434	12,553	294,881

Thousands of Euros	December 2011		
	Assets	Liabilities	Net Value
Associates	236,714	3,834	232,880
Jointly controlled entities	25,212	12,249	12,963
	261,926	16,083	245,843

Transactions

Thousands of Euros	December 2012			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	15,448	11,378	-3,334	-3
Jointly controlled entities	74,910	636	-30,360	-514
	90,358	12,014	-33,694	-517

Thousands of Euros	December 2011			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	6,475	7,263	-3,087	-75
Jointly controlled entities	64,199	6,229	-24,009	-459
	70,674	13,492	-27,096	-534

47. 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 2012 and 2011, 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 2012			31 December 2011		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	0.19%	0.31%	7.06%	1.36%	0.58%	10.41%
6 months	0.32%	0.51%	7.09%	1.62%	0.81%	10.15%
1 year	0.54%	0.84%	7.14%	1.95%	1.13%	10.04%
2 years	0.38%	0.39%	7.71%	1.31%	0.73%	10.48%
3 years	0.44%	0.48%	8.19%	1.36%	0.82%	10.75%
4 years	0.60%	0.64%	8.44%	1.54%	1.01%	10.92%
5 years	0.77%	0.83%	8.64%	1.72%	1.23%	10.98%
6 years	0.95%	1.06%	8.79%	1.91%	1.45%	11.05%
7 years	1.12%	1.27%	9.00%	2.07%	1.64%	11.05%
8 years	1.29%	1.47%	9.16%	2.19%	1.80%	11.07%
9 years	1.43%	1.65%	9.22%	2.29%	1.93%	11.17%
10 years	1.57%	1.81%	9.33%	2.38%	2.03%	11.22%

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Fair value of financial assets and liabilities as at 31 December 2012 and 2011 is analysed as follows:

Thousands of Euros	Group Dec 2012			Group Dec 2011		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	181,298	181,298	-	171,313	171,313	-
Trade receivables	2,377,203	2,377,203	-	2,152,281	2,152,281	-
Debtors and other assets from commercial activities	4,788,421	4,788,421	-	3,604,009	3,604,009	-
Other Debtors and other assets	554,407	554,407	-	517,833	517,833	-
Derivative financial instruments	276,840	276,840	-	321,514	321,514	-
Financial assets at fair value through profit or loss	390	390	-	212	212	-
Cash and cash equivalents	1,695,336	1,695,336	-	1,731,524	1,731,524	-
	9,873,895	9,873,895	-	8,498,686	8,498,686	-
Financial liabilities						
Financial debt	20,523,228	20,617,120	93,892	18,785,109	16,590,072	-2,195,037
Suppliers and accruals	1,901,156	1,901,156	-	1,899,155	1,899,155	-
Institutional Partnerships in USA Wind Farms	1,679,753	1,679,753	-	1,783,861	1,783,861	-
Trade and other payables from commercial activities	2,059,663	2,059,663	-	2,145,111	2,145,111	-
Other liabilities and other payables	569,637	569,637	-	688,602	688,602	-
Derivative financial instruments	208,243	208,243	-	207,576	207,576	-
	26,941,680	27,035,572	93,892	25,509,414	23,314,377	-2,195,037

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 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.

Thousands of Euros	31 December 2012			31 December 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	75,387	48,229	57,682	69,957	37,388	63,968
Derivative financial instruments	-	276,840	-	-	321,514	-
Financial assets at fair value through profit or loss	390	-	-	212	-	-
	75,777	325,069	57,682	70,169	358,902	63,968
Financial liabilities						
Derivative financial instruments	-	208,243	-	-	207,576	-
	-	208,243	-	-	207,576	-

As at 31 December 2012 and 2011, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

Thousands of Euros	Available for sale investments	
	Dec 2012	Dec 2011
Balance at beginning of year	63,968	91,898
Change in fair value reserve	-4,544	-17,934
Acquisitions	3,701	2,952
Disposals	-1,126	-16,894
Impairment	-306	-121
Transfers and other changes	-4,011	4,067
Balance at year end	57,682	63,968

48. CO₂ LICENSES

The movements in the CO₂ licenses portfolio are analysed as follows:

CO ₂ (Ton)	Group	
	Dec 2012	Dec 2011
CO ₂ licenses as at 1 January	9,899,228	240,239
Licenses granted free of charge	18,063,481	17,970,369
Licenses purchased	5,201,575	11,638,492
Licenses transferred (from own consumption to trading)	-693,289	-3,087,262
	32,470,995	26,761,838
Licenses to be returned (consumed)	17,969,768	16,862,610
Excess/(Lack) of licenses	14,501,227	9,899,228

Licenses equivalent to total emissions during the civil year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 18, 24 and 39).

The movements in the portfolio of CO₂ licenses held for trading and classified as inventories are analysed as follows:

CO ₂ (Ton)	Group	
	Dec 2011	Dec 2010
CO ₂ licenses held for trading on 1 January	116,920	3,931,328
Licenses acquired in the market	5,196,229	7,129,846
Emission licenses transferred to the trading portfolio	693,289	3,087,262
Licenses sold	-5,443,141	-14,031,516
CO ₂ licenses held for trading on 31 December	563,297	116,920
CO ₂ Licenses for trading on 31 December (in thousands of Euros)	103	807

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 24), 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.

49. RELEVANTS OR SUBSEQUENT EVENTS

EDPR agrees with CTG on the first investment in minority stakes in wind farms

On 20 December 2012, EDP Renováveis S.A. ("EDPR"), 77.5% controlled by EDP, entered into an agreement with China Three Gorges International (Hong Kong) Company Limited ("CTGI HK"), a fully owned subsidiary of China Three Gorges ("CTG"), to sell a 49% equity shareholding and 25% of the outstanding shareholders loans in EDP Renováveis Portugal, S.A. ("EDPR PT") for a total consideration of 359 millions of Euros.

The transaction is subject to customary regulatory approvals with closing expected to occur by the first half of 2013.

The transaction scope covers 615 MW in operation in Portugal, with an average age of 6 years, as well as 29 MW ready-to-build, remunerated under a feed-in-tariff regime in accordance to Decree-Law 33-A/2005, article 4. This operation corresponds to a non-controlling interests sale, without loss of control, in 2013 according with the accounting policy 2 b).

This transaction was agreed in the context of the EDP/CTG strategic partnership established in December 2011 and that entered into force on May 2012.

Capital Research and Management Company notifies qualified shareholding in EDP

On 24 January 2013, Capital Research and Management Company notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it holds a qualifying shareholding of 73,625,043 ordinary shares of EDP, which corresponds to 2.0135% of EDP's share capital and 2.0135% of the respective voting rights.

EDP signed credit facility of 1,600 millions of Euros

On 31 January 2013, EDP — Energias de Portugal, S.A. has signed a five-year term loan facility in the amount of 1,600 millions of Euros with a group of 16 domestic and international banks.

The new facility will be used during 2013 to refinance two existing and fully draw loans: (i) a Revolving Credit Facility ("RCF") of 925 millions of Euros signed in 2008 and maturing in April 2013, which will be early prepaid and cancelled and (ii) a RCF of 1,100 millions of Euros signed in 2006, to be repaid at maturity in November 2013.

The 5 year tenor of the new facility, with a 50% amortisation in the 4th anniversary, aims to extend the average life of EDP's debt and reinforce financial flexibility. For the current rating level the facility bears an interest rate of Euribor plus 4%.

The new facility was self-arranged as a Club Deal and received the support of a strong group of domestic and international banks. "Mandated Lead Arrangers" are Banco Bilbao Vizcaya Argentaria, S.A., Banco BPI, BNP Paribas, Citi, HSBC Bank plc Sucursal en España, ICBC, ING Commercial Banking, J.P. Morgan, Société Générale Corporate & Investment Banking, The Royal Bank of Scotland plc, Caixa — Banco de Investimento, S.A., Deutsche Bank Luxembourg S.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd, Banco Espírito Santo, Caja de Ahorros y Pensiones de Barcelona "la Caixa", Santander Global Banking & Markets. BNP Paribas acts as a Facility Agent.

Spanish Government publishes Royal Decree-Law with regulatory modifications for the electricity sector

On 4 February 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 2/2013 ("RDL 2/2013") that encompasses a set of regulatory modifications applicable to the Spanish electricity sector and affecting the wind energy assets.

The main regulatory modifications that the RDL 2/2013 envisages vis-à-vis the Royal Decree 661/2007 with an impact on EDP Renováveis S.A. ("EDPR") effective from 1 January 2013, are as follows:

- All the energy production facilities operating under the special regime will be remunerated according with the current feed-in tariff schemes for the remaining useful life of the asset;
- The operators of the facilities under the special regime currently operating under the market option have the option to select, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price without the renewable energy premium, the cap or the floor;
- The index used to annually update all the regulated activities in the electricity sector will be the annual inflation excluding energy products and food prices, and any impact of tax changes.

Approval of the "The American Taxpayer Relief Act"

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that include an extension of the Production Tax Credit (PTC) for wind, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set a new expiration date of 31 December 2013 and changed the qualification criteria (projects can now qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows depreciation of a higher percentage of the cost of the project (less 50% of the ITC) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

Conclusion of sale of gas transmission business in Spain

On 15 February 2013, following CMVM's request, the information released to the market on 20 July 2012 and the obtention of the required authorizations by the regulatory and antitrust authorities, EDP, through its gas sector subsidiary in Spain, Naturgas Energía Grupo, S.A. ("Naturgas") has completed today the sale of the gas transmission business owned by EDP Group in Spain, to Enagás, S.A. ("Enagás"), the Spanish gas transmission system operator.

As a result of the sale of the gas transmission assets of Naturgas, Enagás and the Basque Government, through EVE, will own 90% and 10%, respectively.

The agreed transaction price represents an enterprise value of 258 millions of Euros (245 millions of Euros paid by Enagás for 90% of the shares and the entire intra-group debt). The expected consolidated capital gain will be accounted in the first quarter of 2013.

Decreases on qualified shareholding

On 21 February 2013, Parpública — Participações Públicas (SGPS) S.A. ("Parpública") notified EDP that, on 19 February 2013, it has sold 151,517,000 shares, which correspond to 4,14% of EDP share capital.

The decrease of the participation resulted from a private offer via an "accelerated bookbuilding" process, in which Caixa — Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

As a result of this transaction, Parpública decreased its qualifying holding from 4.14% to 0% of EDP share capital.

Change in the CMEC fixed portion

Following the measures announced by the Portuguese government to reduce costs associated with energy production, Decree-Law 32/2013 of 26 February provides foresees the reduction of charges that are part of the compensation granted to electricity producers for the early termination of Power Purchase Agreements, allowing the modification of the calculation of the annuity rate corresponding to the portion of the CMEC fixed costs, and consequently result in a cost savings to the National Electricity System. Law 85-A/2013 of 27 February fixes the nominal rate applicable to the fixed portion of CMEC in 4.72% in the period from 1 January 2013 to 31 December 2027.

50. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

IFRS 7 (Amendment) - Financial Instruments: Disclosures for transfer transactions of financial assets

The International Accounting Standards Board (IASB), issued in October 2010, amendments to IFRS 7 — Financial Instruments: Disclosures for transfer transactions of financial assets, with effective date of mandatory application of 1 July 2011.

The amendment to IFRS 7, clarifies the disclosures required to all financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.

An entity transfers all or part of a financial asset, if, and only if, it either:

- transfers the contractual rights to receive the cash flows of that financial asset; or
- retains the contractual rights to receive the cash flow of that financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

The entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety: (i) the nature of transferred assets; (ii) the nature of the risks and rewards between the transferred assets and associated liabilities.

For transferred financial assets that are derecognised in their entirety the disclosures includes: (i) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised; (ii) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets; (iii) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined; and (iv) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, indicating the remaining contractual maturities depending on the company's continuing involvement.

In addition, an entity shall disclose for each type of continuing involvement:

- the gain or loss recognised at the date of transfer of the assets;
- income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets;
- if the total amount of proceeds from transfer activity in a reporting period is not evenly distributed throughout the reporting period;
- when the greatest transfer activity took place within that reporting period;
- the amount recognised from transfer activity in that part of the reporting period; and
- the total amount of profits from transfer activity in that part of the reporting period.

An entity shall provide this information for each period for which a statement of comprehensive income is presented.

No significant impact in the Group resulted from the adoption of this amendment.

Annual Improvement Project

In May 2012, IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes is 1 January 2013, being early adoption allowed. This project has not yet been adopted by the European Union.

- Changes to IAS 1 - Presentation of Financial Statements. This changes clarifies the difference between voluntary additional comparative information and the minimum required comparative information in cases of retrospective statements, reclassifications and changes in accounting policies. Generally, the minimum required comparative information is the previous period.

No significant impact is expected in the Group from the adoption of this change.

- Changes to IAS 16 - Property, Plant and Equipment. This amendment clarifies that if spare parts and servicing equipment meet with the definition of property, plant and equipment are not inventory.

No significant impact is expected in the Group from the adoption of this change.

- Changes to IAS 32 - Financial Instruments: Presentation. The amendment clarifies that income taxes arising from distributions to equity holders are accounted in accordance with IAS 12 Income taxes.

No significant impact is expected in the Group from the adoption of this change.

- Changes to IAS 34 - Interim Financial Reporting. The amendments aligns the disclosures requirement for total segment assets with total liabilities in interim financial statements, ensuring that interim disclosures are aligned with annual disclosures in relation to the changes of profit and losses account and other comprehensive income.

No significant impact is expected in the Group from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Group

IFRS 7 (Amendment) - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

The International Accounting Standards Board (IASB), issued in December 2011, amendments to IFRS 7 — Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application of 1 January 2013, being early adoption allowed.

With this change, the disclosures of financial instruments include information that will evaluate the effect or potential effect of the compensation arrangements, including the countervailing duties recognised as assets and financial liabilities in the statement of financial position.

The adoption of this amendment will only have impact on the financial statement disclosures.

IFRS 10 - Consolidated Financial Statements

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This standard introduces a new approach in determining which investments should be consolidated, replacing IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation SPE. This standard establishes a single model to be applied in assessing the existence of control over subsidiaries, where an investor has control over a subsidiary when it is exposed, or has the right, to variable returns arising from its involvement in the subsidiary and has the ability to influence these returns because of the power over it. Additionally, was introduced the concept of "de facto control".

The Group is evaluating the impact of adopting this standard.

IFRS 11 - Joint Arrangements

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This standard superseded IAS 31 - Interests in Joint Ventures and introduces several changes for accounting jointly controlled investments, the main aspect is the elimination of the option to consolidate joint ventures by the proportional method, being the equity method mandatory.

The structure of a joint agreement ceases to be the main factor in determining the accounting model to adopt. The classification of a joint agreement requires the identification and evaluation of the structure, legal form of the contractual agreement and other facts and circumstances.

The Group is evaluating the impact of adopting this standard.

IFRS 12 - Disclosure of Interests in Other Entities

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

The information disclosed has to help users of the financial statements evaluate the nature and risks associated with its interests in other entities and the effects of those interests on the financial statements. The main issues considered are as follows:

- for the interests in subsidiaries, should be disclosed: (i) the composition of the group; (ii) non-controlling interests; (iii) significant restrictions on the parent's ability to access or use the assets and settle the liabilities of its subsidiaries; (iv) the nature of, and changes in, the risks associated with interests in consolidated structured entities; and (v) changes in its ownership interest that did or did not result in a loss of control during the reporting period;

- for the interests in joint arrangements and associates, it should be disclosed: (i) the nature, extent and financial effects of its interests in joint arrangements and associates, including information about contractual relationships with other parties; and (ii) the nature of, and the changes in, the associated risks with its interests in joint ventures and associates;

- for the interests in unconsolidated structured entities, should be disclose: (i) the nature and the extent of its interests in unconsolidated structured entities; and (ii) the evaluation of the nature and changes in the risks associated with the interests in unconsolidated structured entities.

The Group is evaluating the impact of adopting this standard.

IFRS 13 - Fair Value Measurement

The International Accounting Standards Board (IASB) issued in May 2011, IFRS 13 - Fair Value Measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption.

This standard presents a revised concept of fair value and determines new disclosures requirements. The main aspects considered are as follows: (i) principles of fair value, (ii) appropriate valuations techniques and fair value hierarchy and (iii) additional disclosure requirements.

No significant impact in the Group is expected from the adoption of this standard.

IAS 1 (Amended) - Presentation of Financial Statements

The International Accounting Standards Board (IASB) issued in June 2011, IAS 1 (Amended) - Presentation of Financial Statements: Presentation of items of other comprehensive income, with effective date of mandatory application for periods beginning on or after 1 July 2012, being allowed its early adoption.

The principal changes are the following:

- the amendments retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements;

- items of other comprehensive income, and the respective tax effect, are required to be grouped into those that will and will not subsequently be reclassified to profit or loss.

The Group is evaluating the impact from the adoption of this change.

IAS 19 (Amended) - Employee Benefits

The International Accounting Standards Board (IASB) issued in June 2011, IAS 19 (Amended) - Employee Benefits, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption.

The amendments to IAS 19, make important improvements by:

- eliminating an option to defer the recognition of gains and losses, known as the "corridor method", improving comparability and faithfulness of presentation;
- streamlining the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income, thereby separating those changes from changes that many perceive to be the result of an entity's day-to-day operations; and
- enhancing the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

No significant impact in the Group is expected from the adoption of this change.

IAS 27 (Amended) - Separate Financial Statements

The International Accounting Standards Board (IASB) issued in May 2011, IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

The amendment to IAS 27 in 2011 resulted from the Board's project on consolidation. A new IFRS, IFRS 10 - Consolidated Financial Statements, addresses the principle of control and requirements relating to the preparation of consolidated financial statements. As a result, IAS 27 now contains requirements relating only to separate financial statements. This change is reflected in the standard's amended title, Separate financial statements.

No significant impact in the Group is expected from the adoption of this change.

IAS 28 (Amended) - Investments in Associates and Joint Ventures

The International Accounting Standards Board (IASB) issued in May 2011, IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment to IAS 28 (2003) describes the accounting treatment to be adopted by the investor in associates and joint ventures, defining the accounting requirements for applying the equity method for both associates and joint ventures.

No significant impact in the Group is expected from the adoption of this change.

IAS 32 (Amended) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

The International Accounting Standards Board (IASB) issued in December 2011, IAS 32 (Amended) - Financial Statements: Presentation - Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment clarifies the required conditions to be met in order to present the net position of the financial assets and liabilities in the financial position of an entity, as follows: (i) the entity currently has a legally enforceable right to set off the recognized amounts, and (ii) the entity has the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

No significant impact in the Group is expected from the adoption of this change.

Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

The International Accounting Standards Board (IASB), issued in October 2012, Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption. These amendments, have not yet been adopted by the European Union.

IASB defines the term "investment entity" as an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and must evaluate the performance of its investments on a fair value basis.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or losses, rather than consolidate them. These amendments also set out the disclosure requirements for investment entities.

No significant impact in the Group is expected from the adoption of these amendments.

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 2015, being allowed its early adoption. This standard, changed in October 2010, 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;
- 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;
- there is no exemption that allows unquoted equity investments and related derivatives to measure at cost, under IAS 39, is not allowed in IFRS 9;
- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

The Group is evaluating the impact of adopting this standard.

51. 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., EDP Servicios Financieros España, 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 direct representation on Iberian ambit EDP Management Committee.

The Executive Committee of EDP is composed essentially 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 Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch as at 31 December 2012 and 2011 is analysed as follows:

Thousands of Euros	EDP Branch	
	Dec 2012	Dec 2011
Investments in subsidiaries		
EDP Renováveis, S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Servicios Financieros España, S.A.	482,695	481,695
EDP Investments and Services, S.L.	281,854	-
Other	60	60
Deferred tax assets	54,636	65,859
Other debtors and others assets	129,006	79,794
Total Non-Current Assets	5,869,938	5,549,095
Trade receivables	10,985	13,573
Debtors and other assets	325,212	387,595
Tax receivable	43,943	37,306
Cash and cash equivalents	361	11,649
Total Current Assets	380,501	450,123
Total Assets	6,250,439	5,999,218
Equity	2,515,135	2,269,465
Trade and other payables	3,006,023	2,436,252
Total Non-Current Liabilities	3,006,023	2,436,252
Trade and other payables	726,998	1,293,150
Tax payable	2,283	351
Total Current Liabilities	729,281	1,293,501
Total Liabilities	3,735,304	3,729,753
Total Equity and Liabilities	6,250,439	5,999,218

52. 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 2012 and 2011 are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Air and climate protection	4,573	19,301
Water management	285	382
Waste management	466	680
Soil, subterranean and surface water protection	1,679	1,940
Noise and vibration reduction	141	93
Biodiversity protection	8,883	9,360
Landscape protection	6,147	5,718
Energetic efficiency	1,228	94
Research and development in the environmental area	21	37
Other environmental management and protection activities	8,214	10,581
	31,637	48,186

Investments recognised in Air and climate protection as Property, plant and equipment in 2012 include costs incurred by EDP Produção of 4,172 thousands of Euros (31 December 2012: 18,674 thousands of Euros). The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2012, have a net book value of 248 millions of Euros (31 December 2012: 274 millions of Euros).

During the year, the Group recognised expenses that are analysed as follows:

Thousands of Euros	Group	
	Dec 2012	Dec 2011
Air and climate protection	6,958	3,200
Water management	1,946	3,079
Waste management	4,528	2,966
Soil, subterranean and surface water protection	4,861	5,235
Noise and vibration reduction	133	94
Biodiversity protection	5,413	5,728
Landscape protection	1,930	95
Energetic efficiency	4,116	55
Radiations management	7	99
Research and development in the environmental area	481	949
Other environmental management and protection activities	18,504	7,736
	48,877	29,236

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 56,044 thousands of Euros and 20,194 thousands of Euros as at 31 December 2012, for the electric power plants located in Portugal and Spain, respectively. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2012, the provisions amount to 63,336 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 29,059 thousands of Euros (see notes 2 o) and 37).

During the year 2012, EDP Group incurred in fines and other penalties for breaching environmental regulations and indemnities to third parties related with past pollution of 2,218 thousands of Euros.

Environmental income recognised in 2012 relates to the sale of environmental subproducts of 2,797 thousands of Euros (31 December 2011: 4.742 thousands of Euros) and the sale of environmental waste of 1,971 thousands of Euros (31 December 2011: 2.186 thousands of Euros).

53. SEGMENTAL REPORTING

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and,
- (iii) for which discrete financial information is available.

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

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, 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 Brasil).

The Executive Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Energin, S.A.;
- Soporgen, S.A.;
- EDP Produção Bioléctrica, S.A.;
- Fisigen - Empresa de Cogeração, S.A.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Electrica de la Ribera del Ebro, S.A.;
- Hidroeléctrica Del Cantábrico, S.L.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- Patrimonial de La Ribera del Ebro, S.L.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- EDP Soluções Comerciais, S.A.;
- Naturgás Comercializadora, S.A.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas 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.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribución Eléctrica, S.A.U.;
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Transporte, S.A.U.;
- Naturgás Energia Distribución, S.A.U.

The EDP Renováveis segment corresponds to the power generation activity through renewable energy resources and includes all the companies of EDPR Europe, EDPR North America, EDPR Canada and EDPR Brasil 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 Brasil segment includes the activities of electricity generation, distribution and supply in Brazil, and is composed by the Holding EDP Energias do Brasil, S.A. 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 column Corporate Activities segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms and shared service centers.

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

Segment Definition

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

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

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

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets and liabilities to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services and Personnel Costs captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

In 2012, the EDP Group changed the reported segments, as well as the information disclosed in the Segmental Reporting, according to the mentioned above criteria. To be comparable, the information as of 31 December 2011 has been restated to reflect the changes occurred in 2012.

54. EXPLANATION ADDED FOR TRANSLATION

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

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ANNEX I. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2012 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/Loss 31-Dec-12 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:									
Portugal:									
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715 EUR	17,511,661	10,320,464	7,191,198	3,665,115	869,866	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	288,615	280,343	8,272	23,368	4,032	100.00%	100.00%
CEO-Camp Energia Oceânica, S.A.	Póvoa do Varzim	65,435 EUR	3,586	3,615	-29	966	-69	52.07%	-
EDP - Projectos SGPS, S.A.	Lisbon	50,000 EUR	725	769	-44	11	-146	100.00%	100.00%
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	21,619	16,001	5,618	51,641	2,480	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	121,637	101,943	19,694	7,361	-7,479	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	23,240	20,802	2,438	5,166	-247	100.00%	100.00%
EDP Internacional S.A.	Lisbon	50,000 EUR	20,794	18,436	2,358	17,829	1,064	100.00%	100.00%
EDP Ventures, SGPS, S.A.	Lisbon	50,000 EUR	8,212	6,712	1,500	6	-1,183	100.00%	-
Labelec - Estudos, Desenvolvimento e Atividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	13,286	10,060	3,226	11,039	-481	100.00%	100.00%
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	22,776	15,938	6,838	34,187	2,818	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	145	80	65	376	-	100.00%	-
Other Countries:									
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000 MOP	142	-	142	-	-	100.00%	-
EDP ASIA - Investimento e Consultadoria, Limitada	Macao	200,000 MOP	64,256	15	64,241	10,565	9,433	100.00%	99.00%
EDP Finance BV	Amsterdam	2,000,000 EUR	16,190,713	16,066,365	124,348	687,738	15,017	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	4,702 EUR	462,354	111,409	350,946	41,239	29,700	100.00%	-
EDP Servicios Financieros España, S.A.	Oviedo	10,300,058 EUR	956,471	421,979	534,492	65,108	28,799	100.00%	100.00%
Energia RE - Sociedade Caliva de Resseguro	Luxembourg	3,000,000 EUR	67,282	37,407	29,875	12,660	4,142	100.00%	100.00%
Electricity and Gas Activity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	8,168,919	5,940,048	2,228,871	1,748,344	333,366	100.00%	100.00%
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000 EUR	520,549	492,875	27,674	61,782	-6,069	100.00%	-
Energin, S.A.	Lisbon	50,000 EUR	19,053	22,268	-3,215	43,878	-3,469	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	31,066	34,659	-3,593	28,143	-2,365	51.00%	-
Greenvauaga - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeirão-Ermida, S.A.	Oliveira de Frades	1,000,000 EUR	95,156	60,638	34,518	3,902	-210	100.00%	-
OBM Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000 EUR	6,362	5,332	1,030	7,423	107	100.00%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100 EUR	146,485	152,806	-6,321	16,492	1,668	100.00%	-
Soporgen, S.A.	Lisbon	50,000 EUR	29,001	19,037	9,964	65,371	3,381	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoelectricas, S.A.	Carregado	250,000 EUR	3,853	3,088	765	5,679	102	100.00%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000 EUR	5,051,686	4,487,894	563,792	3,128,892	212,592	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	1,445	1,331	114	26	-556	100.00%	-
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,824,695 EUR	344,694	318,582	26,112	1,145,107	-7,945	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	2,576,851	2,512,157	64,694	5,060,181	24,815	100.00%	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Lisbon	50,000 EUR	50,366	10,793	39,573	9,996	-4,188	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000 EUR	3,887	2,942	945	7,292	427	100.00%	100.00%
Home Energy II, S.A.	Lisbon	50,000 EUR	3,885	1,753	2,132	2,807	-2,184	100.00%	-
Gas Supply and Distribution:									
EDP Gás - SGPS, S.A.	Lisbon	73,200,000 EUR	272,499	118,370	154,129	34,353	20,639	100.00%	100.00%
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito, S.A.	Oporto	549,998 EUR	8,286	3,727	4,558	3,816	602	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	38,721	26,009	12,712	92,386	1,065	71.97%	-
EDP GÁS Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	61,236	45,612	15,625	320,853	8,900	100.00%	100.00%
ENAGÁS - SGPS, S.A.	Lisbon	299,400 EUR	15,200	14,340	860	327	25	60.00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150 EUR	423,836	283,341	140,494	119,607	31,078	71.97%	-
Shared Services:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	121,291	115,629	5,663	169,789	7,509	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	73,315	65,223	8,092	59,549	2,602	100.00%	100.00%
Other Activities:									
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000 EUR	240	397	-157	-	-187	91.00%	-
Electricity and Gas Activity - Spain:									
Electricity Generation:									
Central Termica Ciclo Combinado Grupo, S.L.	Oviedo	2,117,000 EUR	177,256	241,516	-64,259	62,549	-18,156	75.00%	-
Ciclo Combinado Solo 5, S.L.	Oviedo	21,000,000 EUR	311,647	14,671	296,976	25,582	-6,680	100.00%	-
Cogeneración Bergara, A.I.E.	Bergara	450,000 EUR	1,109	324	785	2,118	-87	50.00%	-
Cogeneración Montjuic, S.L.U.	Bilbao	1,250,000 EUR	2,723	26	2,696	76	49	100.00%	-
Cogeneración Serantes, S.L.U.	Bilbao	2,750,000 EUR	6,348	523	5,824	904	758	70.00%	-
Electrica de la Ribera del Ebro, S.A.	Castejón	5,000,000 EUR	640,476	684,290	-43,814	103,223	-53,559	100.00%	-
Energia e Industria de Toledo, S.A.	Oviedo	2,139,603 EUR	1,656	3,038	-1,383	6,593	530	90.00%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030 EUR	9,131	8,811	320	5,039	8	50.10%	-
Hidroantabárico Cogeneración, S.L.	Oviedo	5,829,200 EUR	54,256	44,027	10,229	40,900	-62	100.00%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790 EUR	4,764,589	2,703,518	2,061,071	2,031,551	100,153	100.00%	96.60%
Millenium Energy, S.L.	Bilbao	130,260,000 EUR	1,594,390	675,255	919,136	6,530	-8,451	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Castejón	150,000,000 EUR	752,301	41,483	710,818	43,413	30,044	100.00%	-
Electricity Distribution:									
Electra de Llobregat Energia, S.L.	Barcelona	300,000 EUR	5,624	5,355	269	670	217	75.00%	-
Iberenergia, S.A.	Oviedo	60,200 EUR	61	8	53	-	-	100.00%	100.00%
Electricity Supply:									
EDP Energia Ibérica, S.A.	Madrid	60,200 EUR	17	13,376	-13,359	-	-	100.00%	-
HC Naturgas Comercializadora de Ultimo Recurso, S.A.	Oviedo	60,000 EUR	32,377	36,032	-3,655	136,578	-4,893	97.50%	-
Hidroantabárico Distribución Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	880,416	590,693	289,723	256,942	58,888	100.00%	-
Hidroantabárico Energia, S.A.U.	Oviedo	1,000,000 EUR	436,881	370,384	66,497	1,678,326	29,194	100.00%	-
Gas Supply and Distribution:									
Naturgas Energia Grupo, S.A. (ING Energia Subgroup Parent Company)	Bilbao	296,385,957 EUR	1,750,437	621,387	1,129,051	440,232	92,901	95.00%	-
Gas Transporte Span, S.L.	Bilbao	20,130,443 EUR	12,880	-	12,880	-	-	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400 EUR	1,031,011	47,893	983,118	445,261	39,882	100.00%	-
HC Naturgas Servicios Energeticos S.L.	Santander	90,000 EUR	3,111	2,669	442	6,267	161	97.50%	-

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Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Electricity and Gas Activity - Spain:									
Gas Supply and Distribution:									
HC Naturgas Último Recurso, S.A.	Oviedo	60,000 EUR	14,261	11,797	2,464	26,524	-1,640	97.50%	-
Naturgas Energía Comercializadora, S.A.	Bilbao	8,255,306 EUR	380,970	427,263	-46,293	1,343,877	-17,519	95.00%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185 EUR	145,480	87,156	58,324	23,155	4,436	94.98%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,829,423	310,784	1,518,639	230,756	97,167	95.00%	-
Naturgas Energía Participaciones, S.A.U.	Bilbao	300,500 EUR	730	107	623	447	263	95.00%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	8,508	8,239	270	10,906	76	95.00%	-
Naturgas Energía Transporte, S.A.U.	Bilbao	12,880,200 EUR	174,606	149,640	24,966	32,057	13,463	95.00%	-
Shared Services:									
HC Soluciones Comerciales, S.A.	Oviedo	60,300 EUR	17,225	17,174	50	67,593	-26	97.50%	-
Hidrocarbónico Servicios, S.A.	Oviedo	60,150 EUR	3,391	2,164	1,228	7,869	410	100.00%	-
Other Activities:									
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247 EUR	523	2,428	-1,905	1,095	-190	90.00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Oviedo	2,996,022 EUR	7,509	4,046	3,464	17,124	1,080	100.00%	-
Renovamed, S.A.	Oviedo	60,200 EUR	261	1,233	-972	1,091	177	75.00%	-
Sinova Medioambiental, SA	Oviedo	2,687,364 EUR	16,532	9,443	7,089	20,308	1,686	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3,731,202 EUR	18,328	3,528	14,800	20,047	2,192	88.00%	-
Electricity and Gas Activity - Brazil:									
Parent company and Related Activities:									
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	3,182,715,954 BRL	1,967,189	283,218	1,683,970	200,607	123,341	51.09%	-
Escelsapar	Espirito Santo	2,800,000 BRL	1,616	2,752	-1,136	37	-576	51.09%	-
Electricity Generation:									
Companhia Energética do Jari - Ceja	Sao Paulo	56,173,746 BRL	204,337	206,933	-2,596	2,628	-13,444	51.09%	-
Costa Rica Energética, Ltda.	Sao Paulo	14,318,185 BRL	9,262	555	8,707	7,087	5,043	26.06%	-
ECE Participações, S.A.	Sao Paulo	111,275,545 BRL	191,198	153,488	37,710	7,813	-3,096	51.09%	-
Enercauto, S.A.	Sao Paulo	5,816,118 BRL	1,814	35	1,779	-	-95	51.09%	-
Energest, S.A.	Sao Paulo	263,435,676 BRL	283,170	100,178	182,992	101,833	38,454	51.09%	-
Enperxibe, S.A.	Sao Paulo	882,627,748 BRL	742,270	258,052	484,217	164,536	70,268	30.65%	-
Investco, S.A.	Tocantins	804,458,842 BRL	504,391	97,037	407,354	102,715	34,218	20.83%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541 BRL	594,277	76,243	518,034	209,218	62,228	28.54%	-
Omega Engenharia e Assessoria, Ltda	Rio Grande do Sul	10,071,319 BRL	3,636	-	3,636	-	-5	51.09%	-
Pantanal Energética, Ltda	Sao Paulo	23,390,369 BRL	33,871	4,706	29,165	20,362	12,687	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000 BRL	65,416	25,821	39,595	11,485	4,923	51.09%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100 BRL	90	6,617	-6,527	-	-231	47.00%	-
Electricity Distribution:									
Bandeirante Energia, S.A.	Sao Paulo	254,628,684 BRL	942,146	641,242	300,904	1,079,750	29,060	51.09%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630 BRL	920,612	678,002	242,610	827,812	57,147	51.09%	-
Electricity Supply:									
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758 BRL	80,990	58,502	22,487	557,638	14,243	51.09%	-
Renewable Energy Activity:									
Parent company and Related Activities:									
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810 EUR	8,593,954	3,383,580	5,210,374	388,013	50,838	77.53%	62.02%
EDP Renováveis Serviços Financeiros, S.L.	Oviedo	3,000 EUR	3	1	2	-	-1	77.53%	-
Europe Geography / Platform:									
Spain:									
EDP Renovables Europe, S.L. (EDPR EU Subgroup Parent Company)	Oviedo	30,000,000 EUR	4,882,027	4,663,185	218,842	363,767	95,602	77.53%	-
Acampo Arios S.L.	Zaragoza	3,314,300 EUR	26,088	22,532	3,555	4,297	581	76.12%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288 EUR	1,390	7	1,383	565	558	47.68%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	1,377	81	1,296	392	100	37.75%	-
Bon Vent de Corbera, S.L.	Barcelona	7,255,000 EUR	70,594	53,750	16,844	11,258	912	77.53%	-
Bon Vent de l'Ebre, S.L.	Barcelona	12,600,000 EUR	74,239	55,180	19,060	14,574	5,292	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000 EUR	68,895	64,846	4,049	11,938	1,515	77.53%	-
Ceprastur, AIE	Oviedo	360,607 EUR	407	3	404	-	-4	44.01%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,459	161	1,298	675	269	58.79%	-
Desarrollo Eólico Almarçal, S.A.U.	Cadiz	2,061,190 EUR	17,428	12,846	4,582	3,213	615	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369 EUR	10,406	5,895	4,511	2,917	1,271	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100 EUR	10,112	1,651	8,460	3,509	1,011	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	67,476	45,160	22,316	18,398	7,763	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650 EUR	11,333	1,359	9,974	4,536	1,651	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000 EUR	82,129	64,653	17,476	15,579	4,284	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950 EUR	33,063	19,613	13,450	8,947	3,600	73.72%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	25,665	8,835	16,829	7,718	3,187	65.09%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5,992,600 EUR	49,071	26,474	22,598	1,724	267	46.52%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200 EUR	13,776	2,742	11,034	3,938	1,126	77.53%	-
Desarrollos Eolicos de Teruel, S.L.	Zaragoza	60,100 EUR	322	262	60	6	-	39.54%	-
EDP Renovables España, S.L.	Madrid	8,061,000 EUR	1,083,016	558,041	524,974	148,950	47,535	77.53%	-
EDP Renovables Cantabria, S.L.	Madrid	300,000 EUR	2,029	1,759	270	60	-15	77.53%	-
Energía Eólica La Manchuela, S.L.U.	Madrid	1,141,900 EUR	24,244	20,437	3,807	4,917	1,505	77.53%	-
Eneroliva, S.A.	Seville	308,249 EUR	427	76	350	-	-137	77.53%	-
Eólica Alfaz, S.L.	Madrid	8,480,000 EUR	158,054	144,301	13,752	25,571	3,987	64.91%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	23,377	13,217	10,161	6,927	2,623	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994 EUR	93,478	63,393	30,084	22,916	8,409	58.15%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200 EUR	81,439	79,848	1,591	12,233	1,518	77.53%	-
Eólica de Radona, S.L.	Madrid	22,088,000 EUR	63,766	43,635	20,131	8,465	686	77.53%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	45,895	42,907	2,989	10,335	2,985	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	30,118	28,245	1,873	6,197	1,692	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	6,860,000 EUR	44,731	33,939	10,792	6,298	349	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	4,060,000 EUR	46,780	30,571	16,209	835	3	77.53%	-
Eólica Guadalleba, S.L.	Seville	1,460,000 EUR	180,238	172,212	8,026	26,781	615	77.53%	-
Eólica La Janda, S.L.	Madrid	4,525,000 EUR	200,374	185,629	14,745	23,284	91	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000 EUR	36,146	33,069	3,076	6,898	1,755	77.53%	-
Eólica Muxia, S.L.	La Coruna	23,480,000 EUR	23,815	354	23,461	102	66	77.53%	-
Eólica Sierra de Avila, S.L.	Madrid	12,977,466 EUR	121,593	88,232	33,361	12,908	-1,300	77.53%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	25,800	22,776	3,024	5,188	883	77.53%	-
Industrias Medioambientales Río Carrión, S.A.	Madrid	15,124 EUR	2	597	-595	-	-	69.78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970 EUR	145,926	124,210	21,716	20,379	1,784	46.20%	-
Molino de Caragüeyes S.L.	Zaragoza	180,300 EUR	454	180	274	203	70	62.02%	-
NEO Energía Aragón, S.L.	Madrid	10,000 EUR	8	1	7	-	-1	77.53%	-
Parc Eólico de Coll de la Garganta, S.L.	Barcelona	1,693,010 EUR	40,599	40,381	217	3,943	-772	77.53%	-

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Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Renewable Energy Activity:									
Europe Geography / Platform:									
Spain:									
Parc Eòlic de Coll de Moro, S.L.	Barcelona	4,172,795 EUR	101,772	101,145	627	5,124	96	46.52%	-
Parc Eòlic de Torre Madrina, S.L.	Barcelona	4,172,927 EUR	95,971	93,083	2,887	13,319	2,666	46.52%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	1,432,091 EUR	48,597	46,369	2,228	6,768	1,274	46.52%	-
Parc Eòlic Molinars, S.L.	Girona	3,006 EUR	245	241	3	1	-	41.87%	-
Parc Eòlic Serra Valtorera, S.L.	Barcelona	3,458,010 EUR	28,139	18,882	9,257	4,004	218	77.53%	-
Parque Eòlico Altos del Voltoy, S.A.	Madrid	6,444,956 EUR	32,965	12,692	20,273	10,861	3,954	47.29%	-
Parque Eòlico Belchite S.L.	Zaragoza	3,600,000 EUR	39,789	29,763	10,026	10,133	3,206	77.53%	-
Parque Eòlico La Sotonera, S.L.	Zaragoza	2,000,000 EUR	18,310	11,899	6,410	5,185	2,045	50.27%	-
Parque Eòlico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	30,631	25,062	5,568	6,983	2,475	77.53%	-
Parques de Generación Eòlica, S.L.	Burgos	1,924,000 EUR	35,310	33,985	1,324	6,313	900	46.52%	-
Parques Eòlicos del Cantàbrico S.A.	Oviedo	9,079,680 EUR	51,994	20,483	31,510	12,093	3,316	77.53%	-
Rasacal Cogeneración, S.A.	Madrid	60,200 EUR	7	423	-416	-	-	46.52%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	33,250	30,800	2,450	6,552	1,501	69.78%	-
Sierra de la Peña, S.A.	Madrid	3,294,000 EUR	60,695	47,633	13,062	13,174	3,570	65.82%	-
Sotromat, S.A.	Soria	112,880 EUR	16	184	-168	8	8	69.78%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	10	-	10	-	-6	62.02%	-
Portugal:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	614,579	733,390	81,189	151,611	45,580	77.53%	-
EDP Renovables, SGPS, S.A.	Oporto	50,000 EUR	977	942	34	326	-16	77.53%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	50,000 EUR	5,361	5,902	-540	1,699	-590	77.53%	-
Eólica da Alagoa, S.A.	Arcos de Valdevez	50,000 EUR	10,844	7,536	3,308	3,353	1,529	46.52%	-
Eólica da Serra das Alturas, S.A.	Bolicas	50,000 EUR	15,077	10,951	4,126	2,866	936	38.84%	-
Eólica de Montenegro, S.A.	Vila Pouca de Aguiar	50,000 EUR	25,101	18,073	7,028	5,268	1,933	38.84%	-
Malhazes, S.A.	Oporto	50,000 EUR	21,406	20,350	1,056	5,034	906	77.53%	-
France:									
EDP Renewables France, S.A.S.	Paris	48,526,642 EUR	293,034	269,340	23,694	30,081	-9,303	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000 EUR	15,261	15,109	152	2,558	477	77.53%	-
C.E. Guelgas Noyal-Pontivy, S.A.S.	Paris	2,261,000 EUR	8,670	3,440	5,230	1,550	637	77.53%	-
C.E. NEO Truc L'Homme, S.A.S.	Paris	37,500 EUR	88	73	16	-	-10	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000 EUR	16,360	11,122	5,238	3,200	1,378	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000 EUR	14,845	11,812	3,033	2,650	735	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000 EUR	15,391	11,693	3,698	2,850	784	77.53%	-
Eolienne de Calengeville, S.A.S.	Elbeuf	37,004 EUR	26	23	3	-	-5	77.53%	-
Eolienne de Sauguese, S.A.R.L.	Elbeuf	1,000 EUR	13,344	13,233	111	291	146	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	29	65	-36	-	-9	77.53%	-
Eolienne D'Elalondes, S.A.R.L.	Elbeuf	1,000 EUR	14	51	-36	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000 EUR	13,877	13,559	317	1,931	393	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000 EUR	8,422	8,582	-160	1,292	134	77.53%	-
Monts du Forez Energie, S.A.S.	Paris	37,000 EUR	431	394	37	125	-	77.53%	-
Parc Eolien D'Ardennes	Elbeuf	1,000 EUR	77	234	-157	11	-	77.53%	-
Parc Eolien de La Hetroye, S.A.S.	Elbeuf	37,004 EUR	7	10	-2	-	-4	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000 EUR	14	59	-45	-	-3	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000 EUR	11,417	10,060	1,357	1,978	670	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003 EUR	13,654	14,609	-955	2,678	466	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	144	304	-160	5	2	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000 EUR	67	152	-85	-	-10	77.53%	-
Parc Eolien des Vathines, S.A.S.	Elbeuf	37,004 EUR	13,067	14,729	-1,662	2,316	163	77.53%	-
Parc Eolien du Clos Battail, S.A.S.	Elbeuf	37,001 EUR	10,753	11,988	-1,235	1,890	172	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000 EUR	4,391	4,328	63	588	125	77.53%	-
Plouvién Breiz, S.A.S.	Carhaix	40,000 EUR	10,876	12,856	-1,979	1,481	-89	77.53%	-
Quinzac Mines, S.A.R.L.	Toulouse	1,000 EUR	18,439	18,358	81	2,685	721	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000 EUR	9,096	9,049	47	1,276	152	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000 EUR	17,252	17,421	-169	2,656	258	77.53%	-
Poland:									
EDP Renewables Polska, S.P. ZO.O	Warsaw	434,845,000 PLN	301,760	190,890	110,870	52,195	5,957	77.53%	-
Elekrownia Wiatrowa Kresy I, S.P. ZO.O	Warsaw	70,000 PLN	12,495	13,015	-520	792	-254	77.53%	-
Farma Wiatrowa Starozreby, SP. ZO.O.	Warsaw	465,500 PLN	2,158	2,126	32	74	-27	77.53%	-
J&Z Wind Farms SP. ZO.O.	Warsaw	14,518,000 PLN	41,250	33,359	7,891	360	123	46.52%	-
Karpacka Mala Energetyka, SP. ZO.O.	Warsaw	50,000 PLN	267	330	-63	-	-36	77.53%	-
Korsze Wind Farm, SP. ZO.O.	Warsaw	5,000 PLN	-	-	-	-	-1	77.53%	-
Masovia Wind Farm I, S.P. ZO.O	Warsaw	1,257,500 PLN	10,154	5,613	4,542	174	-70	77.53%	-
MFW Gryf SP. ZO.O.	Warsaw	5,000 PLN	138	151	-13	-	-14	77.53%	-
MFW Neptun SP. ZO.O.	Warsaw	5,000 PLN	163	175	-13	-	-14	77.53%	-
MFW Pomorze SP. ZO.O.	Warsaw	5,000 PLN	155	167	-13	-	-14	77.53%	-
Relax Wind Park I, S.P. ZO.O.	Warsaw	2,140,000 PLN	202,914	204,056	-1,142	27,908	-577	74.76%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	440,000 PLN	853	856	-3	41	-23	77.53%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	59,602,500 PLN	129,502	115,881	13,622	1,738	-744	77.53%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	390,000 PLN	145	880	-735	42	-601	77.53%	-
Romania:									
EDP Renewables Romania, S.R.L.	Bucharest	200 RON	173,723	169,865	3,858	39,676	-2,609	65.90%	-
Casellaneta Wind, S.R.L	Milan	10,000 RON	10	3	7	-	-3	77.53%	-
Cernavoda Power, S.R.L.	Bucharest	40,317,400 RON	213,505	220,451	-6,946	33,604	455	65.90%	-
Cujmir Solar, S.R.L.	Bucharest	11,642 RON	11,521	121	235	118	77.53%	-	
EDPR-RO-PV, S.R.L.	Bucharest	10,050 RON	23,598	23,511	86	479	84	77.53%	-
Foton Delta, S.R.L.	Bucharest	1,020 RON	234	234	-	3	-	77.53%	-
Foton Epsilon, S.R.L.	Bucharest	1,020 RON	325	325	-	3	-	77.53%	-
Laterza Wind, S.R.L.	Milan	10,000 RON	10	3	7	-	-3	77.53%	-
Pestera Wind Farm, S.A.	Bucharest	28,755,070 RON	130,677	144,825	-14,148	8,082	331	65.90%	-
Potelu Solar, S.R.L.	Bucharest	1,020 RON	10,979	10,927	52	138	51	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	1,000 RON	7,382	7,476	-94	384	-90	65.90%	-
Sibioara Wind Farm, S.R.L.	Bucharest	600 RON	32,534	32,467	67	835	255	65.90%	-
Studina Solar, S.R.L.	Bucharest	15,520 RON	12,001	11,895	106	280	101	77.53%	-
Vanju Mare Solar, S.R.L.	Bucharest	10,520 RON	7,482	7,390	91	184	88	77.53%	-
V5 Wind Farm, S.A.	Bucharest	105,000 RON	26	16	10	-	-11	65.90%	-
Great Britain:									
EDPR UK Limited	Cardiff	100,000 GBP	41,628	45,006	-3,378	4,405	-3,182	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909 GBP	30,264	19,422	10,842	1,243	-156	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Other Countries:									
EDP Renewables Italia, S.R.L.	Milan	21,335,000 EUR	80,048	53,682	26,366	22,024	-1,712	77.53%	-
EDP Renewables Belgium, S.A.	Brussels	61,500 EUR	62	12	50	-	-12	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	86,804	55,451	31,353	13,951	3,172	54.27%	-

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Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Renewable Energy Activity:									
Europe Geography / Platform:									
Other Countries:									
Monts de la Madeleine Energie, S.A.S.	Paris	37,000 EUR	570	533	37	220	-	77.53%	-
Pietragallo Eolica, S.R.L.	Milan	15,218 EUR	30,245	30,173	72	-	-120	77.53%	-
Re Plus - S.R.L.	Milan	100,000 EUR	3,211	2,821	391	2,481	-120	62.02%	-
Repano Wind, S.R.L.	Milan	11,000 EUR	377	250	128	-	-7	77.53%	-
Tarcan, BV	Amsterdam	20,000 EUR	14,337	2,338	11,999	3,410	3,075	77.53%	-
Villa Castelli Wind, S.R.L.	Milan	100,000 EUR	43,505	36,949	6,556	-	-141	77.53%	-
North America Geography / Platform:									
United States of America:									
EDP Renewables North America, L.L.C. (EUA Subgroup Parent Company)	Texas	4,152,653,714 USD	3,043,893	128,557	2,915,336	25,802	-62,007	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
2007 Vento I, L.L.C.	Texas	999,800,385 USD	764,878	2,011	762,868	4,571	1,363	77.53%	-
2007 Vento II	Texas	884,530,227 USD	667,805	366	667,439	-	-318	39.54%	-
2008 Vento III	Texas	987,531,291 USD	746,333	421	745,912	-	-617	77.53%	-
2009 Vento IV, L.L.C.	Texas	231,665,777 USD	174,869	-	174,869	-	-102	77.53%	-
2009 Vento V, L.L.C.	Texas	150,107,525 USD	113,438	-	113,438	-	-102	77.53%	-
2009 Vento VI, L.L.C.	Texas	198,407,223 USD	150,130	-	150,130	-	-90	77.53%	-
2010 Vento VII, L.L.C.	Texas	191,415,405 USD	144,891	-	144,891	-	-90	77.53%	-
2010 Vento VIII, L.L.C.	Texas	202,770,321 USD	153,513	39	153,474	-	-128	77.53%	-
2011 Vento IX, L.L.C.	Texas	190,550,259 USD	144,299	-	144,299	-	-89	77.53%	-
2011 Vento X, L.L.C.	Texas	154,156,378 USD	116,748	-	116,748	-	-72	77.53%	-
2012 Vento XI, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	14,676,692 USD	11,089	92	10,997	-	-116	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	155,140,958 USD	130,016	6,914	123,101	13,137	1,591	77.53%	-
Aroostook Wind Energy, L.L.C.	Maine	13,119,477 USD	9,881	29	9,853	-	-1	77.53%	-
Ashford Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
AZ Solar, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	341,599,725 USD	263,942	-	263,942	5,064	2,114	77.53%	-
Black Prairie Wind Farm II, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	6,347,964 USD	4,813	4	4,809	-	-1	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	305,362,297 USD	307,473	87,324	220,148	17,174	-4,867	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	5,968,952 USD	4,634	121	4,513	-	-1	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm, L.L.C.	Illinois	145,874,101 USD	142,155	39,047	103,107	8,879	-977	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	146,159,624 USD	132,508	7,782	124,726	14,251	1,776	77.53%	-
Blue Canyon Windpower III, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	149,669,970 USD	134,331	1,928	132,403	16,711	7,776	77.53%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	154,037,025 USD	126,834	8,368	118,466	8,098	1,707	77.53%	-
Broadlands Wind Farm II, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	300,791,221 USD	227,970	-	227,970	-	-	77.53%	-
Cloud County Wind Farm	Kansas	292,502,263 USD	228,676	3,019	225,657	19,590	1,835	77.53%	-
Cloud West Wind Project, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project, L.L.C.	Colorado	- USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	- USD	-	-	-	-	-	77.53%	-
EDPR Wind Ventures X, L.L.C.	Texas	60,024,051 USD	116,838	68,342	48,496	7,273	3,045	77.53%	-
EDPR Wind Ventures XI, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Five-Spot, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	135,652,617 USD	114,144	10,385	103,759	11,512	1,424	39.54%	-
High Trail Wind Farm, L.L.C.	Illinois	338,678,886 USD	276,904	6,544	270,360	27,934	6,044	77.53%	-
Horizon Wind Chocolate Bayou I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I, L.L.C.	New Mexico	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	838,282,358 USD	1,742,755	844,606	898,149	40,059	21,325	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	300,809,246 USD	670,403	370,847	299,556	34,131	18,938	39.54%	-
Horizon Wind Ventures IC, L.L.C.	Texas	7,946,608 USD	384,363	356,959	27,404	29,043	8,190	77.53%	-
Horizon Wind Ventures II, L.L.C.	Texas	141,581,004 USD	175,205	64,808	110,397	2,070	1,069	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	62,344,604 USD	113,770	63,133	50,637	6,731	2,575	77.53%	-
Horizon Wind Ventures IX, L.L.C.	Texas	75,703,433 USD	144,422	90,582	53,839	1,290	-853	77.53%	-
Horizon Wind Ventures VI, L.L.C.	Texas	112,738,628 USD	150,605	66,508	84,097	1,559	363	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	109,571,086 USD	145,078	61,379	83,699	1,627	687	77.53%	-

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Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Renewable Energy Activity:									
North America Geography / Platform:									
United States of America:									
Horizon Wind Ventures VIII, L.L.C.	Texas	109,387,895 USD	157,148	74,552	82,596	1,714	167	77.53%	-
Horizon Wind, Fresnoport Windpower I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	5,555,525 USD	4,229	53	4,176	-	-	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	598,963 USD	-	3	-3	-	-456	77.53%	-
Lexington Chenoa Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	11,351,517 USD	8,603	8	8,595	-	-	77.53%	-
Lost Lakes Wind Farm, L.L.C.	Iowa	198,082,085 USD	139,121	2,836	136,285	12,774	-158	77.53%	-
Machias Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Madison Windpower, L.L.C.	New York	12,464,461 USD	5,658	428	5,230	510	-1,031	77.53%	-
Marble River, L.L.C.	New York	300,783,466 USD	350,859	124,230	226,628	6,111	913	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,618,299 USD	2,751	32	2,719	-	-7	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	191,169,414 USD	142,869	1,999	140,870	6,544	-2,162	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	121,954,764 USD	127,283	35,435	91,847	6,931	-707	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	3,167,632 USD	2,406	14	2,393	-	-3	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	279,469,712 USD	278,745	78,416	200,328	15,587	-3,822	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	145,203,342 USD	150,512	42,931	107,581	8,387	-1,323	77.53%	-
Mesquite Wind, L.L.C.	Texas	224,796,755 USD	217,050	21,561	195,489	24,182	3,507	77.53%	-
New Trail Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm, L.L.C.	Maine	- USD	-	-	-	-	-	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	363,430,722 USD	282,844	4,159	278,685	28,588	6,345	39.54%	-
OPQ Property, L.L.C.	Illinois	- USD	111	-	111	-	-	77.53%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	190,388,129 USD	155,420	4,470	150,949	14,406	4,437	77.53%	-
Paulding Wind Farm III, L.L.C.	Ohio	4,307,470 USD	3,206	28	3,179	-	-57	77.53%	-
Paulding Wind Farm IV, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	5,763,855 USD	4,368	3	4,365	-	-2	77.53%	-
Peterson Power Partners, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	529,728,199 USD	413,192	6,418	406,775	46,972	11,798	77.53%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Post Oak Wind, L.L.C.	Texas	260,171,441 USD	245,782	12,799	232,983	26,724	4,710	39.54%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	5,428,998 USD	4,151	51	4,100	-	-	77.53%	-
Rail Splitter, L.L.C.	Illinois	230,722,612 USD	162,334	5,312	157,022	6,410	-5,144	77.53%	-
Rio Blanco Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Rush County Wind Farm, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	2,342,872 USD	1,480	3	1,477	-	-295	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	202,544,824 USD	137,307	8,120	129,186	3,155	-15,789	77.53%	-
Sardinia Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502 USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, L.L.C.	Colorado	3,424,302 USD	2,526	5	2,522	-	-	77.53%	-
Stone Wind Power, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Telocaset Wind Power Partners, L.L.C.	Oregon	112,864,460 USD	122,689	12,842	109,847	15,920	5,303	39.54%	-
The Nook Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003 USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Verde Wind Power, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	3,450,625 USD	2,686	76	2,610	-	-5	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	79,605,407 USD	109,858	32,155	77,702	14,144	4,491	77.53%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Whistling Wind W Energy Center, L.L.C.	Wisconsin	- USD	-	-	-	-	-	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	2,165,228 USD	793	-	793	7	-7	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	- USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, LP	California	5,990 USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Canada:									
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	Ontario	3,000,000 CAD	9,944	10,132	-189	131	-1,345	77.53%	-
0867242 BC, Ltd.	Ontario	4,375 CAD	3,441	3,438	3	-	-	77.53%	-
EDP Renewables Canada GP, Ltd.	Ontario	- CAD	-	-	-	-	-	77.53%	-
EDP Renewables Canada LP, Ltd.	Ontario	4,427,674 CAD	3,370	-	3,370	-	-	77.53%	-
Eolia Renewable Energy Canada, Ltd.	Ontario	3,750 CAD	1,833	1,830	3	-	-	77.53%	-
SBWF GP, Inc.	Ontario	- CAD	-	-	-	-	-	77.53%	-
South Branch Wind Farm, Inc.	Ontario	100 CAD	3,441	3,441	-	-	-	77.53%	-
South Dundas Wind Farm LP	Ontario	- CAD	7,685	7,689	-4	-	-4	77.53%	-
South America Geography / Platform:									
Brazil:									
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	217,335,929 BRL	86,611	13,313	73,299	5,391	-2,382	65.63%	-
Central Eólica Aventura, S. A.	Sao Paulo	1,000 BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijão I, S.A.	Sao Paulo	10 BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijão II, S.A.	Sao Paulo	10 BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijão III, S.A.	Sao Paulo	10 BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijão IV, S.A.	Sao Paulo	10 BRL	-	-	-	-	-	65.63%	-
Central Nacional de Energia Eólica, S.A.	Sao Paulo	12,396,000 BRL	13,022	7,569	5,453	3,259	900	65.63%	-
Elebras Projetos, Ltda	Sao Paulo	103,779,268 BRL	127,612	82,050	45,561	22,861	4,721	65.63%	-

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The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2012 are as follows:

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-12 Euro'000 *	Current Assets 31-Dec-12 Euro'000 *	Non-current Liabilities 31-Dec-12 Euro'000 *	Current Liabilities 31-Dec-12 Euro'000 *	Equity 31-Dec-12 Euro'000 *	Total Income 31-Dec-12 Euro'000 *	Total Costs 31-Dec-12 Euro'000 *	Net Profit/(Loss) 31-Dec-12 Euro'000 *	% Group	% Company
ARQUILED-Proj. Iluminação, S.A.	Lisbon	166,700 EUR	937	1,336	961	1,414	-102	1,465	-1,653	-188	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000 EUR	141	41	12	155	15	37	-21	16	35.21%	-
Bioastur, AIE	Sérin	60,101 EUR	32	949	-	551	430	1,600	-1,429	171	50.00%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	219	32,358	24	32,371	182	124,927	-124,923	4	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	92	2,590	-	679	2,003	3,199	-3,105	94	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	43,999	9,885	11,605	6,815	35,464	17,995	-10,119	7,876	38.76%	-
Desarrollos Energeticos Canarias, S.A.	Las Palmas	15,025 EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	75,351	3,335	47,547	24,463	6,676	20,430	-18,172	2,258	50.00%	40.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	1,328	59	1,269	-	2,595	-2,595	-	60.00%	-
Evolución 2000, S.L.	Albacete	117,994 EUR	22,304	3,229	17,488	1,934	6,111	5,568	-3,570	1,998	38.11%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187 USD	59,347	568	503	34	59,378	2,388	-4,966	-2,578	38.76%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885 USD	147,901	2,304	1,308	131	148,766	11,170	-14,062	-2,892	38.76%	-
Futurocompact, Lda	Lisbon	5,000 EUR	10	1	-	-	11	-	-	-	40.01%	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.	Ceara	1,527,000 BRL	-	552	-	415	137	5	-59	-54	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000 BRL	15	188	-	78	125	322	-397	-75	25.55%	-
Porto do Pecém Geração de Energia S.A.	Ceara	1,689,672,262 BRL	687,271	81,755	455,689	87,182	226,155	66,963	-108,224	-41,261	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	50,000 EUR	6,175	1,146	131	6,923	267	3,770	-3,775	-5	50.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	12,872	6,349	11,141	2,498	5,582	4,398	-3,482	916	38.76%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2011 are as follows:

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-11 Euro'000 *	Current Assets 31-Dec-11 Euro'000 *	Non-current Liabilities 31-Dec-11 Euro'000 *	Current Liabilities 31-Dec-11 Euro'000 *	Equity 31-Dec-11 Euro'000 *	Total Income 31-Dec-11 Euro'000 *	Total Costs 31-Dec-11 Euro'000 *	Net Profit/(Loss) 31-Dec-11 Euro'000 *	% Group	% Company
ARQUILED-Proj. Iluminação, S.A.	Lisbon	166,700 EUR	935	1,539	538	1,599	337	1,486	-1,754	-268	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000 EUR	141	41	24	154	4	38	-30	8	35.21%	-
Bioastur, AIE	Sérin	60,101 EUR	40	1,179	-	710	509	2,082	-1,782	300	50.00%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	234	38,958	-	39,015	177	125,027	-125,125	-98	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	159	3,109	-	1,359	1,909	3,107	-2,911	196	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	47,204	9,709	19,424	6,826	30,663	17,986	-10,214	7,772	38.76%	-
Desarrollos Energeticos Canarias, S.A.	Las Palmas	15,025 EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	79,344	5,629	52,444	28,112	4,417	18,709	-17,679	1,030	50.00%	40.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	1,352	24	1,328	-	2,223	-2,223	-	60.00%	-
Evolución 2000, S.L.	Albacete	117,994 EUR	23,319	5,025	18,850	2,134	7,360	5,255	-3,578	1,677	38.11%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885 USD	158,942	3,125	1,265	28	160,774	11,565	-13,815	-2,250	38.76%	-
Flat Rock Windpower II, L.L.C.	New York	207,447,187 USD	63,658	863	487	68	63,966	2,740	-4,609	-1,869	38.76%	-
Futurocompact, Lda	Lisbon	5,000 EUR	10	1	-	-	11	-	-	-	40.01%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	1,172	-	1,172	-	441	-441	-	55.00%	-
Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.	Ceara	1,101,000 BRL	-	348	211	16	121	7	-118	-111	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000 BRL	16	265	-	63	218	186	-218	-32	25.55%	-
Porto do Pecém Geração de Energia S.A.	Ceara	986,412,262 BRL	668,910	42,395	449,956	109,256	152,093	23,605	-39,002	-15,397	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A.	Vila Velha de Ródão	50,000 EUR	7,082	1,179	99	7,883	279	4,001	-3,914	87	50.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	14,607	6,095	13,063	2,220	5,419	4,108	-3,276	832	38.76%	-
WINDPLUS, S.A.	Lisbon	85,750 EUR	6,574	227	5,320	1,483	-2	314	-412	-98	41.63%	-

* Corresponding to the proportion held by the EDP Group

The associated companies included in the consolidation under the equity method as at 31 December 2012 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Agência de Desenvolvimento Regional do Vale do Tua, S.A.	Mirandela	50,000 EUR	50	-	50	-	-	49.00%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	28,135	25,087	3,048	130	-103	14.71%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Blue Canyon Windpower I, L.L.C.	Oklahoma	50,417,419 USD	35,927	1,597	34,330	5,112	-912	25.00%	-
Carriço Cogeração, S.A.	Lisbon	50,000 EUR	13,108	9,302	3,806	31,022	1,181	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	583,613	300,478	283,135	542,975	59,605	21.19%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963 BRL	959	-	959	-	-	25.03%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	137	-115	252	-	-	23.26%	-
Desarrollos Eólicos de Canarias, S.A.	Gran Canaria	4,291,140 EUR	8,412	692	7,720	4,248	2,123	34.69%	-
Ederg-Produção Hidroelétrica, Lda.	Lisbon	1,000,000 EUR	578	99	479	-	-220	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000 EUR	155	16	139	27	-85	30.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525 EUR	1,318,686	1,288,975	29,711	1,190	11,315	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	24,445	29,704	-5,259	706	-6,250	49.90%	-
Inkolan, A.I.E.	Bilbao	96,162 EUR	691	432	259	556	45	13.57%	-
Inversturias - Fondo Capital Riesgo	Madrid	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosarkuntza, A.I.E.	Bilbao	1,502,500 EUR	9,957	4,091	5,866	17,277	3,060	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	30,045	26,092	3,953	2,949	1,195	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	60,235	43,466	16,770	12,332	4,770	32.56%	-

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Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit/(Loss) 31-Dec-12 Euro'000	% Group	% Company
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000 EUR	14,377	4,850	9,527	16,136	4,220	39.60%	-
Principle Power (Europe) Ltd	London	1 GBP	272	376	-104	627	-104	50.29%	-
Principle Power Portugal Unipessoal Lda	Lisbon	5,000 EUR	1,689	1,833	-144	-	-51	50.29%	-
Principle Power, Inc	Seattle	7,674 USD	10,441	3,448	6,993	5,605	1,349	50.29%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1 GBP	12,263	13,187	-924	-	-880	37.99%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Chameca da Caparica	9,000,000 EUR	182,464	120,737	61,727	36,398	8,196	19.83%	-
Selgás Comercializadora, S.A.	Chameca da Caparica	50,000 EUR	10,037	6,867	3,170	31,062	-364	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	-	-	62	-	-	19.38%	-
Tolosa Gas, S.A.	Tolosa	651,100 EUR	1,608	230	1,378	1,053	380	38.00%	-
Windfloat Maine LLC	Maine	- USD	-	-	-	-	-	50.29%	-
Windfloat Oregon LLC	Oregon	- USD	-	-	-	-	-	50.29%	-

The associated companies included in the consolidation under the equity method as at 31 December 2011 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-11 Euro'000	Liabilities 31-Dec-11 Euro'000	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Aprofiament D'Energias Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	27,852	24,431	3,151	52	-352	14.71%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carrizô Cogeração, S.A.	Lisbon	50,000 EUR	14,401	11,775	2,626	30,072	892	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	547,855	271,795	276,060	457,447	43,623	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	137	-115	252	-	-	23.26%	-
Desarrollos Eólicos de Canarias, S.A.	Gran Canaria	4,291,140 EUR	13,966	797	13,169	-3,870	1,800	34.69%	-
Ederg-Produção Hidroelétrica, Lda.	Lisbon	1,000,000 EUR	777	77	700	-	-217	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525 EUR	1,234,769	1,205,026	29,743	106,380	6,027	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	29,868	28,878	990	305	-3	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	9,824	267	9,557	2,183	3,558	19.38%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1 GBP	1,814	1,858	-44	-	-12	37.99%	-
Inkolan, A.I.E.	Bilbao	60,101 EUR	298	138	160	-	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500 EUR	8,957	4,626	4,331	14,700	1,702	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	30,880	27,709	3,171	4,859	-1,202	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	34,936	22,936	12,000	11,043	3,424	32.56%	-
Portisines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	18,999	3,132	15,867	15,732	3,120	39.60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Chameca da Caparica	9,000,000 EUR	181,064	127,525	53,539	38,069	8,753	19.83%	-
Selgás Comercializadora, S.A.	Chameca da Caparica	50,000 EUR	10,856	7,322	3,534	33,542	816	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gas, S.A.	Tolosa	651,100 EUR	1,575	221	1,354	1,039	357	38.00%	-
Agência de Desenvolvimento Regional do Vale do Tua, S.A.	Mirandela	50,000 EUR	-	-	-	-	-	49.00%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2012, 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%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-
Feedzai - Consultoria e Inovação Tecnológica, S.A.	Coimbra - Portugal	11.08%	-

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ANNEX II

EDP Group Activity by Business Segment
31 December 2012

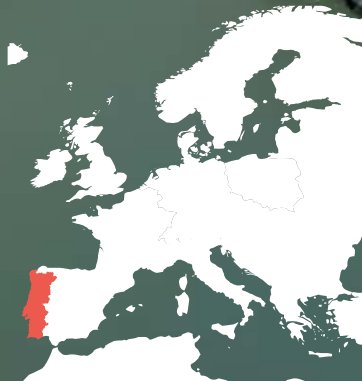
Thousands of Euros	Iberia							Adjustments	EDP Group
	LT Contracted Generation	Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities		
Turnover									
Electricity and network accesses	1,493,411	6,226,941	5,962,732	1,170,443	2,491,691	582	-	(2,941,401)	14,404,399
Gas and network accesses	-	1,727,089	396,185	-	-	-	-	(352,137)	1,771,137
Other	60,425	315,334	17,544	11,813	22,634	34,773	274,083	(572,288)	164,318
	1,553,836	8,269,364	6,376,461	1,182,256	2,514,325	35,355	274,083	(3,865,826)	16,339,854
Cost of electricity	(54,951)	(5,104,602)	(4,435,732)	(17,112)	(1,704,584)	(582)	-	2,925,364	(8,392,199)
Cost of gas	-	(1,522,791)	(59,104)	-	-	-	-	206,054	(1,375,841)
Change in inventories and cost of raw materials and consumables used	(510,490)	(869,006)	(6,903)	(7,348)	(2,420)	(10,866)	-	263,386	(1,143,647)
	(988,395)	(7,496,399)	(4,501,739)	(24,460)	(1,707,004)	(11,448)	-	3,394,804	(10,911,687)
	988,395	772,965	1,874,722	1,157,796	807,321	23,907	274,083	(471,022)	5,428,167
Other operating income / (expenses)									
Other operating income	10,808	13,862	90,962	190,466	90,821	13,111	33,487	(53,550)	389,967
Supplies and services	(83,499)	(272,823)	(421,714)	(261,810)	(177,137)	(13,513)	(189,948)	492,157	(928,287)
Personnel costs and employee benefits	(90,350)	(104,794)	(173,336)	(62,660)	(126,628)	(9,645)	(122,736)	18,613	(671,536)
Other operating expenses	(23,241)	(92,794)	(313,251)	(86,212)	(59,655)	(6,909)	(15,754)	8,103	(589,853)
	(186,282)	(456,689)	(817,339)	(220,216)	(272,599)	(16,956)	(294,951)	465,323	(1,799,709)
	802,113	316,276	1,057,383	937,580	534,722	6,951	(20,868)	(5,699)	3,628,458
Provisions	(6,163)	1,361	(2,790)	3	(1,097)	19	2,612	-	(6,055)
Depreciation, amortisation and impairment	(206,150)	(257,561)	(327,590)	(502,709)	(145,395)	(882)	(19,683)	(33,919)	(1,493,809)
Compensation of amortisation and depreciation	1,989	332	2,730	15,231	4,564	67	12	(24)	24,901
	591,789	60,408	729,733	450,105	382,794	6,155	(37,927)	(39,642)	2,143,415
Gain/(losses) on the sale of financial assets	-	-	-	2,766	-	-	99,995	(99,995)	2,766
Financial results	(58,514)	(187,602)	(138,929)	(277,616)	(97,953)	(1,783)	859,147	(802,016)	(705,266)
Share of profit in associates	1,123	-	166	6,833	(1,156)	13,069	-	3,742	23,777
Profit/(loss) before income tax	534,398	(127,194)	590,970	182,088	283,685	17,441	921,215	(937,911)	1,464,692
Current tax	(73,996)	(10,870)	30,439	(85,225)	(58,333)	(333)	22,426	21,867	(154,025)
Deferred tax	(84,978)	14,090	(172,965)	39,185	(15,227)	(984)	133,982	(41,615)	(128,512)
Net profit/(loss) for the year	375,424	(123,974)	448,444	136,048	210,125	16,124	1,077,623	(957,659)	1,182,155
Equity holders of EDP	377,912	(108,171)	448,405	126,264	134,166	16,157	1,092,991	(1,075,241)	1,012,483
Non-controlling interests	(2,488)	(15,803)	39	9,784	75,959	(33)	(15,368)	117,582	169,672
Net profit/(loss) for the year	375,424	(123,974)	448,444	136,048	210,125	16,124	1,077,623	(957,659)	1,182,155
Total assets	6,981,962	5,582,783	8,319,316	13,301,973	5,308,419	118,170	20,305,393	(17,290,172)	42,627,844
Total liabilities	3,550,191	5,314,601	6,758,443	7,553,146	2,941,590	88,378	14,076,241	(9,086,414)	31,196,176
Increase of the period:									
Property, plant and equipment	49,566	485,319	121,990	690,108	288,113	1,127	45,023	(8,245)	1,673,001
Intangible assets	62,557	161,383	332,682	24	101,289	2	3,512	(6,722)	654,727
Goodwill	-	-	-	12,465	-	-	-	2,978	15,443

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Thousands of Euros	Iberia						EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
	LT Contracted Generation	Liberalized Activities	Regulated Networks									
Turnover												
Electricity and network accesses	1,412,725	6,380,606	5,200,822	969,155	2,302,216	-	-	-	-	(3,023,791)	13,241,733	
Gas and network accesses	-	1,608,910	380,146	-	-	-	-	-	-	(300,120)	1,688,936	
Other	58,044	236,520	17,907	22,597	10,729	36,394	291,480	36,394	291,480	(483,489)	190,182	
	1,470,769	8,226,036	5,598,875	991,752	2,312,945	36,394	291,480	36,394	291,480	(3,807,400)	15,120,851	
Cost of electricity	(50,870)	(5,207,616)	(3,727,397)	(12,283)	(1,284,854)	-	-	-	-	2,962,647	(7,320,373)	
Cost of gas	22	(1,475,587)	(53,578)	-	-	-	-	-	-	201,075	(1,328,068)	
Change in inventories and cost of raw materials and consumables used	(410,705)	(750,963)	(10,876)	(22,252)	1,656	(12,459)	(4,370)	(12,459)	(4,370)	174,034	(1,035,935)	
	(461,553)	(7,434,166)	(3,791,851)	(34,535)	(1,283,198)	(12,459)	(4,370)	(12,459)	(4,370)	3,337,756	(9,684,376)	
	1,009,216	791,870	1,807,024	957,217	1,029,747	23,935	287,110	23,935	287,110	(469,644)	5,436,475	
Other operating income / (expenses)												
Other operating income	12,285	41,640	178,030	196,154	17,803	15,874	25,619	15,874	25,619	(73,063)	414,342	
Supplies and services	(87,467)	(262,601)	(426,239)	(225,069)	(184,491)	(10,577)	(200,314)	(10,577)	(200,314)	495,710	(901,048)	
Personnel costs and employee benefits	(9,147)	(100,481)	(163,859)	(60,832)	(121,576)	(8,866)	(120,610)	(8,866)	(120,610)	20,471	(634,900)	
Other operating expenses	(16,896)	(101,916)	(294,417)	(66,732)	(59,744)	(9,111)	(19,482)	(9,111)	(19,482)	9,017	(559,281)	
	(71,225)	(423,358)	(706,485)	(156,479)	(348,008)	(12,680)	(314,787)	(12,680)	(314,787)	452,135	(1,680,887)	
	837,991	368,512	1,100,539	800,738	681,739	11,255	(27,677)	11,255	(27,677)	(17,509)	3,755,588	
Provisions	2,267	26,237	6,425	766	(20,754)	(26)	(1,361)	(26)	(1,361)	(3,946)	(692)	
Depreciation, amortisation and impairment	(206,888)	(262,199)	(351,017)	(468,494)	(176,315)	(957)	(16,293)	(957)	(16,293)	(34,997)	(1,517,160)	
Compensation of amortisation and depreciation	2,092	264	2,544	14,986	36,844	248	9	248	9	(27,333)	29,654	
	635,462	132,814	758,691	347,496	521,514	10,520	(5,322)	10,520	(5,322)	(83,785)	2,267,390	
Gain/(losses) on the sale of financial assets	-	122	-	10,499	-	-	123,325	-	123,325	(113,069)	20,877	
Financial results	(64,689)	(76,116)	(128,435)	(244,130)	(119,127)	12	540,725	12	540,725	(623,627)	(715,387)	
Share of profit in associates	684	-	143	4,796	(1,257)	10,480	-	10,480	-	4,631	19,477	
Profit/(loss) before income tax	571,457	56,820	630,399	118,661	401,130	21,012	608,728	21,012	608,728	(815,850)	1,592,357	
Current tax	(169,769)	(19,546)	15,744	(29,060)	(93,561)	203	30,198	203	30,198	78,307	(187,484)	
Deferred tax	6,246	(3,340)	(158,318)	1,022	1,973	(3,980)	109,637	(3,980)	109,637	(26,134)	(72,894)	
Net profit/(loss) for the period	407,934	33,934	487,825	90,623	309,542	17,235	748,563	17,235	748,563	(763,677)	1,331,979	
Equity holders of EDP	407,446	44,964	488,925	88,603	225,799	17,356	763,989	17,356	763,989	(912,419)	1,124,663	
Non-controlling interests	488	(11,030)	(1,100)	2,020	83,743	(121)	(15,426)	(121)	(15,426)	148,742	207,316	
Net profit/(loss) for the period	407,934	33,934	487,825	90,623	309,542	17,235	748,563	17,235	748,563	(763,677)	1,331,979	
Total assets	6,970,120	6,982,418	7,327,784	13,044,929	5,693,903	139,330	53,054,750	139,330	53,054,750	(51,945,605)	41,267,629	
Total liabilities	3,816,039	5,092,770	5,721,506	7,591,203	2,962,526	167,100	40,331,156	167,100	40,331,156	(35,801,450)	29,880,850	
Increase of the period:												
Property, plant and equipment	59,328	436,282	157,594	830,711	197,359	6,027	63,754	6,027	63,754	(15,455)	1,735,600	
Intangible assets	131,399	327,454	299,523	9	396,506	89	124	89	124	(5,396)	1,149,708	
Goodwill	-	3,732	837	-	-	-	380	-	380	6,854	11,603	







**HYDROELECTRIC POWER
PLANT OF BEMPOSTA**

INVESTMENT OF
EUR
140,000
IN BEMPOSTA II

381 JOBS CREATED

FIRST ITINERARY
OF PUBLIC ART AND
ARCHITECTURE
IN DAMS WORLDWIDE



"The new Hydro Power Plants Bemposta II and Picote II will allow better use of water, which represents a reduction of 30 million per year in imports" - João Manso Neto, CEO of EDP Renováveis

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FINAL REFERENCES

The Executive Board of Directors expresses its gratitude towards all those who have contributed and followed the activity of EDP Group during 2012.

First of all, we would like to thank the shareholders for the support and confidence provided to the current Executive Board of Directors and to each of its members, while exercising its activity.

A special word of gratitude is also due to all members of the Company Bodies responsible for the auditing and supervision of the Group, as well as for the support provided throughout the year. In particular, to the General and Supervisory Board for the guidance provided during the activity of the Executive Board of Directors.

Once again, it was demonstrated that EDP's actual governance model is fully consolidated by being an example in overseeing the management activity and a guarantor of the interests of all of the Group's stakeholders.

Additionally, as a result of the support granted to the Group's activities during last year, the Board thanks the members of the governmental bodies and the public authorities of countries in which EDP is present, for the continued support provided during the activities of the Group.

Within the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the energy sector regulators. Particularly with the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in countries where the activity of the EDP Group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to all the other entities that interacted with the group during 2012, namely, the financial markets regulators, the sectorial associations and the social and environmental non government organizations.

At the end of a challenging year it is also owed a special thanks to EDP Group's customers. We reaffirm our strong committed in the pursue of excellence in provided services along with a continuous improve of our offer and the full satisfaction of our customers needs.

The Board's gratitude is also extended to suppliers, as well as to the social media that followed the company throughout 2012.

Finally, a special thanks to all EDP employees. Their commitment, determination and knowledge were crucial for the company's achieved results.

Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Marques da Cruz

Miguel Stilwell de Andrade

ANNEX II

CORPORATE BODIES' BIOGRAPHY

GENERAL SUPERVISORY BOARD

Eduardo de Almeida Catroga, Chairman He was born on 14th November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa and a post-graduate degree from Harvard Business School. He served as Minister of Finance of the Portuguese government from 1994 to 1995. He is a guest senior lecturer in business strategy for the ISEG MBA program. He has focused his career on corporate management and administration, specifically within CUF and in SAPEC, where he was CFO (1974) and General Director, respectively. Currently, he is non-executive Chairman of the Board of Directors of the SAPEC Group, member of the Board of Nutrinveste, member of the Board of Banco Finantia and member of the Investments Committee of Portugal Venture Capital Initiative, an equity fund promoted by the European Investment Bank. He was designated for the first time member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009. He was appointed chairman of the General and Supervisory Board of EDP on 20th February 2012.

Zhang Dingming, Vice-President He was born on 1st December 1963. He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and his Master's degree in Management from Huazhong University of Science and Technology in 2001. He served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China (1984-1994), working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. In 2011, he began to serve as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, in representation of China Three Gorges Corporation, on 11th May 2012.

Lu Guojun He was born on 12th July 1956. He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation, President/CEO of China Three Gorges International Corporation and Director of International Department of China Three Gorges Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China International Water & Electric Corp, on 11th May 2012.

Yang Ya He was born on 27th August 1962. He has a Bachelor's degree in Finance from Changsha

University of Electricity. He later got his "Diplôme d'Etudes Supérieures Spécialisées" from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He served a series of posts before devoting to the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower and Auditor of Beijing Office of PriceWaterHouseCoopers. Currently, he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation and Chairman of the Supervisory Committee of China Yangtze Power Company. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges New Energy Co. Ltd, on 11th May 2012.

Wu Shengliang He was born on 11th March 1971. He received Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992. Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002). Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003). Information manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). Deputy Director and then Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes Director of the Board of Daye Non-ferrous Metals Co., Ltd (2008-2011). Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011). Since 2011, he is Deputy Director of Strategic Planning Department in China Three Gorges Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges International - Europe, on 11th May 2012.

Felipe Fernández Fernández He was born on 21st December 1952. He has a degree in Economics and Management Sciences (1970 - 1975) from the University of Bilbao. His professional career includes the following positions: Professor at the Faculty of Economics and Business, University of Oviedo (1979 - 1984), Director of Regional Economy and Planning of the Principality of Asturias (1984 - 1990), Member of the Board and Executive Committee of the Caja de Ahorros de Asturias (1986 - 1990), Member of the Board of Directors and Vice-President of "Sociedade Asturiana de Estudios Económicos e Industriales" (1986 - 1990), Member of the Board of Directors and Vice-President of the company SEDES, SA (1988 - 1990), President of the Committee for Planning and Urbanism of Asturias (1990 - 1991); Counsel for Planning, Urbanism and Housing in the Principality of Asturias (1990 - 1991); Counsel for Rural and Fishing Affairs in the Principality of Asturias (1991 - 1993), Director of the Department of Management Control of HidroCantábrico (1993 - 1998), Director of the Department of Management Control, Purchasing and Quality of HidroCantábrico (1998 - 2001), President of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of HidroCantábrico (2001 - 2002); HidroCantábrico CFO, Chairman of Gas Capital, CEO of HidroCantábrico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently Director of Corporate Customers at Liberbank, General Manager of Caja de Ahorros de Asturias, President of Infocaja, Board Member of HC Energía, Ahorro Corporation, Indra and Tudela Veguín. He is also Board Member of da Sociedad Promotora de las Comunicaciones en Asturias (SPTA). He was appointed member of the General and Supervisory Board of EDP, in representation of Cajastur Inversiones SA, on 20th February 2012.

Lúis Filipe da Conceição Pereira He was born on 29th October 1944. He has a degree in Economics

by Instituto Superior de Economia (1973). He was an Assistant Professor at ISCTE (1979/2005). In terms of public offices, he was Health Minister (2002/2005); Energy State Secretary (1991/1995) and Social Security State Secretary (1987/1989). He was Chairman of the Board of the Portuguese Association of Industrial Electricity Consumers (1996/2001 and 2005), Member of the Steering Committee of the International Federation of Industrial Energy Consumers (1996/2002). In terms of business positions, he was Vice President of EDP (1989/1991), Chairman of the Transport Institute (1996/2001), Vice-President of Quimigal (1996/1997), CEO of ADP (1997/2002); non-executive director of Banco Mello, CEO of CUF (2005) and CEO of EFACEC (2006/2011). He was awarded in 2006 with the Honorific Order "Grã-Cruz da Ordem de Mérito" by President of Republic of Portugal. He was appointed member of the General and Supervisory Board of EDP, in representation of José de Mello Energia SA, on 20th February 2012.

Mohamed Ali Al-Fahin He was born on 4h March 1976. He has a degree in Finance by the University of Suffolk, Boston (1999). He has started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His activity was focused in the identification and in the definition of investment strategies for a balanced investment portfolio of ADNOC, which could be able to meet the Groups requirements for cash flow and returns. During that time, he also had working experience as Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Finance Division Manager at the Finance & Accounts Department of International Petroleum Investment Company (IPIIC). In May 2010, he has been appointed as member of the Board of Directors at Aabar Investments PJS. He was appointed member of the General and Supervisory Board of EDP, in representation of Senfora Sarl, on 16th April 2010 and 20th February 2012.

Carlos Jorge Ramalho dos Santos Ferreira He was born on 23rd February 1949. He has a degree in Law by the School of Law of Universidade Clássica de Lisboa (1971). He was a member of the Tax Reform Commission (1984-88); a Member of Parliament and Vice-Chairman of the Parliamentary Commission for Health and Social Security (1976); member of the Management Board of ANA (1977-1987); Chairman of the Board of Fundação de Oeiras (1987-89) and Chairman of the Companhia do Aeroporto de Macau (1989-91). He was a director of the Champalimaud Group (1992-99) and Chairman of the Board of Mundial Confiança and of the General Meeting of Banco Pinto & Sotto Mayor. Between 1999 and 2003, he served as Director of Servibanca, and as Vice-Chairman and member of the Board of Directors of Seguros e Pensões Gere, part of the BCP Group. He also acted as Director and Chairman of the Board of Directors of Império Bonança, the insurance companies Ocidental and Ocidental Vida, Seguro Directo, Império Comércio e Indústria (ICI), Companhia Portuguesa de Seguros de Saúde, Autogere and Corretoresgest, and he was also Director of Eureko B.V. From 2003 to 2005 he was Director of Estoril Sol, Vice-Chairman of Finansol, non-Executive Chairman of Willis Portugal-Corretores de Seguros (2003-05) and Director of the Board of Seng Heng Bank. From 2005 until 2007 he was Chairman of the Board of Caixa Geral de Depósitos. From 2008 until 2012 he was Chairman of the Board of Banco Comercial Português; member of the General and Supervisory Board of Millenniumbank, in Poland, member of the Board of Directors of BancSabadell, in Spain and Chairman of the Board of Banco Millennium Angola, S.A. He was appointed member of the General and Supervisory Board of EDP on 10th April 2008 and he was reappointed on 15th April 2009 and 20th February 2012.

Harkat Abderezak He was born on 2nd February

1972. Bachelor in Mathematics, Industrial Engineering degree obtained from Polytechnic School of Algiers. Master (Post Graduation) in Finance-banking obtained from Institute of Finance and Development of Tunis. From 1998 to 2009, his work comprised project financing and investment budgeting. In terms of financing, in particular putting in place project financing (Development Oil & Gas project, Petrochemical Projects, fertilize project, Pipelines, liquefaction facilities (LNG trains), etc). In addition, he was in charge with transaction related to the acquisition of assets or companies and development of new business areas. He was board Member of "Entreprise de Gestion de la Zone Industrielle Skikda - Algeria" (management of the industrial activities zone) from 2007 to 2009, President of the Board of "Sonatrach International Finance & Development - Luxembourg" (Dec 2008 to Nov 2009). From 2006 on he is President of the Board of "Sonatrach Gas Comercializadora" (Madrid-Spain). From 2009 until December 31, 2012 he was also board Member of the company "Sorfert" - Algeria. He was appointed member of the General and Supervisory Board of EDP, in representation of Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach"), on 20th February 2012.

José Maria Espírito Santo Ricciardi He was born on 27th October 1954. He has a degree in Applied Economic Sciences by the Administration and Management Institute of the School of Economic, Political and Social Sciences of Université Catholique de Louvain, in Belgium. He served as Financial Controller at the European headquarters of the Espírito Santo Group (GES) from 1981 to 1983, assisting the group's General Financial Controller at a global level. He was an Assistant Director of the Bank Espírito Santo International Ltd. from June 1983 and in 1987 he was appointed Director of Merchant Banking at Banco Internacional de Crédito (BIC). In 1990, he worked at BIC, as Deputy Director-General and Director of the Capital Markets Department. He was appointed Director of Espírito Santo Sociedade de Investimentos in 1992 and Vice-Chairman of the Board of Directors of Banco Espírito Santo de Investimento in 1995. Since 1999 he has served as Executive Director of the Board of Banco Espírito Santo and CEO of Banco Espírito Santo de Investimento. He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

Alberto João Coraceiro de Castro He was born on 15th June 1952. He has a degree in Economics from the School of Economics of Porto and a PhD in Economics from the University of South Carolina. He has published papers in different areas of expertise, including industrial economics, business economics and strategy, labor and international economics. He lectures at Universidade Católica Portuguesa, where he is head of the Centre for Applied Research in Economics and Management. He serves as President of the Audit Committee of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industry Association (APICCAPS). He is also a member of the General Board of Associação Empresarial de Portugal and of the Board of Associação Comercial do Porto. He chairs the Comissão Justiça e Paz of the Diocese of Oporto. He was appointed Vice-President of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

António Sarmiento Gomes Mota He has born on 10th June 1958. He has a degree in Management by ISCTE, (1981), an MBA by the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management by ISCTE. He is a Full Professor and the head of ISCTE Business School (since 2003). He is also the head of INDEG/ISCTE (since 2005); Chairman of the General Board of the Fundo de Contragarantia Mútua (1999-) and a non-executive

member of the Board of CIMPOR (2009-). Member of the Direction Board of the Portuguese Corporate Governance Institute (2010-). Previously, he was also head of the Finance and Accountancy Department of ISCTE Business School (2001-2003); Chairman of the Board of CEMAF – Centro de Investigação de Mercados e Activos Financeiros of ISCTE (1995-2003); member of the Investment Committee of FINPRO-SGPS (2002-2004); Chairman of the Board of Directors of SIEMCA – Sociedade Mediadora de Capitais (1990-1997); Consultant of PME Investimentos 1998-2000). Co-founder and first director of the “Management Revue”, he is also author of a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was appointed member of the General and Supervisory Board of EDP on 15th April 2009 and reappointed on 20th February 2012.

Maria Celeste Ferreira Lopes Cardona She was born on 30th June 1951. She holds a Doctorate degree in law from the Faculdade de Direito da Universidade de Lisboa, having been an Assistant Professor in the same university. Within the Ministry of Finance, she was a member of the Fiscal Study Center and a Portuguese representative on the OECD. She was Minister of Justice of the XV Constitutional Government. She was graced the degree of Grande Oficial da Ordem do Infante D. Henrique, attributed in 1998, by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos. Mrs. Celeste Cardona published articles and opinions in specialty magazines, namely in “Ciência e Técnica Fiscal”. She is also author of several monographs and varied studies, such as “As agências de regulação no Direito Comunitário”, “O problema da retroactividade na lei fiscal e na Constituição”, “A prescrição da obrigação tributária e a caducidade da liquidação de impostos”, e “A natureza e o regime das empresas de serviço público”. She is currently a lawyer and a senior partner in M.C. Cardona & Associados, a law firm, and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions. She was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

Fernando Maria Masaveu Herrero He was born on 21st May 1966. He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where played various roles. He currently plays the following positions, among others: Chairman of Masaveu Corporation; Chairman of Cementos Anónima Tudela Veguín; Chairman of Masaveu International, Advisor at Hidrocantábrico, Chairman of the Audit Committee at Hidrocantábrico; Advisor at Naturgas Energía; Advisor at Bankinter; Member of the Executive Committee of Bankinter; Member of the Audit Commission of Bankinter; Member of International Advisory Board of the Santander Group; Advisor at EGEO, S.G.P.S.; Chairman of Masaveu de Investigación y desarrollo; Advisor at OLMEA; Chairman of Beluga Holding Limited; Chairman of the Maria Cristina Masaveu Foundation; Chairman of the Foundation San Ignacio de Loyola; patron and member of the Executive Committee of the Príncipe de Asturias foundation; patron and member of the heritage of Príncipe de Asturias Foundation; Patron of the Príncipe de Asturias Awards; International patron of Asociación Amigos Museo del Prado; and Patron of Sociedad Internacional de Bioética (S.I.B.I.). Additionally, he is director of several companies of Masaveu group. Formerly, he also had relevant contributions in several sector, particularly in the R&D sector, the beverage sector, the health sector, the financial sector, the transportation sector, the environmental sector, the press sector, the real estate sector, as well as significant assistance in several foundations focus on social responsibility. He was appointed member of the

General and Supervisory Board of EDP and 20th February 2012.

Ilídio da Costa Leite de Pinho He was born on 19th December 1938. Degree in Electronics and Machinery Engineering. Grã-Cruz” Order of Merit, Honorary member of the Industrial Order of Merit. Member of the “Ordens Honoríficas Portuguesas” from 1996 to 1999. Gold Medal and “Honorary citizen” award granted by the city of Vale de Cambra, in 1999. Gold medal and “University Benefactor” award granted by “Universidade Católica Portuguesa”. Golden Badge by the Portuguese Association of Voluntary Firemen, in 2002. Between 1986 and 1991 was non-executive Board of Directors Member of “ICEP” in representation of the National Industry. President of the City Hall Council of Vale de Cambra between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of “Universidade Católica” - Oporto. University Counsel of “Universidade de Aveiro” and Senate Member of “Universidade do Porto”. Member of the board of several business association. Member of the “Trilateral Commission” between 1988 and 1996. Was founder and Chairman of the Board of Directors of COLEP. Was founder of NacionalGás, S.A., LusitâniaGás, EGA, EMPORGÁS, EDISOFT, S.A. and MEGASIS. Was the main shareholder of Transinsular. Was non-executive Member of the Board of Directors of “Banco Espírito Santo, S.A.” between 2000 and 2005. Shareholder of “CEM - Companhia de Electricidade de Macau, SARL”. Chairman of the Strategy Committee of “Fomentinvest, S.A.”. Founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho. Chairman of various companies of Group Ilídio Pinho. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

Jorge Avelino Braga de Macedo He was born on 1st December 1946. He has a law degree from Universidade de Lisboa in 1971. At Yale University, he completed M.A. in International Relations (1973) and also has PhD in Economics (1979). He aggregated in the Faculty of Economics from Universidade de Lisboa in 1982. Since 1999 to 2004 he belonged to the Organisation for Economic Cooperation and Development (OECD) and the European Commission in Brussels between 1988 and 1991. At a national level, he was President of the Parliamentary Commission for European Affairs (1994-1995), and Minister of Finance (1991-1993). He has taught at the Centre Européen d'Education Permanente in Fontainebleau, and at the Catholic University of Lisbon, at Princeton University, among others. He has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank and the International Monetary Fund. Currently, he is a Professor of Economics at Universidade Nova de Lisboa, teaches at the Institut d'Etudes Politiques (SciencesPo) in Paris, is Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics from the Universidade Nova de Lisboa, President of Institute of Tropical Research (ICT) and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

Manuel Fernando de Macedo Alves Monteiro He was born on 12th April 1957. He has a degree in Law and is a Board Director of CIN, Novabase, Douro Azul and AICEP (Business Development Agency). He acts as President of Remunerations Committees of AICEP – Global Parques S.A., AICEP Capital, Douro Azul SGPS and Sardinha & Leite SGPS. He is a member of the School of Economics and Management Advisory Board (Universidade Católica do Porto); and a member of the Advisory Board of Porto Vivo - Sociedade de Reabilitação Urbana do Porto. He was a non-executive board member of Jerónimo Martins, SGPS; served as

Chairman of Euronext Lisbon and was a member of the Board of Directors of the Paris, Brussels and Amsterdam stock exchanges and Euronext NV. He was CEO of the Lisbon and Porto Stock Exchanges and Interbolsa; Director of the Portuguese Corporate Governance Institute; Chairman of the Portuguese Association of Financial Analysts; member of the CMVM Advisory Board and Chairman of Casa da Música/Porto 2001, S.A. He has also held executive positions in international organizations related to capital markets: Executive Board of the Ibero-American Stock Exchange Federation (FIABV); the European Committee of Futures and Options Exchanges (ECOFEX); the International Finance and Commodities Institute (IFCI) and the European Capital Markets Institute (ECMI). He was awarded the title of Chevalier de L'Ordre Nationale de la Légion d'Honneur by recommendation of the President of the French Republic. He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

Paulo Jorge de Assunção Rodrigues Teixeira Pinto He was born on 10th October 1960. He has a Law degree from Universidade de Lisboa (1983) and he was accepted for a Ph.D. in History of Law from Universidade Complutense de Madrid, having also attended a Program for Corporate Strategy at INSEAD in Fontainebleau and a Program for Senior Management Officer from AESE. He served as Secretary of State for the Presidency of the Council of Ministers and was a Speaker for the Portuguese Government at the Program of Public Management at the OECD. From 2005 to 2007, he was Chairman of the Board of Directors of BCP, having held also several roles within the Group, and Vice-President of the Portuguese Banking Association. It was also Member of the National Council of the IPC, Chairman of the Audit Centralcer, Vice-President of the General Assembly TagusPark and Advisory Board Member of the Brazilian cement company, Cimentos Liz. From 2006 to 2007 he was a member of the Board of Directors and Supervisory Board of EDP. Currently, he is Chairman of the Board of Directors of BABEL, SGPS, SA, Vice Chairman of Abreu Advogados, member of the Board of Directors of LENA, SGPS, SA, Senior Advisor of the Eurogroup Consulting, Vice President of the General Council of the University of Lisbon, member of the Advisory Board of the Faculty of Arts, University of Coimbra and Chairman of the General Meeting of the Portuguese Association of Publishers and Booksellers. He is a member of the Academia de Artes e Letras, author of several books and articles on law, history, political science, economics, poetry and painting. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

Vasco Joaquim Rocha Vieira He has born on 16th August 1939. He has a degree in Civil Engineering from Instituto Superior Técnico of the Universidade Técnica de Lisboa. He took several courses and specialties, including General Course of Staff (1969-1970), Complementary Course of General Staff (1970-1972), Course of Command and Direction for Official General (1982-1983) and the Course of National Defense (1984). In 1984 in was promoted to Brigadier and later, in 1987, he was promoted General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon's City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974-1975). He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and, inherently, member of the Revolution Council (1976-1978), National Military Representative at NATO Supreme Headquarters Allied Powers in Europe - SHAPE,

in Belgium, and Honorary Director of Weapons and Engineering. He was Minister of the Republic for the Azores (1986-1991), and Governor of Macau, where he served from 1991 until 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, Vice-President of the Luso-Brazilian Foundation for the development of Portuguese-speaking world and Representative of Portugal in ASEF, Former Chancellor of the Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Honorary Council of the ISCSP (Instituto Superior de Ciências Sociais e Políticas) and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

Vítor Fernando da Conceição Gonçalves He was born on 16th April 1955. He has a degree in Business Administration and Management from ISEG (1978) and a PhD in Business Sciences from FCEE at Universidad de Sevilla (1987). He has the title of "Agregado" in Management from Universidade Técnica de Lisboa (1993) and is currently a Full Professor in Management at ISEG (since 1994) as well as Vice-Rector at Universidade Técnica de Lisboa (since 2007). He is a Member of the Economic and Social Council (since 2007) and Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre (since 2005). He served as Chairman of the ISEG Directive Council (2003-06) and Chairman of the ISEG Management Department (1992-2000). He has led several postgraduate and advanced training programs for executives and was a guest lecturer at several universities in Portugal and abroad. He is a Member of the Assessment Committee for doctoral, post-doctoral and research candidates at the Fundação para a Ciência e Tecnologia (since 1997). He is Chairman of the Management and Business Administration Degrees Evaluation Committee (2001-02). Member of the Executive Council of Economics and Business Management Specialization at the Portuguese Economists' Association (1999-2001) and member of the Professional Council. He is a non-executive Director of ZON Multimedia and Chairman of its Audit Committee (since 2007). He is currently Chairman of the Gaptec / UTL Department (since 2007) and was Director of Promindústria – Sociedade de Investimento SA (1994-96). He was President of the Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais (2003-07). From 2001 to 2002, he chaired the group of "high-level experts" at the European Commission that evaluated the program on European competitiveness – European Research Area. He is the author of several articles on management for national and international publications. He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

Rui Eduardo Ferreira Rodrigues Pena He was born on 25th December 1939. He has a degree in Law from the Universidade de Lisboa. He works as a lawyer and his professional activity has focus on areas of administrative, trade, financial and business law, with a particular emphasis on the so-called regulated markets. He is a founding member and senior partner at the law firm Rui Pena, Arnaut & Associados. From 1973 to 2007, he was Chairman of the Board of Directors, Executive Director and Non-Executive Director of various Portuguese and international companies. He served as Minister of National Defense from 2001 to 2002 and was a member of the General Council of the Portuguese Bar Association from 1987 to 1989. He was a lecturer in Administrative Law at Universidade Autónoma de Lisboa (1983-1987) and a member of the Lisbon Municipal Assembly (1986). He is part of the arbitration and reconciliation body of the International Centre for Settlement of Investment Disputes (ICSID). He served as President of the Inter-Parliamentary Union's Portuguese group

(1980-1982) and was an assistant lecturer at the School of Law at Universidade de Lisboa (1977-1980), professor of Administrative Law at Universidade Livre de Lisboa from (1978-1981) and a member of the governing board at the Universidade de Lisboa (1977-1980). In 1978 he served as Minister of Administrative Reform and was also a Member of Parliament (1976-83). From 1964 to 1975 he was a legal consultant and director of various companies within the SACOR Group. He was appointed member of the General and Supervisory Board of EDP on 12th April 2007 and reappointed on 15th April 2009 and 20th February 2012.

António de Almeida, Chairman until 20th February 2012. He was born on 16th March 1937. He has a degree in Economics from the School of Economics of Universidade do Porto (1961). In Mozambique, he was Supervisor of Planning (1963-65); Financial Director and Secretary General of Maragra – Marracuene Agrícola Açucareira (1966-71); and Director and Vice-Chairman of the Instituto de Crédito de Moçambique (1971-74). In Portugal, he was Governor and President of Banco de Angola (1974-78); Secretary of State of Treasury (1978-80 and 1983-85); Chairman of the União de Bancos Portugueses (until 1991); consultant to Banco de Portugal (until 1992); consultant to Associação Industrial Portuguesa (1991-96); Chairman of the EDP Board of Directors (1996-98); Board Director of the European Bank for Reconstruction and Development (1998-2004); Chairman of the EDP Audit Committee (2003-04) and Chairman of OMIP and OMIClear (2004-06). In terms of academic activities, he was an invited lecturer to Universidade de Lourenço Marques (1971-74) and Universidade Autónoma de Lisboa (1992-99). Since 2009, he is President of the ISEG School Council. He was designated for the first time Chairman of the General and Supervisory Board of on 30th June 2006 and reappointed on 15th April 2009. His term of office expired on 20th February 2012.

Diogo Campos Barradas de Lacerda Machado He was born on 17th May 1961. He has a degree in Law. He was management trainee at FIMA-LEVERIGLO (1986); a legal consultant to the Tourism Fund (1986-88); an advisor to the Government of Macao's Deputy Secretary for Administration and Justice (1988-90); a senior legal consultant of the Tourism Fund (1990-92) and Director of Interfina and several of its subsidiary companies (1992-95). From 1995 to 1999 he was a lawyer and a partner of the firm Sampaio Caramelo, Fonseca Santos & Lacerda Machado and a member of the Superior Judicial Council (1997-99). He served as Legal Director for the Parque Expo'98 Group and as Director of its associated companies (1999). He was Secretary of State for Justice (1999-2002). He is currently a lawyer working off-counsel with the Barrocas, Sarmento e Neves law firm; member of the Committee for Access to Government Documents (CADA); non-executive Board Member of BAO – Banco da África Ocidental (Guinea- Bissau) and Moza Banco (Mozambique). Since February 2010, he is Vice-Chairman of Caixa Económica de Cabo Verde (Cape Verde). He was appointed for member of the General and Supervisory Board of EDP on 30th June 2006 and he was reappointed on 15th April 2009. His term of office ended on 20th February 2012. His term of office expired on 20th February 2012.

Farid Boukhalfa He was born on 22nd of February 1953. He has a bachelor degree in Accountability (National Institute of Hydrocarbons Bourmerdes), a degree in Finances (INPED Bourmerdes) and a post-degree in Auditing (Alger University). He started working in Sonatrach in 1975. He began his activity developing technical-economical studies on Sonatrach projects defined on the company quinquennial plans. From 1992 to 1999, he has head of the Coordination and Syntheses department. In 1999, he became sub-director of the Budget and Management Control department and in 2000 he has appointed as Director of Sonatrach's Management Control Department. In

2007, he became Director of the Consolidation Accountability Department. Since 2008, he is the Sonatrach Chief Financial Officer. In June 2011, he has been appointed as Finance and Administration General Manager Sonatrach Petroleum Corporation, subsidiary of Sonatrach in London. He was designated member of the General and Supervisory Board of EDP, representing Sonatrach, on 4th February 2010. His term of office expired on 20th February 2012.

Joaquim José de Oliveira Reis He has born on 16th March 1958. He has a degree in Economics by ISEG (1983). He was Finance Director and Director of Socifa Beta (1989-1991), Director and Head of Trading Room of Socifa Beta (1992/1993), General Manager of Central de Investimentos (1993/1998), Director of Central de Investimentos (1998 / 2003); Director of the Board of Lisbon Brokers (2003/2005). He was Chairman of the Board of OTLIS (2005/2007), CFO of Transtejo (2005/2006), Chairman and CEO of the Board of the Lisbon Metro and Ferconsult (2006), Chairman of the General Meeting IUPT (International Union of Public Transport) and Vice-President of IUPT (2006). He is Chairman and CEO of the Board of Parública (since May 2010) and non-executive Director of AdP (since June 2010). He was designated member of the General and Supervisory Board of EDP, representing Parública, on 28th April 2011. He resigned on 11th October 2012.

José Manuel dos Santos Fernandes He has born on 23rd September 1945. He has a degree in Mechanical Engineering by the Engineering School of Universidade do Porto. He is the Chairman of the Board of FREZIGEST, SGPS, since 2005. He was the General Director of MIDA (1974-1990); Director (1972-74) and Member of the Board of Metalúrgica Costa Néry S.A. (1974-75); Head of Production of CERLEI (1960-1972). He is also President of PRODUTECH (2009); Vice-president of the General Meeting of the AEP (2008); Vice-president of the General Meeting of Manufacture Portugal (2005). He was Executive Vice-president (2001-04) and President of the General Meeting of CIP (2004-07). He was also CIP's representative at the National Counsel for Environment and Sustainable Development (2000-02). He was Vice-president of the AIP (1984-98) and represented this association in the National Quality Counsel (1988-98) and Science Counsel (1996). He was President of the Portuguese Metal Industry Association (1998-2004). He is the Portuguese representative at the European Tools Committee (since 1998). He was a Member of the Executive Board (1987-90) and Member of the General Assembly of EXPONOR (1998-2009). He is Vice-president of AEP's General Meeting (since 2008) and he coordinated an official national business mission to Venezuela in 2008. He is the President of the General Assembly of AIMMAP (since 2010). He was designated member of the General and Supervisory Board of EDP on 15th April 2009. His term of office expired on 20th February 2012.

José Maria Freire Brandão de Brito He was born on 10 January 1947. He has a degree and a PhD on Economics by ISCEF/ISEG. He is a senior Economics professor at ISEG/Technical University of Lisbon (UTL). He was an expert at INII (1968-75); Vice-president of IAPMEI's Consultative Council (1975-80); Executive Vice-president of TAP – Air Portugal, SA (1996-98); CEO of RTP – Radio Televisão Portuguesa, SA (1998-2001); Vice-president and General Manager of Portugal Global SGPS (2001-02); Commissioner of the exhibition "Engenho e Obra – Engenharia em Portugal no Séc. XX" (2003). He is currently also Board Member of IDEFE/ISEG (since 2007), member of the UTL General Counsel (since 2009) and ISEG General Counsel (since 2009), member of the Executive Committee of "Project Farol", a think tank from Deloitte Circle. He is a member of several scientific institutions and has participated in more than fifty national and international seminars. He has published several books and papers on applied economics and writes opinion articles on a regular

basis. He was designated member of the General and Supervisory Board of EDP, representing Cajastur Inversiones, on 2nd June 2008 and on 15th April 2009. His term of office expired on 20th February 2012.

Ricardo José Monitti da Cruz Filipe He was born on 19th February 1934. He has a degree in Civil Engineering by Instituto Superior Técnico (1957). He was an assistant lecturer at IST responsible for descriptive geometry (1958-68). He is President of the Specialized Section for Reprivatizations (SER) within the Ministry of Finance (since 1988) and Chairman of the Supervisory Board of CIMPOR (since 1992). He was a Member of the Board of Directors of EDP, responsible for strategic planning (1976-1988). During this period he has actively participated on the reorganization and consolidation of EDP, in optimizing the Generation National System, in the procurement for large electricity projects and in negotiating with the World Bank for the expansion of generation and transmission infrastructures. He was a member of the National Energy Plan Commission and a representative of CPE and EDP at the Executive Committee and at the General Assembly of the Union for the Coordination of the Production and Transport of Electric Power (1971-88). He was a member of the Board of Companhia Eléctrica do Alentejo e Algarve (1975-76). Between 1957 and 1975 he developed work on hydropower generation as part of the Zêzere Hydroelectric and CPE. He was appointed member of the General and Supervisory Board of EDP on 15th April 2009. His term of office expired on 20th February 2012.

EXECUTIVE BOARD OF DIRECTORS

António Luis Guerra Nunes Mexia, Chairman. He was born on 12th July 1957. He received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was Director of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors. From 2001 to 2004, he was the Executive Chairman of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, member of the Trilateral Commission from 1992 to 1998, Vice-Chairman of the Portuguese Industrial Association (AIP) and Chairman of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for the trans-European network development. On January 2008 he was appointed as member of the General and Supervisory Board of Banco Comercial Português, SA, having been previously a member of the Superior Board of this bank. He was appointed on 30th March 2006 as Chairman of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

Nuno Maria Pestana de Almeida Alves. He was born on 1st April 1958. He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) by the University of Michigan. In 1988, he joins the Planning and Strategy Department of Millennium

BCP and in 1990 becomes an associate director of the bank's Financial Investments Division. In 1991, Mr. Nuno Alves is appointed as the Investor Relations Officer for the group and in 1994 he joins the Retail network as Coordinating Manager. In 1996, he becomes Head of the Capital Markets Division of Banco CISF, currently Millennium BCP Investimento, and, in 1997, Co Head of the bank's Investment Banking Division. In 1999, Mr. Nuno Alves is appointed as Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF. Since 2000, before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

João Manuel Manso Neto. He was born on April 2nd 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia. From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, mainly as Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energia, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

António Manuel Barreto Pita de Abreu. He was born on 17th March 1950. He received his degree in Electrotechnical Engineering from Instituto Superior Técnico (Lisbon) in 1972, where he worked as an assistant lecturer and guest lecturer in the Department of Electrotechnical Engineering and Computers. Since March 31st, 2006 Mr. Pita de Abreu is a Member of the Board of Directors of EDP - Energias de Portugal, S.A. and since 2008 he is CEO of EDP - Energias do Brasil. He began working in the electricity sector in 1977 and until 2006 he occupied, among others, the following positions: Executive member of the EDP Board of Directors; Chairman of the Board of Directors of REN (Portuguese National Electricity Grid), EDP Produção, CPPE (Portuguese Electricity Generation Company), EDP Cogeração and of Termoeléctrica do Ribatejo; Vice-Chairman of the Board of Directors of EDP Distribuição - Energia, member of the Board of Directors of EDP Energia and of EDP Brasil; Executive member of the Board of Directors of REN. He was, also, Chairman of the Board of OniTelecom and of Edinfor; Vice-Chairman of the Board of Turbogás and a voting member of the Board of Directors of EDA (Electricidade dos Açores). He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began

on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

António Fernando Melo Martins da Costa. He was born on 13th December 1954. He was born in Oporto, Portugal on December 13th, 1954. He holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and a MBA from Escola de Gestão do Porto (1989). He also has complementary Executive degrees from INSEAD (Fontainebleau, France – 1995), PADE from AESE (Lisbon, 2000) and the Advanced Management Program from Wharton School (Philadelphia, USA – 2003). He was a Teacher's Assistant at the Instituto Superior de Engenharia do Porto between 1976 and 1989. In 1981 he joined the Hydro Generation department at EDP. In 1989 he moved to the financial sector, where he became General Director at the Millennium BCP Bank, and Executive Board Member of BCP's Insurance, Pensions and Assets Management companies. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska (Poland) and Vice-President of PZU (the largest insurance company in Poland). In 2003 he was the President of the Portuguese Association of Investment Funds (APFIN). He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007, and Chairman of the Board of Directors of its subsidiaries. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2005 he was awarded the prize of Executive of the Year by the publication Valor Económico. Since 2006 he has been a Member of the Executive Board of EDP. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis, from 2008 until 2011. In 2009, he was appointed CEO of EDP Internacional and of EDP Soluções Comerciais, while maintaining responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

João Manuel Veríssimo Marques da Cruz. He was born on 23rd May 1961. He holds a degree in Management (1984) from Lisbon's ISE at the Technical University of Lisbon - Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a Post Graduation in Marketing and Management of Airlines (1992) from the Bath University / International Air Travel Association, UK. He began his career at the TAP Group in 1984 (Transportes Aéreos de Portugal) having had several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, namely EMEF. From 2002 and 2005, became CEO of AirLuxor, an airline company, and from 2005 and 2007 he was chairman and CEO of ICEP - Instituto do Comércio Externo de Portugal, a Portuguese state owned agency for international trade and promotion. Since March 2007, he is a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company. He was appointed as member of the Executive Board of Directors on 20th February 2012.

Miguel Stilwell de Andrade. He was born on 6th August 1976. He concluded an M.Eng with Distinction in Mechanical Engineering in the University of Strathclyde (Glasgow, Scotland) and has an MBA by MIT Sloan (Boston, USA). He initiated his career in UBS Investment Bank

in London, UK, where he worked primarily in M&A and participated in various projects in Europe, including Portugal, as well as in Japan, Thailand and Brazil. He lived in Scotland, Italy, England, Portugal and USA between 1994 and 2003. In 2000, he entered EDP where he held several roles within the Group. Between 2005 and 2009 he was Head of the Corporate Development / M&A team for the EDP Group. During this period, he coordinated and managed various M&A and capital market transactions for EDP. Key transactions in which he participated or coordinated include the acquisition of many of the companies that gave rise to EDP Renewables; the acquisition of Hidrocontábrico; the share capital increase in 2004; the different phases of EDP's privatization; the divestment of many of EDP's non-core assets; the EDP Energias do Brasil IPO in 2005; and the EDP Renewables IPO in 2008. Between 2009 and 2011, he was also Chairman of InovGrid ACE. He was appointed as member of the Executive Board of Directors on 20th February 2012.

Ana Maria Machado Fernandes. She was born on 1st November 1962. She graduated in Economics from the Faculty of Economics at Oporto (1986). She received a postgraduate degree in Finance from the Faculty of Economics of Universidade do Porto and an MBA from the Escola de Gestão do Porto (1989). She lectured at the Faculty of Economics of Universidade do Porto from 1989 until 1991. She began her professional career in 1986 at Conselho – Gestão e Investimentos, a company of the Banco Português do Atlântico Group, in the capital markets, investments and business restructuring field. In 1989 she began working at Efisa, Sociedade de Investimentos, in the area of corporate finance, and was later made a director of Banco Efisa. In 1992 she joined the Grupo Banco de Fomento e Exterior as director in the area of investment banking and was Head "Corporate Finance" at BPI between 1996 and 1998. In 1998 she joined Gás de Portugal as Director of Strategic Planning and M&A and, in 2000, became Director of Strategy and Portfolio Management of Galp Business. She later became President of Galp Power and Director of Transgás. From 2004 until 2006 she was director of the Board of Galp Energia. She was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, ending the term of office on 20th February 2012.

Jorge Manuel Pragana da Cruz Morais. He was born on October 17th, 1957. He was awarded a degree in Electrotechnical Engineering from Instituto Superior Técnico in 1980 and an MBA from Universidade Nova de Lisboa in 1989. He began his career at EDP, in 1983, in transport network planning. From 1991 to 1994 he served as Adviser to the EDP Board of Directors, coordinating the restructuring process that culminated in the creation of the EDP Group in 1994. He was appointed Director of Strategic Planning and was responsible for coordinating the Group's privatisation (first and second phases of the IPO process). He was also a non-executive member of the Turbogás Board of Directors (1998-2000), non-executive member of the Board of Electricidade dos Açores (1999-2000) and Director of the Centro para a Conservação de Energia (1993-1996). From 2000 to 2004, he was the Executive Director of Oni SGPS and other Oni Group companies, acting as CFO from 2002 to 2004. From 2005 until March 2006 he served as Executive Director, fulfilling the roles of CFO of HC Energía and Naturgas Energia, the Spanish companies of EDP Group. Currently he is the Chairman of APE – Associação Portuguesa de Energia. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009, ending the term of office on 20th February 2012.

ANNEX III

TRANSACTIONS PERFORMED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

In 2012, the following transactions were carried out trading of shares in EDP:

CORPORATE BODY	COMPANY	SECURITY	DATE	QUANTITY	OPERATION	AVG. PURCHASE PRICE (EUROS)
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	29/02/12	654,021	Sale	2.171
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	01/03/12	434,800	Sale	2.208
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	06/03/12	1,108,100	Sale	2.258
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	07/03/12	445,400	Sale	2.227
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	09/03/12	1,110,000	Sale	2.250
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	12/03/12	600,000	Sale	2.223
Ilídio da Costa Leite de Pinho	EDP - Energias de Portugal	Shares	16/10/12	935,000	Sale	2.072
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	01/06/12	2,987,448	Purchase	1.666
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	05/06/12	590,000	Purchase	1.695
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	11/06/12	1,418,000	Purchase	1.744
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	02/07/12	260,000	Purchase	1.926
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	03/07/12	259,000	Purchase	1.928
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	04/07/12	253,000	Purchase	1.968
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	05/07/12	103,000	Purchase	1.929
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	06/07/12	103,000	Purchase	1.930
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	20/07/12	263,700	Purchase	1.879
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	23/07/12	109,000	Purchase	1.828
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	24/07/12	446,000	Purchase	1.787
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	26/07/12	165,000	Purchase	1.835
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	31/07/12	107,000	Purchase	1.860
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	10/08/12	100,000	Purchase	1.920
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	20/08/12	147,000	Purchase	2.030
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	23/08/12	100,000	Purchase	1.997
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	27/08/12	102,000	Purchase	1.957
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	05/09/12	85,207	Purchase	1.977
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	19/09/12	89,000	Purchase	2.233
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	21/09/12	134,000	Purchase	2.208
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	24/09/12	136,500	Purchase	2.185
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	28/09/12	137,000	Purchase	2.173
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	01/10/12	140,000	Purchase	2.143
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	04/10/12	140,000	Purchase	2.127
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	09/10/12	18,929	Purchase	2.109
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	10/10/12	150,000	Purchase	2.108
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	14/10/12	143,000	Purchase	2.097
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	29/10/12	145,000	Purchase	2.073
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	02/11/12	143,000	Purchase	2.091
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	05/11/12	144,000	Purchase	2.065
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	06/11/12	120,472	Purchase	2.037
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	07/11/12	145,000	Purchase	2.062
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	08/11/12	8,295	Purchase	1.998
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	09/11/12	151,000	Purchase	1.965
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	12/11/12	137,353	Purchase	1.977
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	13/11/12	152,000	Purchase	1.961
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	15/11/12	661	Purchase	1.953
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	16/11/12	155,000	Purchase	1.930
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	19/11/12	156,000	Purchase	1.916
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	22/11/12	153,000	Purchase	1.957
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	23/11/12	154,000	Purchase	1.945
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	26/11/12	155,000	Purchase	1.936
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	27/11/12	155,400	Purchase	1.937
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	29/11/12	7,981	Purchase	1.934
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	04/12/12	153,000	Purchase	1.955
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	10/12/12	145,000	Purchase	2.072
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	12/12/12	63,240	Purchase	2.155
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	19/12/12	131,000	Purchase	2.294
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	20/12/12	214,000	Purchase	2.349
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	21/12/12	129,000	Purchase	2.338
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	27/12/12	130,000	Purchase	2.304
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	28/12/12	1,000,000	Capital increase acquisition	1.946
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	28/12/12	1,000,000	Capital increase transfer	1.946
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	28/12/12	129,000	Purchase	2.328
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	28/12/12	165,957	Purchase	2.283
Rui Eduardo Ferreira Rodrigues Pena	EDP - Energias de Portugal	Shares	04/06/12	1,500	Purchase	1.707
Luís Filipe da Conceição Pereira	EDP - Energias de Portugal	Bonds	21/03/12	100	Purchase	93.25
Luís Filipe da Conceição Pereira ⁽¹⁾	EDP - Energias de Portugal	Shares	10/05/12	5,231	Purchase	2.179
Luís Filipe da Conceição Pereira ⁽²⁾	EDP - Energias de Portugal	Shares	13/12/12	4,540	Sale	2.158
Luís Filipe da Conceição Pereira ⁽²⁾	EDP - Energias de Portugal	Shares	13/12/12	14,998	Sale	2.157
Luís Filipe da Conceição Pereira ⁽²⁾	EDP - Energias de Portugal	Shares	13/12/12	3,973	Sale	2.156

Notes: 1) This shares were delivered to EDP Group employees as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2011, which potential attribution is decided on an annual basis by the Executive Board of Directors, in accordance with standards previously set out.
2) Shares held by his spouse Maria Manuela Casimiro Silva Pereira.

Other transactions with financial instruments in which EDP shares were traded as an underlying asset were also performed in 2012:

CORPORATE BODY	INSTRUMENT	OPTION TYPE	BUY/SELL	DATE	MATURITY DATE	STRIKE PRICE (€)	QUANTITY
José Maria Ricciardi	Equity OTC Options	Put	Sell	13/07/12	20/07/12	1.9487	1,500,000
José Maria Ricciardi	Equity OTC Options	Put	Buy	13/07/12	20/07/12	1.9487	1,500,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	13/07/12	20/07/12	1.9487	1,500,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	13/07/12	20/07/12	1.9487	1,500,000
José Maria Ricciardi	Equity OTC Options	Put	Sell	13/07/12	20/07/12	1.95	1,500,000
José Maria Ricciardi	Equity OTC Options	Put	Buy	13/07/12	20/07/12	1.95	1,500,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	13/07/12	20/07/12	1.95	1,500,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	13/07/12	20/07/12	1.95	1,500,000
José Maria Ricciardi	Equity OTC Options	Put	Buy	04/09/12	04/12/12	1.97	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	04/09/12	04/12/12	1.97	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	07/09/12	21/12/12	2.25	3,000,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	07/09/12	21/12/12	2.25	3,000,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	12/09/12	12/11/12	2.3	2,000,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	12/09/12	12/11/12	2.3	2,000,000
José Maria Ricciardi	Equity OTC Options	Put	Sell	18/09/12	25/09/12	2.2185	13,500,000
José Maria Ricciardi	Equity OTC Options	Put	Buy	18/09/12	25/09/12	2.2185	13,500,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	18/09/12	25/09/12	2.2185	13,500,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	18/09/12	25/09/12	2.2185	13,500,000
José Maria Ricciardi	Equity Swap			28/09/12	02/10/13	2.142	35,492,945
José Maria Ricciardi	Equity Swap			28/09/12	02/10/13	2.142	35,492,945
José Maria Ricciardi	Equity OTC Options	Call	Buy	08/10/12	08/11/12	2.213	28,000,000
José Maria Ricciardi	Equity OTC Options	Put	Sell	08/10/12	08/11/12	2.213	28,000,000
José Maria Ricciardi	Equity OTC Options	Put	Sell	07/11/12	07/12/12	2.06	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	07/11/12	07/12/12	2.06	28,000,000
José Maria Ricciardi	Equity OTC Options	Put	Sell	03/12/12	03/01/13	1.985	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	03/12/12	03/01/13	1.985	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	21/12/12	15/03/13	2.45	5,000,000
José Maria Ricciardi	Equity OTC Options	Call	Buy	21/12/12	15/03/13	2.45	5,000,000

ANNEX IV

PROPOSAL FOR THE APPROPRIATENESS OF PROFITS

Under the terms of the Article 30 of the Company Constitution, the Executive Board of Directors proposes to the shareholders that the Net Profit, amounted to € 832,681,739.61, is appropriated as it follows:

Legal Reserves.....	€ 41,634,086.98
Dividends *.....	€ 676,459,477.28
Donations to Fundação EDP.....	€ 7,200,000.00
Retained earnings.....	€ 107,388,175.35

*The proposed dividend per share is € 0.185.

ANNEX V

SUSTAINABILITY CONTENTS

REPORTING PRINCIPLES

EDP's Annual Report combines economic and financial aspects, along with social and environmental performance, since 2008, allowing a wider view of business. The report is separated in 5 different sections: EDP; Strategy; Performance; Corporate Governance and Financial Information, describing the company's performance between 1 January and 31 December 2012. In addition to this annual report:

- EDP reports quarterly to the market and key sustainability information is made available on-line;
- keeps on-line qualitative and quantitative information both operational and environmental;
- publishes sector reports, including the Social Report and Biodiversity Report, available at www.edp.pt;
- annual and sustainability reports from the Group's companies, HC Energia, EDP Brazil, EDP Renováveis and Naturgás are also published and may complement information about the sustainability performance of those companies.

Detailed information about contents and the organization of EDP's Annual Report is available in www.edp.pt > [sustainability](http://www.edp.pt) > [reports](http://www.edp.pt).

AA1000APS 2008

Dialog with their stakeholders is a commitment of the company expressed in EDP's Principles for Sustainable Development: Ensure an open, transparent and trustful relationship with the different stakeholder groups; Establish stakeholder communication channels and integrate their concern; Report performance in a credible, objective way in its economical, environmental and social dimensions.

Since 2009, EDP has implemented an internal process to assess the company's maturity level, in its strategic, procedural and operational approach, against AA1000 APS (2008) standards. These standards, supported in three main principles: Inclusion, Materiality and Response, are important to increase the effectiveness of how EDP communicates and promotes dialogue, replying to the expectations and increasing requirements of different stakeholders.

This process is being developed at a corporate level, including an analysis of the Portuguese specificities, along with the ones from the main EDP Companies, such as EDP Renováveis; HC Energia and EDP Brazil. Within different maturity stages, the challenge is to guarantee a strategic alignment along with specific approaches to local expectations. It is EDP's goal to maintain common strategic priorities within all its companies, letting specific issues be dealt according with its local importance. EDP aims to increase the number of Group companies with materiality matrices in 2011.

The strategic engagement process with EDP's stakeholders has been improved with the establishment of the institutional relations and stakeholder department and a Stakeholders Management Committee (Pages 137 and 151). These new structures will enhance the communication's potential of the Group, concerning its stakeholders, contributing to a more fluid and systematized information about EDP's activities. The implementation of this new organization will allow a better alignment between strategic issues and business unit's specificities.

VERIFICATION IN ACCORDANCE TO AA1000AS 2008

EDP asked KPMG the verification according to AA1000 AS 2008, Type 2. The verification process includes not only the information disclosed in EDP's Annual Report 2010, but also the alignment of EDP's practices with the principle of inclusion, materiality and response. In www.edp.pt > [sustainability](http://www.edp.pt) > [stakeholders](http://www.edp.pt) > [dialog](http://www.edp.pt) a list with the main stakeholder segments of EDP is available, as well as the description of the main practices in place, according with AA1000 standard.

PRINCIPLE OF INCLUSION

A stakeholder is each and every agent with influence and being influenced by the company's activities, in a direct or indirect way. An inclusive company promotes participation of stakeholders in the development of a strategic response to sustainability. EDP recognises this principle in its engagement processes and commits itself to improve the process of stakeholder identification, guaranteeing that the stakeholder perspective is considered.

From all the initiatives developed it was possible to improve the knowledge about the concerns and expectations of different stakeholders and continue the action plan ongoing. It is believed that its results will contribute to a continuous improvement of EDP's sustainability performance. During 2012, a training plan for all employees, whose functions involve contact with stakeholders outside the company, started in Portugal (page 96). It is intended to promote a bilateral and continuous relationship with local communities, around EDP's new infrastructures. During 2013, at an operational level it is expected:

- The implementation of three pilot projects in EDP Produção, testing a common engagement process in different generation facilities under operation;
- The extension of the Project Communication training program (ComPro) to more companies. This program will allow a new and dynamic approach promoting the identification of relevant stakeholders previous to the raising of a new site.

At a strategic level, a set of initiatives will continue to be implemented, reinforcing the engagement with stakeholder groups, so far not explicitly coordinated, and promoting the inclusion of new segments not yet properly considered. The new Stakeholder Management Committee will start to meet periodically to guarantee the internal engagement of EDP's Companies and to allow a more effective response to stakeholder's expectations, aligned with the International Standard AA1000 and with the best national and international practices.

PRINCIPLE OF MATERIALITY

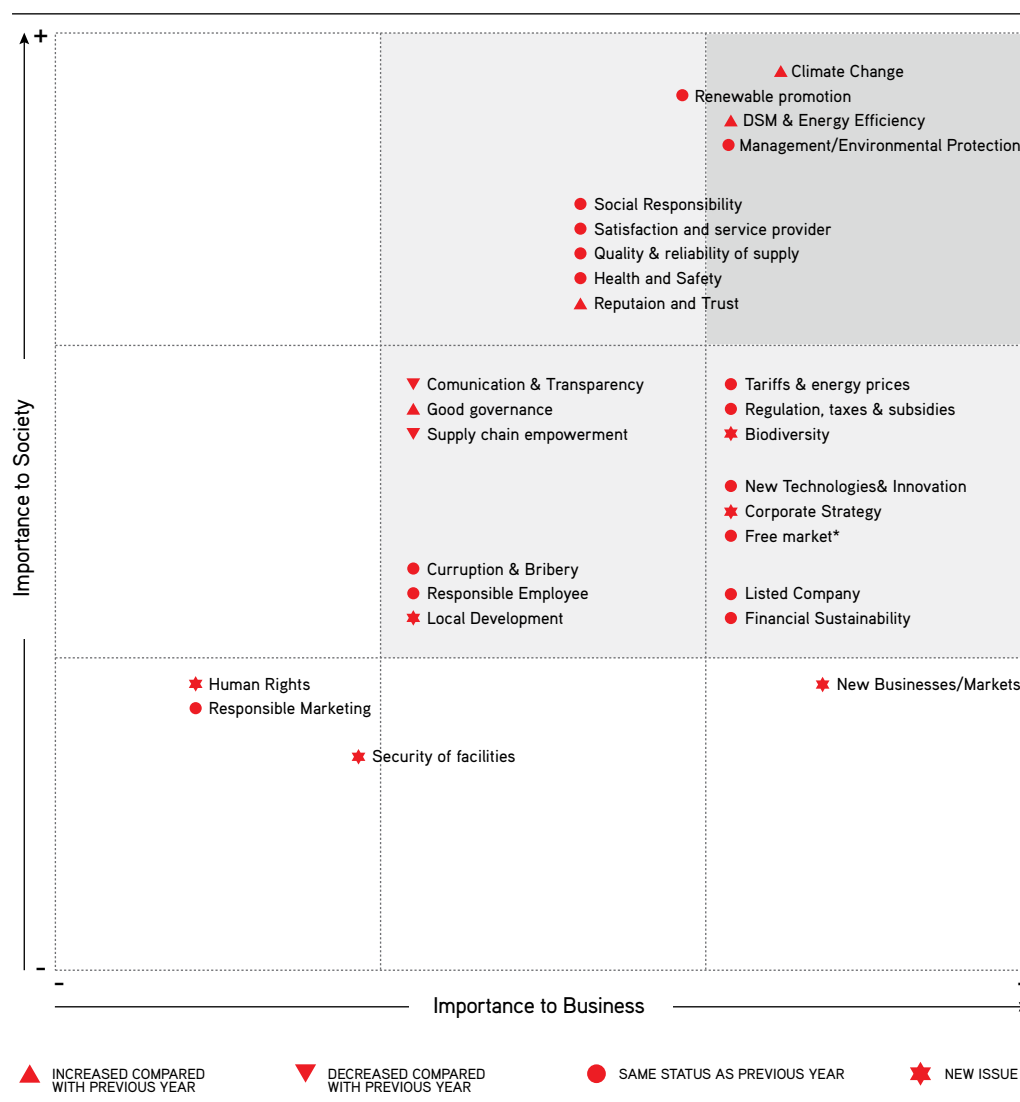
The macro-economic context, where the challenges of sustainability are increasing, summing up with the diversity of EDP's stakeholders, results in a large and complex list of important issues, which must be prioritised according to its relevance and significance. An issue is considered material when it influences the decision, the action and the performance of an organization and its stakeholders.

EDP's material issues were identified through the Accountability's methodology which ensures a clear and balanced assessment of the data, either collected internally to identify business priorities, or through the channels used for stakeholder's engagement. The priorities are set by weighing: 1) the number of times the issue is raised through the different channels; 2) a benchmark studying a set of material issues highlighted by peers; 3) additional studies which identified relevant tendencies under EDP's sector context. The results achieved supported the preparation of this Annual Report, as reflected in the Company's management strategy and, in particular, in its agenda for sustainability.

The most relevant issues are covered by this report, and when possible, highlights were included to facilitate the access to the information.

- **Supply chain empowerment**, this change is explained by the European social and economic situation. The issue is disclosed in Performance section, Suppliers chapter;
- **Free Market**, with a strong relevance to the Portuguese market, due to the liberalization process occurred in 2012;
- **Local Development**, replacing the older "new hydropower projects" issue, due to the impact these projects have locally and the expectations that communities have, hoping from these investments new opportunities for local development;
- **Security of facilities**, an issue raised mainly by local communities and started being considered by our peers. Still with modest significance;

EDP MATERIALITY MATRIX



The following significant changes occurred from the previous year:

- **Climate Change, Energy Efficiency**, along with **Environmental Protection and Renewables Promotion** assume the highest relevance. This is easily explained by the cross-cutting issues among most of the initiatives and channels considered in this study. These issues are disclosed in the Performance section, Environment – Climate Change chapter and Client and Product chapter – Energy Efficiency Performance section;
- **Good Governance**, this issue achieves importance mainly by the new regulation from CMVM (nº1/2010) and SRI investors requirements;

- **Corporate strategy and New Businesses/ Markets**. Essential for the company, this an issue raised mainly by investors and rating agencies, looking forward to understand the strategic position and how the company is committed to reach it;
 - **Human Rights**, comes up individualized for the first time. Subject with scarce internal weight, but proving the attention given to by stakeholders, namely SRI;
- More detailed information on relevant subjects for each stakeholder segment can be found in www.edp.pt/sustainability/stakeholders.

RESPONSE

The way for a company to guarantee the principle of response is through the improvement of its sustainability performance, being the latter the result of decisions and action plans' implementation, in a constant dialogue with its stakeholders.

EDP has a set of policies, with defined goals and milestones in a continuous improvement framework of business processes and initiatives, where it seeks to reinforce the involvement of the different stakeholders. To improve the focus of these initiatives in the material issues and in relevant stakeholders is an area of continuous improvement, which allows the company to have a bigger efficiency in its processes and efficacy in reaching its goals, common to those same stakeholders.

MAIN INITIATIVES DEVELOPED OR IN PROGRESS

Based on the work done until now, EDP summarized the set of initiatives in progress in the chapter Community, being possible for these to be complemented with a set of initiatives that are presently ordinary inside the Group:

- Work out the Baixo Sabor Patrimony Consciousness and Dissemination Program plan, designed aiming to contribute to the improvement of the region's environmental quality, through the active involvement of the local community;
- The Board of Directors had a meeting with the Sustainability Council – a statutory advisory body (see Corporate Governance section – Corporate Governance Structure);
- Relationship channels with very close investors are maintained (see page 196, Corporate Governance section) and regular satisfaction studies are promoted;
- Meetings with Media, Providers and Public Institutions have been promoted;
- The study of the information published by Media is regularly made, particularly the one relevant to the company and the business;
- Concerning clients, satisfaction studies and Focus Groups are periodically promoted and a future trends analysis study was made;
- Cocreation.pt initiative is still active to incentivise sharing innovative ideas in areas of interest common to the company, the scientific community and the society.

CORPORATE CONSOLIDATION CRITERIA

In the Group's organisation chart – Organisation Structure –, the summary of the universe of companies included in the annual report can be found.

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE PROPORTIONAL METHOD AS AT ON DECEMBER 31ST, 2012

SOCIETY'S NAME	% CONSOLIDATION
Flat Rock Windpower II LLC	50%
Flat Rock Windpower LLC	50%
ARQUILED-Proj. Iluminação, SA	40%
Arquisservice - Consult Serviços	35%
BIOASTUR AIE-2	50%
EDP PRODUÇÃO BIOELÉTRICA, SA	50%
Compañía Eólica Aragonesa, S.A.-2	50%
CIDE HC Energía, S.A.	50%
COGENERACION Y MATENIMIENTO AIE-2	50%
Desarrollos Energeticos Canarios S.A.-2	50%
Serviços, ACE	60%
EVOLUCIÓN 2000, S.L.-2	49%
Futurocompact, Lda	40%
Porto do Pecém Geração de Energia S.A.	50%
ELETRICA	50%
PECEM TRANSPORTADORA DE MINERIOS	50%
Ródão, S.A..	50%
TEBAR EÓLICA, SA-2	50%

Consolidation criteria on operational and sustainability information follow EDP Group accounts consolidation methods:

- Full consolidation method: when the mother-company detains directly or indirectly the majority of the voting rights (% of control or possession) of the affiliate. In this case, the performance of the affiliated companies is reported in full;
- Proportional consolidation method: when a company included in the perimeter of the accounts consolidation runs another company together with one or more companies not included in the perimeter. In this case, the report should only concern the performance corresponding to the percentage of the detained participation in the company jointly controlled.

A list of the companies and their consolidation method is available in note 52 of the financial demonstrations of this report (page 252).

The consolidation of the operational information concerning the new Pecém thermal power plant is still limited, not being fully reported in accordance with the predicted consolidation criteria (proportional consolidation method: 50%). Along 2012, it was only possible to report the information related with the number of employees (107), whereas the social and the environmental information is not reported in full. This exception was considered non-material, once that it does not affect significantly the performance of the sustainability information presented along the report.

In 2012, EDP decided to boost the level of external verification on the sustainability information report for a set of 30 key indicators that can be found in pages 18 and 19 of this report. Exception was made to the Expenditures indicator in R&D, due to a need of reviewing the concept presently applied and the information clearance schedule.

By this report's closing day, the reported information still corresponds to an estimate of the R&D expenditure. This process is being improved and its inclusion is expected to happen in the reasonable verification in 2013.

This verification was made by an independent entity, KPMG Advisory, Management Consultants, Ltd.

GLOSSARY

In order to improve the report's transparency, the glossary may be consulted on-line, where the definition of quantitative indicators and used methods presented along the document can be found in: www.edp.pt/pt/pages/glossário.aspx.

GRI E GLOBAL COMPACT

This Report was prepared in accordance with Global Reporting Initiative's orientation.

The following table summarises the indicators according to the Electric Sector Protocol, taking responsibility with terms to implement the specific indicators which was not possible to fully comply. The complete table can be found in www.edp.pt/sustainability/publications.

Simultaneously, the following table identifies the available information that responds to the 10 Global Compact principles, evidencing EDP's commitment with this initiative.

GRI CONTENT			
PROFILE	LOCATION R&C	REPORTED	GLOBAL COMPACT
1. STRATEGY			
1.1	Page 6	●	
1.2	Page 6; 24; 120; 280	●	
2. ORGANIZATIONAL PROFILE			
2.1	Page 8	●	
2.2	Page 8	●	
2.3	Page 38; 256	●	
2.4	Page 8	●	
2.5	Page 8	●	
2.6	Page 8	●	
2.7	Page 8	●	
2.8	Page 8; 16; 17	●	
2.9	Page 281	●	
2.10	Page 14	●	
EU1	Page 15; 42; 43; 54; 57	●	
EU2	Page 15; 42; 43; 54; 57	●	
EU3	Page 74	●	
EU4	Page 46; 47; 57	●	
EU5	Page 63	●	
3. REPORT PARAMETER			
3.1	Page 281 www.edp.pt › Sustainability › Publications	●	
3.2	Page 281 www.edp.pt › Sustainability › Publications	●	
3.3	Page 281 www.edp.pt › Sustainability › Publications	●	
3.4	Page 307 www.edp.pt › Sustainability › Publications	●	
3.5	Page 279; www.edp.pt › Sustainability › Publications › Reporting Principles	●	
3.6	Pages 38; 256 www.edp.pt › Sustainability › Publications › Reporting Principles	●	
3.7	Page 281 www.edp.pt › Sustainability › Publications	●	
3.8	Page 8; 281 www.edp.pt › Sustainability › Publications	●	
3.9	Page 281 www.edp.pt › Sustainability › Publications	●	
3.1	Page 281 www.edp.pt › Sustainability › Publications	●	
3.11	Page 281 www.edp.pt › Sustainability › Publications	●	
3.12	Page 282 www.edp.pt › Sustainability › Publications	●	
3.13	Page 281 www.edp.pt › Sustainability › Publications › Reporting Principles	●	
4. GOVERNANCE			
4.1	Page 103; 106 www.edp.pt › Corporate Governance › Governing Bodies	●	
4.2	Page 99 www.edp.pt › Corporate Governance › Governing Bodies	●	
4.3	Not applicable www.edp.pt › Corporate Governance › Governing Bodies	●	
4.4	Page 71; 143 www.edp.pt › sustainability › stakeholders	●	
4.5	Page 129; 130 Page 104	●	
4.6	www.edp.pt › Corporate Governance › Independence and Incompatibilities Statement	●	
4.7	Page 271	●	
4.8	Page 12; 13 www.edp.pt › About edp › Principles and policies	●	
4.9	Page 102; 111 www.edp.pt › Sustainability › Approach to Sustainability › Organisation	●	
4.10	Page 130	●	
4.11	Page 66; 67; 116; 117; 118	●	
4.12	www.edp.pt › Sustainability › Approach to Sustainability › Participations	●	
4.13	www.edp.pt › Sustainability › Approach to Sustainability › Participations	●	
4.14	www.edp.pt › Sustainability › Stakeholders › Dialog with Stakeholders	●	
4.15	Page 279 www.edp.pt › Sustainability › Stakeholders	●	
4.16	Page 279 www.edp.pt › Sustainability › Stakeholders › Dialog with Stakeholders	●	
4.17	Page 279 www.edp.pt › Sustainability › Stakeholders	●	
MANAGEMENT			
Economic	www.edp.pt › Sustainability › Publications › GRI Indicators	●	
Economic performance	www.edp.pt › Sustainability › Publications › GRI Indicators	●	
Market Presence	www.edp.pt › Sustainability › Publications › GRI Indicators	●	
Indirect Impacts	www.edp.pt › Sustainability › Publications › GRI Indicators	●	
Availability and reliability	Page 26; 27; 120; 121 www.edp.pt › edp › Business Units	●	
EU6	Page 26; 27; 120; 121 www.edp.pt › edp › Business Units	●	
Demand-side management	Page 77; 78	●	
EU7	Page 77; 78	●	
System efficiency	Page 64	●	
Research and development	Page 59	●	
EU8	Pages 59 to 61	●	
Plant decommissioning	Page 63	●	
EU9	Page 63	●	
ENVIRONMENT			
Materials	www.edp.pt › Sustainability › Environment › Performance	●	7; 8
Energy	www.edp.pt › Sustainability › Environment › Performance	●	7; 9
Water	www.edp.pt › Sustainability › Environment › Performance	●	7; 8
Biodiversity	Biodiversity Report: www.edp.pt › Sustainability › Environment › Biodiversity	●	7; 8

GRI CONTENT			
PROFILE	LOCATION R&C	REPORTED	GLOBAL COMPACT
Emissions, effluents and waste	www.edp.pt › Sustainability › Environment › Performance	●	8
Products and services	www.edp.pt › Sustainability › Environment › Performance	●	7
Compliance	www.edp.pt › Sustainability › Environment › Performance	●	8
Transport	www.edp.pt › Sustainability › Environment › Performance	●	8
EMPLOYMENT			
EU14	Page 70	●	6
EU15	Page 72	●	6
EU16	Page 72; 73 www.edp.pt › About edp › Principles and policies	●	6
Employment	Page 70 www.edp.pt › about edp › Human Resources › Social Report	●	6
Labour/ Management relations	Page 70 www.edp.pt › about edp › Human Resources › Social Report	●	1; 3
Occupational health and safety	Page 72 www.edp.pt › Sustainability › Occupational health and safety	●	1
Training and education	Page 70	●	6
Diversity and equal opportunity	Page 71; Code of Ethics EDP, chapter 3.2; www.edp.pt › About edp › Principles and policies	●	2; 6
Equal remuneration	Page 69; 71	●	2; 6
HUMAN RIGHTS			
Investment and procurement practices	Page 79	●	1
Non-discrimination	Code of Ethics EDP, chapter 3.0; www.edp.pt › About edp › Principles and policies	●	1;6
Freedom of association and collective bargaining	Code of Ethics EDP, chapter 3.0; www.edp.pt › About edp › Principles and policies	●	1;3
Child Labour	Code of Ethics EDP, chapter 3.0; www.edp.pt › About edp › Principles and policies	●	1; 4; 5
Forced and compulsory work	Code of Ethics EDP, chapter 3.0; www.edp.pt › About edp › Principles and policies	●	1; 4; 5
Security practices	www.edp.pt › Sustainability › Publications › GRI Indicators	●	1
Local community rights	www.edp.pt › Sustainability › Publications › GRI Indicators	●	1;2
Assessment	Page 58	●	
Remediation	Page 58; 59	●	
SOCIETY			
EU19	www.edp.pt › Sustainability › Stakeholders	●	
EU20	Pages 83 to 85	●	
Local communities	Page 83	●	
Corruption	Code of Ethics EDP, chapter 4.1; www.edp.pt › About edp › Principles and policies	●	10
Public Policies	Code of Ethics EDP, chapter 4.1 www.edp.pt › About edp › Principles and policies	●	
Anti-competitive behavior	Code of Ethics EDP, chapter 4.1; www.edp.pt › About edp › Principles and policies	●	10
Compliance	Code of Ethics EDP, chapter 3.1.1 www.edp.pt › About edp › Principles and policies	●	
Disaster/ Emergency planning	www.edp.pt › Sustainability › Publications › GRI Indicators	●	
EU21	Pages 67; 68	●	
PRODUCT RESPONSIBILITY			
Customer health and Safety	Page 77	●	
Product and service labelling	EDP follows European Regulations and invoices have environmental information; www.hcenergia.com/es/portal.do?IDM=35&NM=3	●	
Marketing and Communication	www.edp.pt › Sustainability › Publications › GRI Indicators	●	
Customer privacy	Page 77	●	
Compliance	Page 74 www.edp.pt › Sustainability › Publications › GRI Indicators	●	
Access	Page 77	●	
EU23	Page 76	●	
Provision of information	Page 77	●	
EU24	Page 77	●	
PERFORMANCE			
ECONOMIC PERFORMANCE			
EC1	Page 16; 18	●	
EC2	Page 63	●	
EC3	Notes to the Financial Statements: Note 3; page 225	●	
EC4	Page 18 ⁽¹⁾	●	
MARKET PRESENCE			
EC5	Page 69	●	
EC6	Page 79	●	
EC7	Page 68	●	
INDIRECT ECONOMIC IMPACTS			
EC8	Pages 83 to 85	●	
EC9	Page 82; 83	●	
AVAILABILITY AND RELIABILITY			
EU10	Page 27; 28; 29; 52; 55 ⁽²⁾	●	
SYSTEM EFFICIENCY			
EU11	Page 64	●	
EU12	Page 62	●	
MATERIALS			
EN1			
EN1	Page 62 www.edp.pt › Sustainability › Environment › Performance	●	7; 8
EN2	Not material	●	7; 8
ENERGY			
EN3	Page 62	●	7; 9
EN4	Page 62 www.edp.pt › Sustainability › Environment › Performance (information in joules)	●	7; 9
EN5	Page 64	●	7; 9
EN6	Page 77; 78	●	7; 9
EN7	www.edp.pt › Sustainability › Environment › Climate Change	●	7; 9
WATER			
EN8	Page 62; 65	●	7; 8
EN9	n/k	○	7; 8

GRI CONTENT			
PROFILE	LOCATION R&C	REPORTED	GLOBAL COMPACT
EN10	Recycled input material is not material	●	7, 8
BIODIVERSITY			
EN11	Page 63	●	7, 8
EN12	Page 64; 65; Biodiversity Report: www.edp.pt > Sustainability > Environment > Biodiversity > Impacts on Biodiversity	●	7, 8
EU13	Biodiversity Report: www.edp.pt > Sustainability > Environment > Biodiversity	▼	7, 8
EN14	Biodiversity Report: www.edp.pt > Sustainability > Environment > Biodiversity	●	7, 8
EN13	Page 64; 65; Biodiversity Report: www.edp.pt > Sustainability > Environment > Biodiversity	●	7, 8
EN15	Biodiversity Report: www.edp.pt > Sustainability > Environment > Biodiversity	●	7, 8
EMISSIONS, EFFLUENTS AND WASTE			
EN16	Page 62; 64	●	8
EN17	Page 62; 64	●	8
EN18	Page 62	●	8
EN19	Non material. EDP concluded its old air conditioned system remover plan	●	8
EN20	Page 62; 66	●	8
EN21	Page 62 www.edp.pt > Sustainability > Environment > Performance	●	8
EN22	Page 62 www.edp.pt > Sustainability > Environment > Performance	●	8
EN23	Page 66; 67	●	8
EN24	Page 67	●	8
EN25	n/k	○	8
PRODUCT AND SERVICES			
EN26	Page 63	●	7
EN27	The product (electricity and gas) sold by the company is not packed.	●	7
CUMPLIANCE			
EN28	Page 62; 67	●	8
TRANSPORT			
EN29	Scope 3, Page 64; 79	●	8
OVERALL			
EN30	Page 62; 67; Note 50 of the Financial statements	●	7, 8; 9
SOCIAL: LABOUR PRACTICES			
EMPLOYMENT			
LA1	Page 68 ⁽³⁾	▼	6
LA2	Page 68; complementary information on EDP's Social Report: page 25	▼	6
EU17	Page 68	●	6
EU18	Page 82	▼	6
LA3	n/k	○	6
LA15	www.edp.pt > Sustainability > Publications > GRI Indicators	▼	6
LABOUR/MANAGEMENT RELATIONS			
LA4	Page 68 ⁽³⁾	▼	1; 3
LA5	Page 71	●	1; 3
OCCUPATIONAL HEALTH AND SAFETY			
LA6	Page 72	●	1
LA7	Page 68; 73	●	1
LA8	Page 72; 73	●	1
LA9	Information about these topics are available in EDP's Social: www.edp.pt > Sustainability > Publications	●	1
TRAINING AND EDUCATION			
LA10	Page 68	●	6
LA11	Information about these topics are available in EDP's Social: www.edp.pt > Sustainability > Publications	●	6
LA12	Page 70; 71	●	6
DIVERSITY AND EQUAL OPPORTUNITY			
LA13	Page 68; 69	●	2; 6
EQUAL REMUNERATION			
LA14	Page 68; 69	●	2; 6
HUMAN RIGHTS			
INVESTMENT AND PROCUREMENT PRACTICES			
HR1	100%, referred to in general terms of purchase of the EDP	●	1
HR2	Page 82 ⁽⁴⁾	▼	1
HR3	Page 58; 63	●	1
NON-DISCRIMINATION			
HR4	Page 58; 59	●	1; 6
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING			
HR5	0%; (Code of Ethics, chapters 2.2.2; 3.1.1): www.edp.pt Corporate Governance > Ethics	●	1; 3
CHILD LABOUR			
HR6	0%; (Code of Ethics, chapter 3.1.2): www.edp.pt Corporate Governance > Ethics	●	1; 4; 5
FORCED AND COMPULSORY WORK			
HR7	0%; (Code of Ethics, chapter 3.1.2): www.edp.pt Corporate Governance > Ethics	●	1; 4; 5
SECURITY PRACTICES			
HR8	n/k	○	1
INDIGENOUS RIGHTS			
HR9	There were no records of violation of the indigenous people rights	●	1
ASSESSMENT			
HR10	Page 58; 59. Ethics internal control is reviewed under the Scirf Model; www.edp.pt sustainability > stakeholders > suppliers	●	1
REMEDATION			
HR11	Page 58; 59	●	1
SOCIAL: SOCIETY			
LOCAL COMMUNITIES			
SO1	Pages 83 to 85; www.edp.pt Sustainability > Environment	●	10
EU22	Pages 83 to 85	●	10
SO9	Pages 83 to 85	●	10
SO10	Pages 83 to 85; www.energiapccm.com.br ; www.a-nossa-energia.edp.pt	●	10
CORRUPTION			
SO2	Page 116 (Ethics internal control is reviewed under the Scirf Model)	●	10
SO3	Page 58; 68 (corruption is na issue covered by the Ethical Program in Place by EDP)	●	10
SO4	Page 59	●	10
PUBLIC POLICIES			
SO5	www.edp.pt > About edp > Principles and Policies	●	10
SO6	www.edp.pt > About edp > Principles and Policies	●	10

GRI CONTENT			
PROFILE	LOCATION R&C	REPORTED	GLOBAL COMPACT
ANTI-COMPETITIVE BEHAVIOR			
SO7	n/k	○	
COMPLIANCE			
SO8	Not material ⁽⁵⁾	●	10
SOCIAL: PRODUCT RESPONSIBILITY			
CUSTOMER HEALTH AND SAFETY			
PR1	www.edp.pt > Sustentabilidade > Prevenção e Segurança > Segurança e Cidadania	●	
PR2	n/k	●	
EU25	Page 68	●	
PRODUCT AND SERVICE LABELLING			
PR3	In Iberia the supplier includes environmental information on the invoices	●	
PR4	n/k	○	
PR5	Page 75	●	
MARKETING COMMUNICATIONS			
PR6	EDP does not follow any specific marketing voluntary codes or programs	●	
PR7	n/k	●	
CUSTOMER PRIVACY			
PR8	Not material ⁽⁵⁾	○	
COMPLIANCE			
PR9	Not material ⁽⁶⁾	●	
ACCESS			
EU26	All EDP Concessions cover the entire population according to respective regulators; Page 75	●	
EU27	Page 81	●	
EU28	Page 76; www.edpdistribuicao.pt > Qualidade > Documentação > Relatórios de Qualidade de Serviço	●	
EU29	Page 76	●	
EU30	Page 42; 43; 54; 57	●	

● Fully reported ▼ Partially Reported ○ Not reported
 ■ Core Indicator ■ Sector specific indicator ▣ Adicional indicador n.a. - Not Available

(1) EDP has a procedure in place to detail all public support from governments. The data presented includes Tax Savings, Cash Grants, Tax Credits and subsidies for training.
 (2) The demand scenarios are described qualitatively. Due to the multiplicity of the markets where the company operates, EDP will only be able to fully disclose this information in 2013.
 (3) Under revision the qualification process of EDP's Suppliers, which will allow the company to fully disclose this information in 2013.
 (4) In place a consolidation process to fully disclose this information, not available for Brasil.
 (5) Total amount of fines was not material, and disaggregation was not justified. It is in place, however, a process to improve the disclosure of this information.
 (6) The total amount of 2,642 EUR thousands of fines and penalties (page 19) were almost exclusively (83%) due to environmental penalties.

GRI COMPLIANCE

This report obtained an A+ compliance level, verified by KPMG & Associados, Sociedade de Revisores Oficiais de Contas, S.A., and confirmed by Global Reporting Initiative



Statement GRI Application Level Check

GRI hereby states that **EDP - Energias de Portugal S.A.** has presented its report "2012 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 10 May 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because EDP - Energias de Portugal S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 29 April 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

EXTERNAL CHECKS



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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS
(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)
(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the consolidated financial statements as at and for the year ended 31 December 2012 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December 2012 (showing total assets of 42,627,844 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,192,354 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,012,483 thousand Euros), the consolidated statement of income, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

- 2 The Executive Board of Directors is responsible for:
- a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income;
 - b) that the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.



Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:
- verification that the financial statements of the companies included in the consolidation have been properly audited and the verification, on a test basis, of the information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - verification of the consolidation procedures and of the application of the equity method;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the overall adequacy of the consolidated financial statements' presentation; and
 - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2012, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 5 March 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)



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**REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2012**

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the Shareholders of
EDP – Energias de Portugal, S.A.

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report and on the consolidated financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2012.
- 2 We have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.
- 4 Within the scope of our mandate, we have verified that:
 - i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, of consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
 - i) the Executive Board of Directors annual report;
 - ii) the consolidated financial statements.

Lisbon, 5 March, 2013

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

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

KPMG & Associados - S.R.O.C., S.A.
Capital Social: 3.120.000 Euros - Pessoa
Colectiva N.º PT 502 161 078 - Inscrito na
O.R.O.C. N.º 189 - Inscrito na C.M.V.M. N.º
9093

Metriculada na Conservatória do
registo Comercial de Lisboa sob o
PT 502 161 078



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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

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

In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at and for the year ended 31 December 2012 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December 2012 (showing total assets of 20,853,321 thousand Euros and shareholders' equity of 6,886,211 thousand Euros, including a net profit of 832,682 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

- 2 The Executive Board of Directors is responsible for:
 - a) the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that presents fairly the financial position of the company, the results of its operations, the cash flows, the changes in equity and the comprehensive income;
 - b) that the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union, is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');
 - c) the adoption of adequate accounting policies and criteria;
 - d) the maintenance of an appropriate internal control system; and
 - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the company.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.



Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
 - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
 - assessment of the applicability of the going concern principle;
 - assessment of the overall adequacy of the financial statements' presentation; and
 - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code ("*Código das Sociedades Comerciais*").
- 6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

- 7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2012, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

- 8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 5 March 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)



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REPORT AND OPINION OF THE STATUTORY AUDITOR Year ended 31 December, 2012

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the Shareholders of
EDP – Energias de Portugal, S.A.

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2012.
- 2 We have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the company's financial statements.
- 4 Within the scope of our mandate, we have verified that:
 - i) the balance sheet, the statements of income, of cash flows, of changes in equity, of comprehensive income and the related notes, present adequately the financial position and the results of EDP;
 - ii) the accounting policies and valuation criteria used are appropriate;
 - iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
 - i) the Executive Board of Directors annual report;
 - ii) the financial statements.

Lisbon, 5 March, 2013

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

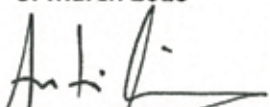


EDP – Energias de Portugal, S.A.
Executive Board of Directors


STATEMENT

With reference to 2012 financial year, and according to N. 1, item c) of article 245º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in N. 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

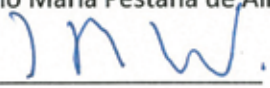
Lisbon, 5th of March 2013



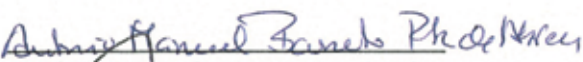
António Luís Guerra Nunes Mexia, Chairman



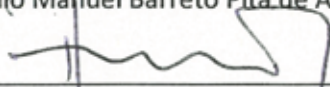
Nuno Maria Pestana de Almeida Alves



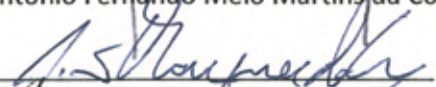
João Manuel Manso Neto




António Manuel Barreto Pita de Abreu



António Fernando Melo Martins da Costa



João Manuel Veríssimo Marques da Cruz



Miguel Stilwell de Andrade



EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer - Corporate Centre

STATEMENT

With reference to 2012 financial year, and according to N. 1, item c) of article 245º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the information foreseen in N. 1 item a) of article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. (“EDP”), and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP, and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 5th of March 2013

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.



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INDEPENDENT ASSURANCE REPORT

**(This Report is a free translation to English from the Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)**

**To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.**

Introduction

- 1 We have been engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A (“EDP”) to provide reasonable assurance in respect of the indicators identified in paragraph 4 of the scope paragraph and limited assurance on the sustainability information included in the chapter “Performance” and appendix “Sustainability Reporting” of the EDP Annual Report (“the Report”) as a whole for the year ended 31 December 2012.

Responsibilities

- 2 The Executive Board of Directors of EDP is responsible for:
 - The preparation and presentation of the sustainability information included in the chapter “Performance” and appendix “Sustainability Reporting” of the EDP Annual Report in accordance with the Sustainability Reporting Guidelines (G3.1) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the chapter “Performance” and appendix “Sustainability Reporting” of the Report, and the information and assertions contained within it;
 - Determining EDP’s objectives in respect to sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
 - Establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
- 3 Our responsibility is to express, based on the work performed:
 - A reasonable assurance conclusion on whether GRI indicators: Economic Data (EC1, EC4, EC5, EC6), Sector (EU1, EU2, EU3, EU4, EU5, EU15, EU16, EU21), Environmental (EN 3, EN 4, EN 8, EN 11, EN 16, EN20, EN 22, EN30), Product (PR3), Labour Practices (LA 1, LA 2, LA 7, LA10, LA 13), Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are free from material misstatement; and
 - A limited assurance conclusion on whether the information on the sustainability information included in the Annual Report, as a whole, as of and for the year ended 31 December 2012, is not free from material misstatement.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants.



Our work included also a moderate level of assurance in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2) issued by Accountability, that consists in the verification of the nature and extent of the organization's adherence to the AA1000APS (2008), and the evaluation of the reliability of performance information as reported in the appendix "Sustainability Reporting".

These Standards require that we comply with applicable ethical requirements, including independence requirements.

Scope

4 The scope of our work was as follows:

- Reasonable Assurance:

A reasonable assurance engagement with respect to the indicators: Economic Data (EC1, EC4, EC5, EC6), Sector (EU1, EU2, EU3, EU4, EU5, EU15, EU16, EU21), Environmental (EN 3, EN 4, EN 8, EN 11, EN 16, EN20, EN 22, EN30), Product (PR3), Labour Practices (LA 1, LA 2, LA 7, LA10, LA 13), Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Capacity Installed Certified ISO 14001, involves performing procedures to obtain sufficient evidence to give reasonable assurance that the indicators disclosed are free from material misstatement whether caused by fraud or error. The procedures performed depend on professional judgment, including the assessment of the risk of material misstatement in the indicators mentioned above, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to EDP in the preparation and presentation of the indicators in order to design assurance procedures that are appropriate in the circumstances. Our engagement also included assessing the suitability of the criteria used by the Board of Directors of EDP in the preparation of the indicators, as explained in the chapter "Report Profile" of the Report, in the evaluation of the appropriateness of the quantification methods, in the reporting of the policies used and the reasonableness of the estimates made by EDP.

Among others, our procedures included:

- Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the identification of the indicators presented above;
- Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the preparation of the indicators;
- Evaluation of the systems used for collection, calculation and reporting of the indicators;
- Recalculation of the indicators at corporate and operational level; and
- Validation of the design and effectiveness of controls.

We understand that the evidence obtained is sufficient and appropriate for the expression of our conclusion.

- Limited assurance:

Our limited assurance engagement on the assurance sustainability information consisted in inquiries, primarily of persons responsible for the preparation of the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the EDP Annual Report as a whole for the year ended 31 December 2012, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:



- Interviews with relevant responsible persons and relevant staff at corporate and operational level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at corporate operational level responsible for the preparation of the sustainability information;
- Visits to sites operating in Portugal, Spain and Brazil, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- Comparing the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report for the year ended 31 December 2012 to corresponding information sources to determine whether all the relevant information contained in such underlying sources has been included in the Report;
- Reading the information presented in the chapter "Performance" and appendix "Sustainability Reporting" of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and therefore a lower level of assurance is provided. Consequently, it does not allow us to obtain the assurance that we would become aware of all significant matters that can be identified in an audit or in a work of reasonable assurance. Consequently, we do not express an audit opinion or a conclusion of reasonable assurance of reliability.

- 5 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

- 6 Based on the procedures performed, as described above:
 - We conclude that the indicators: Economic Data (EC1, EC4, EC5, EC6), Sector (EU1, EU2, EU3, EU4, EU5, EU15, EU16, EU21), Environmental (EN 3, EN 4, EN 8, EN 11, EN 16, EN20, EN 22, EN30), Product (PR3), Labour Practices (LA 1, LA 2, LA 7, LA10, LA 13), Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are presented in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1), of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report.
 - Nothing has come to our attention that causes us to believe that the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report for the year ended 31 December 2012 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "Sustainability Reporting" of the Report.
 - Additionally and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix "Sustainability Reporting" of the 2012 Annual Report.



Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusivity principle

EDP has improved its engagement strategy with stakeholders through greater systematization of processes and mechanisms to improve the consultation to key stakeholders. EDP has extended this process to other stakeholders not directly involved in the business, and is able to ensure its prioritization at the corporate level.

In relation to the Materiality principle

EDP has defined a mechanism for periodic collection of the most relevant issues for different stakeholders, with the aim of achieving at corporate level a holistic and integrated view from different companies, business units and geographies.

In relation to the Responsiveness principle

EDP has implemented in all geographies, a set of tools to respond to material matters. It is recommended to develop and implement a comprehensive approach to all business areas and geographies enabling it to differentiate, in a structured way, a response to global and local level, in line with the characteristics of each geography.

- 7 Our assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been performed only with the objective of reporting to EDP those matters for which we were engaged in this assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this assurance report, or for our conclusions.

Lisbon, 5 March 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
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Independent Report on the Internal Control System of EDP Group for the year ended 31 December, 2012

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

- 1 We were engaged by EDP – Energias de Portugal, S.A. (“EDP” or “the Company”) to perform a work to assess the design and operating effectiveness of the Company’s and its subsidiaries (“EDP Group”) internal control system over the consolidated financial reporting, for the period from 1 January 2012 to 31 December 2012.

Responsibilities

- 2 The Executive Board of Directors is responsible for the design, implementation and maintenance of an adequate internal control system over the consolidated financial reporting.
- 3 Our responsibility is to perform the work in order to assess whether there was compliance, in all material respects, of the internal control system over the consolidated financial reporting of EDP Group, with the requirement described in paragraph 2 above.

Scope

- 4 Our work was conducted in accordance with the International Standard on Assurance Engagements - "ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants in order to assess whether, in all material respects, there was compliance of EDP Group’s internal control system over the consolidated financial reporting with the requirement described in paragraph 2 above.
- 5 The internal control system over the consolidated financial reporting is a process designed, as described in paragraph 2 above, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The internal control over the consolidated financial reporting includes policies and procedures that:

- respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors, Directors of EDP, S.A. and Directors or Management of EDP subsidiaries; and
- provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.



- 6 The assessment work consisted in performing procedures to obtain evidence about the system's description and its design and operating effectiveness. The procedures performed were based on the auditor's judgement, including the risk assessment of the description not being properly presented and controls not being designed efficiently or operating effectively. Our procedures included testing, on a sample basis, to the operating effectiveness of controls, to the extent considered necessary. Accordingly, our examination included:
- obtaining an understanding of the internal control system over the consolidated financial reporting;
 - assessing the risk that a material weakness exists;
 - testing and evaluating the design and operating effectiveness of internal control based on the assessed risk; and
 - performing such other procedures as we considered necessary in the circumstances.
- 7 Because of inherent limitations, including the possibility of collusion or management override of controls, internal control system over the consolidated financial reporting may not prevent, or detect and correct material misstatements due to fraud. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
- 8 We believe that our work provides a reasonable basis for our conclusion.

Conclusion

- 9 Based on the procedures performed as described above, in our opinion, we conclude that, in all material respects:
- The internal control system over the consolidated financial reporting adequately contains the control procedures required to meet the objectives mentioned in paragraph 2 above during the period from 1 January 2012 to 31 December 2012;
 - Existing controls that represent the internal control system over the consolidated financial reporting of EDP Group were properly designed during the period from 1 January 2012 to 31 December 2012; and
 - Existing controls to achieve the objectives referred to in paragraph 2 above, operated effectively during the period from 1 January 2012 to 31 December 2012.

Lisbon, 5 March 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.

EXTRACT FROM THE GENERAL MEETING

----- Extract of Minutes no. 1/2013 of the General Shareholders' Meeting -----

--- On the sixth of May, of the year two thousand and thirteen, at fifteen hours, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as “EDP” or “Company”), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met at Auditorio I of FIL Meeting Center, at Rua do Bojador, Parque das Nações, in Lisbon. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating. -----

--- The Chairman of the General Shareholders' Meeting, Mr. Rui Eduardo Ferreira Rodrigues Pena, started by informing that, before the beginning of the works, an institutional movie of EDP would be presented. -----

--- After the presentation of the institutional movie, the Chairman of Shareholders' Meeting welcomed all presents, namely the shareholders and its representatives, the members of the General and Supervisory Board, the members of the Executive Board of Directors, the representative of the Statutory Auditor, the Chairman of the Remuneration Committee elected by the General Shareholders, his colleagues of the Board of the General Shareholders and the guests – and explained the participation procedures in the present General Shareholders' Meeting and the respective functioning, which are provided in the General Shareholders' Meeting folder, namely: notice to convene meeting, accounts' reporting documents, opinions and statements of the relevant Corporate Bodies, resolution proposals, and EDP By-Laws in force. Afterwards, and assisted by the Vice-Chairman of the General Shareholders' Meeting, Mr. Rui Pedro Costa Melo Medeiros, and by the Company Secretary, Ms. Maria Teresa Isabel Pereira, the Chairman of the General Shareholders' Meeting verified the regularity of the notice to convene the meeting through the mandatory publications made at the Ministry of Justice's, CMVM's and EDP's websites, as well as in the Euronext's Official Listing Bulletin. -----

--- The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the attendance list was duly organized and that there were representation letters for the shareholders that were legal persons or that were not physically present. -----

Afterwards, the Chairman of the General Shareholders' Meeting and the Company Secretary then verified the percentage of the share capital present or represented at the General Shareholder's Meeting – which, adding the correspondence votes, represented 70.6848% of the share capital and the voting rights – based upon the shares' registry statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. -----

--- The Chairman of the General Shareholders' Meeting proceeded underlining that the exercise of participating and voting rights at the General Shareholders' Meeting was not prejudiced by the transfer of shares after the registration date (26th of April 2013), nor was dependent from the respective block between registration date and the present date. Nevertheless, the Chairman of the General Shareholders' Meeting referred that shareholders that declared their intention to participate at the General Shareholders' Meeting and, meanwhile, transferred ownership of their shares between registration date and the General Shareholders' Meeting were obliged to communicate it immediately to the Chairman of the General Shareholders' Meeting and to the Portuguese Securities Market Commission. -----

--- The Chairman of the General Shareholders' Meeting mentioned, afterwards that shareholders who, by professional title, own shares on its own name, but on behalf of clients, may vote on a different way with its shares, as long as, beyond the participating statement and the sending, by the respective financial intermediary, of the shares' registry statements, they had presented to the Chairman of the General Shareholders' Meeting, until 23:59 hours (GMT) of the 25th of April 2013, with sufficient and proportional evidence of (i) identification of each client and number of shares to vote on its own account (it is considered as sufficient evidence the indication of the tax number) and (ii) vote instructions, which shall be specific for each different item of the agenda and shall be given by each client. The Chairman of the General Shareholders' Meeting referred also that in case one shareholder had designated several representatives regarding shares held in different book-entry registries, and these representatives vote in a different way regarding the same proposal, all the expressed votes may be annulled. If any of the representatives do not attend the General Shareholders' Meeting, the votes of the representatives present will be considered, as long as all of the representatives vote in the same way. The presence at the General Shareholders' Meeting of a shareholder that had designated one or more representatives revokes the representation powers conferred. -----

--- Following, the Chairman of the General Shareholders' Meeting also stated that, according to article 14, number 3 of EDP's By-Laws, votes would not be cast in the event that they exceeded 25% of the total votes, situation that was not verified at date of the General Shareholders' Meeting. -----

--- The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were complied with, namely, that the proposals and other information in relation to the nine items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law. -----

(...)

--- Following all these verifications, the Chairman of the General Shareholders' Meeting declared having sufficient conditions to initiate the works, as the General Shareholders was validly constituted and ready to deliberate, and proceeded by reading the agenda, according to the notice to convene meeting, with the following content: -----

Item One – Resolve on the approval of the individual and consolidated accounts' reporting documents for 2012, including the global management report (which incorporates a chapter regarding corporate governance), the individual and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of the individual and consolidated accounts. -----

Item Two – Resolve on the allocation of profits in relation to the 2012 financial year. -----

Item Three – Resolve on the general appraisal of the management and supervision of the company, under article 455 of the Portuguese Companies Code. -----

Item Four – Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP. -----

Item Five – Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP. -----

Item Six – Resolve on the remuneration policy of the members of the Executive Board of Directors presented by the Remunerations Committee of the General and Supervisory Board. -----

Item Seven – Resolve on the remuneration policy of the other members of the corporate bodies presented by the Remunerations Committee elected by the General Shareholders' Meeting. -----

Item Eight – Resolve on the election of members of the General and Supervisory Board, for the current (2012-2014) term of office. -----

Item Nine – Resolve on the election of a member of the Environment and Sustainability Board, for the current (2012-2014) term of office. -----

--- The Chairman of the General Shareholders' Meeting initiated the works of the General Shareholders' Meeting by submitting to discussion **Item One** in the agenda – “Resolve on the approval of the individual and consolidated accounts' reporting documents for 2012, including the global management report (which incorporates a chapter regarding corporate governance), the individual and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of the individual and consolidated accounts”. -----

Subsequently, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, in order to present a summary of the Company activity regarding 2012. -----

(...)

--- The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia the presentation and granted permission to speak to the Chairman of the General and Supervisory Board, Prof. Eduardo de Almeida Catroga in order to present the opinion and report of the activity of the corporate body chaired by him regarding 2012. -----

(...)

--- The Chairman of the General Shareholders' Meeting thanked the intervention of the Chairman of the General and Supervisory Board and declared open the debate regarding Item One of the agenda.(...) -----

--- After the debate and since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2,583,127,470 votes, corresponding to 2,583,127,470 shares, which represent 70.6441%

of the share capital. As abstentions are not considered, the sole management report, the other accounts' reporting documents regarding 2012 and the Report of the General and Supervisory Board were approved by majority of the votes cast (99.9991% of votes in favour).

--- The Chairman of the General Shareholders' Meeting proceeded the works, regarding **Item Two** of the agenda, which content is as follows: - "Resolve on the allocation of profits in relation to the 2012 financial year". Subsequently the Chairman of the General Shareholders' Meeting, within the scope of item two of the agenda read out the proposal presented by the Executive Board of Directors, according to following terms:

"In accordance with number 1 of article 30 of EDP's Articles of Association, the Executive Board of Directors hereby proposes for approval by the Shareholders the following allocation of profits, in the total value of € 832.681.739,61:

Legal reserve	€ 41,634,086.98
Dividends (The proposed dividend is € 0,185 per share)	€ 676,459,477.28
Endowment to EDP Foundation	€ 7,200,000.00
Profit forwarded	€ 107,388,175.35

--- After reading out, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to the Chairman of the Executive Board of Directors, Mr. António Luis Guerra Nunes Mexia in order to present the allocation of profits proposal.

(...)
Following that, the Chairman of the General Shareholders' Meeting granted permission to speak to the Chairman of the General and Supervisory Board, in order to present the appreciation made by the aforesaid corporate body regarding EDP Foundation activities plan. (...)

--- The Chairman of the General Shareholders' Meeting thanked the presentation of the Chairman of the General and Supervisory Board and declared opened the discussion regarding Item Two of the agenda.

--- After discussion, and since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Two of the agenda, having been issued 2,582,938,453 votes, corresponding to 2,582,938,453 shares, which represent 70.6389% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99.9998% of votes in favour).

--- Next on **Item Three** of the agenda, the Chairman of the General Shareholders' Meeting read its content, namely, "Resolve on the general appraisal of the management and supervision of the company, under article 455 of the Portuguese Companies Code". The Chairman of the General Shareholders' Meeting proceeded, noting that, about this item of the agenda, a proposal was presented to him, by the shareholders China Three Gorges International (Europe), S.A., Oppidum, S.A., José de Mello Energia, S.A., Banco Comercial Português, S.A., and Banco Espírito Santo, S.A., document attached to these minutes, with the following content: "Considering article 455 of the Portuguese Companies Code and the quality of the performance of the members of the management and supervision bodies of EDP - Energias de Portugal, S.A. who exercised their functions during 2012:

The Shareholders propose:

1º - A vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2012 financial year.

2º - A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2012 financial year.

3º - A vote of confidence and praise to the Statutory Auditor for the performance of its office during 2012 financial year".

--- Subsequently, the Chairman of the General Shareholders' Meeting reminded that, according to the notice to convene meeting, the voting of this item should be made separately, and therefore would be divided into sub items in the following terms:

3.1 Vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2012 financial year.

3.2 Vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2012 financial year.

3.3. Vote of confidence and praise to the Statutory Auditor for the performance of its office during 2012 financial year.

--- Next, the Chairman of the General Shareholders' Meeting asked the shareholders that were present to waive from reading the proposal regarding the Opinion of the General and Supervisory Board on the vote of confidence to the Executive Board of Directors regarding 2012 exercise (document attached to these minutes), since such document was very extensive and already known by all.

--- As the shareholders waived the reading of the opinion referred to in the previous paragraph, the Chairman of the General Shareholders' Meeting granted permission to speak to the Chairman of the General and Supervisory Board (...)

--- After the intervention made by the Chairman of the General and Supervisory Board, the Chairman of the General Shareholders' Meeting asked the proponent shareholders if they would like to present the proposal, but no one asked to speak. Subsequently, the Chairman of the General Shareholders' Meeting thanked the presentation of the Chairman of the General and Supervisory Board and declared opened the discussion of Item Three of the agenda.

(...)

--- Concluded the interventions, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding "vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2012 financial year", having been issued 2,581,721,846 votes, corresponding to 2,581,721,846 shares, which represent 70.6056% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99.9639% of votes in favour).

--- Afterwards, the Chairman of the General Shareholders' Meeting submitted to vote the proposal "vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2012 financial year", having been issued 2,581,604,296 votes, corresponding to 2,581,604,296 shares, which represent 70.6024% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9637% of votes in favour).

--- Following that, the Chairman of the General Shareholders' Meeting submitted to vote the proposal "vote of confidence and praise to the Statutory Auditor for the performance of its office during 2012 financial year", having been issued 2,581,629,421 votes, corresponding to 2,581,629,421 shares, which represent 70.6031% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9643% of votes in favour).

--- After the conclusion of the voting, the Chairman of the General Shareholders' Meeting received from the shareholder Mr. Luís António Dinis Correia, holder of 3,534 shares representatives of EDP share capital, the voting statements regarding sub items one and two of Item Three of the agenda, which are reproduced herein according to the originals as follows and filed as attachments to these minutes:

"Voting statement

Item 3 of the agenda

No. 1

I have abstained, although totally agreeing with the vote of confidence and praise on the Executive Board of Directors, because it was presented by the Chairman of the General and Supervisory Board, in who I don't have confidence.

Luís António Dinis Correia"

"Voting statement

item 3 of the agenda

No. 2

I have voted against, since by mistake, the Board of the General Shareholders' Meeting did not grant me the opportunity to discuss this No. 2, which I had already announced in Item 1 (request for prior registration), for matter related, exclusively, to the behavior and ethics of the Chairman of the General and Supervisory Board, who being asked, 14 months ago, refuses to respond two questions made in March/12 regarding the Extraordinary General Shareholders' Meeting held on February/12 where he was elected. He has tried to mislead these answers, "flooding me" (meaning to make a blunder...) the mailbox with dozens of pages with legislation, which I have not asked for through the mail of his secretary.

Every month I send him an email to recall his inappropriate behavior less respectful to a shareholder rights.

Luís António Dinis Correia -----

Note: There is no procedural logic to make a general discussion on matters perfectly different, followed by one in separate. A procedural logic is making a discussion followed by the respective voting or one voting after the respective discussion. -----

--- The Chairman of the General Shareholders' Meeting continued the works by reading the content of **Item Four** of the agenda – "Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP" – and asked the shareholders that were present to waive the reading of the proposal presented by the Executive Board of Directors, which is reproduced herein as follows and is filed as an attachment to these minutes, since the referred proposal was too extensive and known by all: -----

"Considering: -----

- A) The legal regulations applicable to the acquisition and sale of own shares by limited liability companies set forth in the Portuguese Companies Code; -----
- B) The permission granted on no. 3 of article 5 of the Articles of Association to acquire, hold and sell own shares, as provided in the law and up to the limits set forth in the law; -----
- C) The provisions laid down in Regulation (EC) 2273/2003 of the European Commission dated December 22nd, 2003, that established a special regime contemplating, namely, requirements to exempt from the general regime of market abuse for certain programs of reacquisition of own shares that should be taken into consideration even if the acquisition of own shares is not integrated on the reacquisition programs covered by the referred Regulation; -----
- D) The obligation to communicate and disclose the execution of own shares' operations by companies listed into trading that are provided for in CMVM's Regulation no. 5/2008; -----
- E) The authorization granted to the Executive Board of Directors to buy and sell own shares by resolution of the General Shareholders' Meeting of April 17th, 2012 by virtue of which EDP carried out stock operations on own shares and currently holds, directly or through its subsidiaries, 31360869 own shares; -----
- F) From the Company's point of view it is deemed convenient for EDP and its subsidiaries to hold an authorization to buy or to sell own shares, namely considering the stock-options programs previously approved or for any actions deemed necessary or appropriate for the development of the Company's interests; -----

The Executive Board of Directors proposes that the Annual General Shareholder's Meeting: -----

1. Approves to grant authorization to the Executive Board of Directors of EDP and the management bodies of EDP's subsidiaries for acquiring or selling own shares; -----
2. Approves the acquisition by EDP, or any of its current or future subsidiaries, of own shares, including acquisition or allocation rights, subject to decision of the Executive Board of Directors of EDP and under the following terms and conditions: -----
 - a) Maximum number of shares to buy: to a total not exceeding 10% of the share capital of EDP, less any sales that might have occurred, regardless of the exceptions included in number 3 of article 317 of the Portuguese Companies Code and the number of shares required for the buying entity to comply with its commitments set forth by law, contract, issue of securities or contractual requirement regarding the provision of stock-options previously approved programs for the Executive Board members to purchase shares, subject to, if required and in compliance with legislation, the subsequent sale of shares exceeding the foregoing threshold;
 - b) Period during which shares can be acquired: eighteen months from the date of this resolution; -----
 - c) Forms of acquisition: acquisition of shares or shares purchase or allocation rights, against payment, in any shape or form and pursuant to the terms and limits peremptorily determined in legislation, either in regulated market where EDP shares have been admitted for trading or outside of stock market, respecting the principle of shareholder equal treatment, under the legal terms applicable, namely through (i) transaction performed outside regulated market with entity (ies) selected by the Executive Board of Directors, including financial institution(s) with which EDP or a subsidiary has entered into an equity swap agreement or similar derivative financial instrument agreement, or (ii) any acquisition of any form in order to or for the purpose of complying with any legal or contractual requirements, or the conversion or exchange of convertible or exchangeable securities issued by the company or a subsidiary, under the terms of the respective issuance conditions or agreements executed in relation to such conversion or exchange; -----
 - d) Minimum and maximum consideration for acquisitions: the maximum and the minimum buying price shall be, respectively, 120% and 80% of the weighted daily average of the closing price of EDP shares in the last 5 sessions of the NYSE Euronext Lisbon immediately prior to the date of acquisition or the date on which the right to acquire or allocate shares was attained, or it will correspond to the acquisition price arising from contractual financial instruments, from the issuance conditions established by the company or any subsidiary, from securities convertible into or exchangeable for shares of the company, or any agreement entered into concerning such conversions or exchanges. -----
 - e) When to acquire: to be determined by the Executive Board of Directors of EDP, considering the security market situation and the convenience or commitments of the buying entity, of any of its subsidiaries or of the buyer(s). Acquisitions may occur on one or more occasions, broken down in the manner that the referred Board deems appropriate. -----
3. Approves the selling of own shares, including the right to acquire and to hold, that have already been acquired by EDP or any of its current or future subsidiary, subject to decision by the Executive Board of Directors of EDP and under the following terms and conditions: -----
 - a) Minimum number of shares to sell: the number of sale transactions and the number of shares to sell shall be determined by the Executive Board of Directors of EDP, whenever deemed necessary or convenient for the development of the corporate interest or for compliance with legal or contractual obligations. Sales transactions include the allocation of stock purchase options under the abovementioned stock-option programs; -----
 - b) Period during which shares can be acquired: eighteen months from the date of this resolution; -----
 - c) Forms of selling: selling of shares or share purchase or allocation rights, against payment, in any shape or form and pursuant to the terms and limits peremptorily determined in legislation, namely by sale or exchange, by negotiating proposal or public offer, respecting the principle of shareholder equal treatment under the applicable legal terms, to perform on regulated market where EDP shares have been admitted for trading or through transaction performed outside regulated market with entity (ies) selected by the Executive Board of Directors, including financial institution(s) with which EDP or a subsidiary has entered into an equity swap agreement or similar derivative financial instrument agreement, or through sale, in any title, in compliance with legal or contractual obligations, or even with the intention or meeting any commitment made in regard to EDP's stock-options programs created under the express approval of the Annual General Shareholder's Meeting; -----
 - d) Minimum Price: the minimum selling price shall be either (i) no less than 80% of the weighted daily average of the closing price of EDP shares in the last 5 sessions of the NYSE Euronext Lisbon immediately prior to the date of the sale, except when the purpose of the sale is to permit the full implementation of stock-options programs that have been created under the express approval of the General Meeting of Shareholders, or (ii) it shall be the price that was set or results from the terms and conditions of the issuance of other securities, namely convertible or exchangeable securities, or from a contract entered into in regard to such issue, conversion or exchange, relative to a sale obliged by the same. -----
 - e) When to sell: the Executive Board of Directors of EDP shall determine the timing of each transaction in view of the market conditions and whether the sale is appropriate to or complies with the requirements of the selling entity, the Company or its subsidiary. Sales transactions may occur one or more times, broken down in the manner the referred Executive Board deems appropriate. -----
4. Approves that the Executive Board of Directors be indicatively notified that, without prejudice to its freedom to decide and to act as per the resolutions taken in respect to paragraphs 1 to 3 precedent, in as much as possible and under the terms and according to the circumstances it deems appropriate – particularly in relation to acquisitions forming part of stock repurchase programs for the purpose of covering bond or other securities' conversion rights, or stock-options programs or similar rights, or other programs that may be governed by the Regulation mentioned in Recital C) – it should not only consider the legislation applicable regarding the disclosure of remuneration policy of the corporate bodies and the Securities Market Commission recommendations in force but also the following recommended practices concerning the buying and selling of own shares in accordance with the authorizations granted under the previous paragraphs: -----
 - a) Disclose to the public, before beginning purchase and sale transactions, the contents of the authorization referred to in the foregoing paragraphs 1 to 3, in particular, the objective, maximum acquisition counter value, maximum number of shares to buy and the authorized timeframe established for the transaction; -----
 - b) Record each transaction performed in the ambit of the preceding authorizations; -----
 - c) Perform stock transactions in such a manner, in terms of timing, form and volume, that does not disturb the regular operation of

the market, trying to avoid execution during sensitive trading periods, in particular the opening and closure of a session, at times when the market is disturbed, or when relevant facts are announced or financial results are being disclosed; -----

- d) Restrict acquisitions to 25% of the average daily trading volume, or to 50% of this trading volume provided that the competent authority is previously notified of the intention of exceeding that limit; -----
- e) Publicly disclose of any transactions performed, that are relevant according to the applicable regulations, until the end of the third trading day subsequent to the date on which such transaction occurred; -----
- f) Communicate to the competent authority, until the end of the third working day counting from the transaction date, all acquisitions and sales performed; -----
- g) Refrain from shares selling when stock repurchase transactions are occurring under the auspices of the program governed by the Regulation referred to in Recital C). -----

For that purpose and in the event of acquisitions under stock repurchasing programs, or other plans that might be covered by the Regulation referred to on C), the Executive Board of Directors may divide up acquisitions and their conditions according to the respective program. It may provide information of such division in any public disclosure that may be made.” -----

--- Having the shareholders waived the reading of the proposal, the Chairman of the General Shareholders’ Meeting granted permission to speak to the Executive Board of Directors in order to present it.(...) -----

--- Afterwards, since no one else asked to speak, the Chairman of the General Shareholders’ Meeting submitted to vote the proposal related regarding Item Four of the agenda, having been issued 2,583,067,830 votes, corresponding to 2,583,067,830 shares, which represent 70.6425% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.7748% of votes in favour). -----

--- Regarding **Item Five** of the agenda, the Chairman of the General Shareholders’ Meeting proceeded by reading the mentioned item – “Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP” – and, according to the previous item, asked the shareholders that were present to waive the reading of the proposal, which is reproduced herein as follows and is filed as an attachment to these minutes, since the referred proposal was too extensive and known by all: -----

“Considering that: -----

- A) The Articles of Association allow, according to number 1 of article 6, to carry out transactions legally permitted by law involving its own bonds or other securities issued by EDP; -----
- B) It is deemed appropriate from the Company’s and Group EDP point of view, that EDP holds an authorization to acquire or to sell own bonds; -----

The Executive Board of Directors proposes to the General Shareholders’ Meeting the approval of the following resolution: -----

To approve the granting of the authorization to allow EDP’s Executive Board of Directors to buy or to sell own bonds or, independently of the applicable jurisdiction, other securities or documents representatives of debt of EDP and/or of its current or future subsidiaries, for a period of 18 months and under any business condition, either out of the Stock Exchange or within national or international regulated markets, applying or not to a financial trustee, through direct transaction or by means of derivative instruments, as well as in accordance with further condition and the following restraints; -----

1. Acquisition -----

1.1. Maximum number of bonds to buy: -----

- a) When the acquisition is for amortization, partial or total, of the bonds acquired, until the total number of bonds of each issuance; ---
- b) When the acquisition has other purpose, until the limit correspondent to 10% of the nominal aggregate amount of all bonds issued, deducted the sales performed, without prejudice of the exceptions foreseen on no. 3 of article 317 of the Portuguese Companies Code and of the quantity that is required for the compliance of buyer obligations pursuant to law, agreement or securities issuance; -----

1.2. Minimum and maximum consideration of the acquisition: -----

- a) The maximum and minimum buying price will be, respectively, 120% and 80% of the weighted average of the closing price of the issuance published in the last 5 negotiation sessions prior to the date of acquisition or it will be correspondent to the acquisition price resulting from financial instruments entered into or from the respective issuance terms; -----
- b) The maximum and minimum buying price concerning issuances not listed in the NYSE Euronext Lisbon, irrespective of being listed or not in other markets, its average buying and selling price published by an entity internationally well known in the bond market; -----
- c) For issuances not complying with the previous paragraph, the limit price is the value indicated by an independent and qualified consultant or by a financial trustee appointed by the Executive Board of Directors; -----
- d) In the case where a transaction results from or has to do with contractual conditions contemplated in another bond issuance, the price will be the value that results from the said contractual conditions; -----

1.3. Moment of acquisition: the Executive Board of Directors shall determine the timing of each transaction and acquisition may take place one or more times, depending on what the Board deems more appropriate from the Company’s point of view. -----

2. Selling -----

2.1. Maximum number of bonds to sell: the total number of bonds held; -----

2.2. Minimum consideration of the sale: -----

- a) The minimum selling price will be 80% of the weighted average of the closing price of the issuance in the last 5 negotiation sessions prior to the date of selling or it will be correspondent to the selling price resulting from financial instruments entered into or from the respective issuance terms; -----
- b) For issuances not listed in the NYSE Euronext Lisbon, irrespective of being listed or not in other markets, the limit price is the average buying and selling price published by an entity internationally well known in the bond market; -----
- c) For issuances not complying with the previous paragraph, the limit price is the value indicated by an independent and qualified consultant or by a financial trustee appointed by the Executive Board of Directors; -----
- d) In the case where a transaction results from or has to do with contractual conditions contemplated in another bond issuance, the price will be the value that results from the said contractual conditions; -----

2.3. Moment of selling: the Executive Board of Directors shall determine the timing of each transaction and selling may take place one or more times, depending on what the Board deems more appropriate from the Company’s point of view.” -----

--- As the shareholders waived the reading of the proposal, the Chairman of the General Shareholders’ Meeting grant permission to speak to the Executive Board of Directors to present the proposal. (...) -----

--- Then, since no one other persons asked to speak, the Chairman of the General Shareholders’ Meeting submitted to vote the proposal related to Item Five of the agenda, having been issued 2,583,015,129 votes, corresponding to 2,583,015,129 shares, which represent 70.6410% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.8350% of votes in favour). -----

--- Afterwards Mr. Rui Eduardo Ferreira Rodrigues Pena proceeded with the reading of the content of **Item Six** of the agenda - “Resolve on the remuneration policy of the members of the Executive Board of Directors presented by the Remunerations Committee of the General and Supervisory Board.” As per the extension of the statement and since it was already acknowledged by the shareholders, the Chairman of the General Shareholders’ Meeting asked the presents to waive the reading of the document, which is filed as an attachment to these minutes and is hereby reproduced: -----

“1. At the General Shareholders’ Meeting of EDP - Energias de Portugal, SA (EDP) dated 17th of April of 2012, it was presented and subject to approval, pursuant to the law, the remuneration policy of EDP Executive Board of Directors (EBD) members to be in force on the triennium 2012-2014. In the document presented the basic principles that have guided the definition of EBD remuneration in the last two terms remained, namely in terms of fixed remuneration, its relation with the variable component, the relative weight, within this, of the part relating to annual and multiannual performance and finally, the criteria used for the determination of the performance bonuses. Nevertheless, it was not ignored that the transformation of the current shareholder structure could eventually justify some changes, first arising from potential changes in the composition of the Remuneration Committee of the General and Supervisory Board (REMC), responsible for the definition remuneration policy of EBD members. In fact, consummated the privatization process covering 21.35% of EDP shares held by the Portuguese State, through Parpublica, the General and Supervisory Board decided to change the composition of REMC who hereby integrated five members: Alberto João Coraceiro de Castro (Chairman), Ilídio da Costa Leite de Pinho, José Maria Espírito Santo Silva Ricciardi, Guojun Lu, Paulo Jorge de Assunção Rodrigues Teixeira Pinto. After multiple working meetings, aiming to inform all the new members of the purposes of the remuneration policy that had been continued and the way found to achieve them, the REMC decided to propose at this General Shareholders’ Meeting a few changes that are explained in the following numbers, not before reiterating some remaining unchanged principles. -----

2. On the side of continuity, stand out two facts: from one side, the maintenance of a variable component that, within its maximum limit, may reach twice the value of the fixed part, and wherein the factors of the multiannual performance evaluation are considered more heavily (in a ratio of 60/40) than those related to annual performance; on the other hand, the persistence and strengthening of the benchmarking exercise, either with companies of similar size to national PSI 20 companies, either with foreign congeners companies, namely Iberian and / or integrated in the Eurostoxx Utilities, to ensure alignment with the best national and international practices. The changes themselves, that will be noted below, are punctual, proving that the model that has been adopted is simultaneously solid (in its fundamentals and indicators chosen) and flexible (ie, capable of accommodating changes, as long as not disruptive, in the activity and in the shareholder structure of the company).

3. The changes focused on the indicators used, especially in their respective weights. Additionally, it is changed the way multiannual variable remuneration component is paid.

3.1. Regarding the indicators used, following a trend that has been forming in recent times for companies with a situation similar to that of EDP, it was decided to consider the "free cash flow" generation, whether for the purpose of annual or multiannual evaluation performance of the company.

3.2. The changes in weighting the coefficients arise from two very distinct reasons. The main motivation which, in part, conditioned the rest, was to create conditions to allow more space so that the difference in performance between the EBD members would be reflected in their respective remuneration. Accordingly, it is proposed that a specified share of their weight go up to 20% when it comes to the annual performance assessment and to 32% as regards to the multiannual evaluation, passing the common part of performance evaluation (this is, the aspect that reflects the performance of the company as a whole) to weigh 80% and 68% respectively in the case of annual and multiannual appraisal. As a result, should this proposal be accepted, all other weighting coefficients will be adjusted proportionally. The introduction of a new indicator ("free cash flow") led REMC to choose to divide in half the weight that would be assigned to the evolution of EBITDA, sharing it with the "free cash flow" indicator (each has, in the proposed model, a weight of 7% and 8.5% respectively for the purpose of assessing whether annual and multiannual performance).

4. In summary, if the proposed amendments merit the reception of the Shareholders, the remuneration policy of the EBD members of EDP will, from 2013, be based on the following principles and rules:

a. Maintenance of the fixed remuneration of the Chairman of the EBD at 600 000 euros, value already practiced in the last two terms of office, since 2006. Likewise, it remains at 80% the ratio between the fixed remuneration of the remaining members of the executive board of directors and its chairman. Based on analyzes performed, although competitive, such a value is positioned below the average remuneration component of the universe analyzed. As a result of this decision, if approved, at the end of the term of office that is now beginning, this remuneration component (and per drag, the maximum limit of the total compensation of the members of the EBD), will be the same in nominal terms, for 9 consecutive years;

b. Maintenance of retirement savings plans (RSP) assigned to board of directors members during their term of office, the net amount of 10% of their fixed annual remuneration. The characteristics of these RSP are established in the legislation applicable to these financial products;

c. Maintenance of a remuneration structure by which the variable part can duplicate the fixed part and the multiannual variable component, which reflects the assessment for the whole term of office, will have a weighting of 60% which compares with 40% of the weight assigned to all indicators that assess the annual performance.

d. Maintenance of minimum and maximum thresholds for defining the existence of a performance bonus and the highest value that it may assume. More specifically, if the actual performance is below 90% of the set targets and submitted to the General and Supervisory Board, as reference for the performance assessment there will not be any payment. If, in turn, it exceeds 10% of its purposes, shall be assigned, always and only, the maximum value. These general criteria apply to the annual variable component (limited to 80% of the fixed remuneration) as for multiannual component (which can go up to 120% of fixed remuneration);

e. Maintenance of the criteria that determines the allocation of the variable multiannual remuneration to the term-of-office, as a whole, performance: although calculated annually, only becomes effective if, at the end of the term, it have been achieved at least 90% of the strategic objectives set, valued at function of the performance of the company itself, its comparison with the strategic benchmarks and the individual contribution of each member of the EBD for that desideratum;

f. Changing the weighting to be given to individual performance that rises to 20% when dealing with the annual objectives and to 32% for multi-year targets;

g. Amendment, with respect to the eventual multiannual bonus, of the schedule for its payment, should this proposal be approved, so that it will always be paid with a lag of three years regarding the exercise concerned;

h. Introduction of the "free cash flow" indicator as a factor in assessing the performance of EDP either on the annual or multiannual horizon.

5. As a result of all that is proposed above, the indicators used to evaluate the performance of the EBD, including those relating to the comparison between the behavior of EDP on the stock market and the one of its Iberian and European peers and the appreciation of the economic and financial performance of company, will be as follows:

a. Annual performance indicators

a.1. Quantitative component and its weight:

Total shareholder return vs Eurostoxx utilities and PSI20	(19%)
ROIC/WACC	(19%)
Growth of gross profit	(14%)
Growth of net profit	(14%)
EBITDA performance	(7%)
Free Cash-Flow performance	(7%)

The 80% resulting from the sum of these indicators reflect performance that is common to all members of the EBD.

a.2. Qualitative component:

The remaining 20% are the result of an individualized assessment carried out by the REMC based on the individual performance of each of the EBD members.

a.3. The resulting value of quantitative and qualitative component is weighted in turn, as noted above, by a factor of 80% of the annual fixed remuneration.

b. Multiannual performance indicators

b.1. Quantitative component and its weight:

Total shareholder return vs Eurostoxx utilities and PSI20	(17%)
ROIC/WACC	(17%)
EBITDA performance	(8.5%)
Free Cash-Flow Performance	(8.5%)
Sustainability Performance Indicator	(17%)

The 68% resulting from the sum of these indicators reflect performance that is common to all members of the EBD.

b.2. Qualitative component:

The remaining 32% are the result of an individualized assessment carried out by the REMC based on the individual performance of each of the EBD members.

b.3. The resulting value of quantitative and qualitative component is weighted in turn, as noted above, by a factor of 120% of the annual fixed remuneration.

It is, also, clarified that EDP does not have any contracts that provide payment in the event of dismissal or termination by agreement of the directors' functions, nor were any payments made regarding this matter during the year of 2012.

In accordance to the applicable law and EDPs articles of association, the Remuneration Committee of the General and Supervisory Board submits to the approval of the Shareholders the declaration on remuneration policy of the members of the Executive Board of Directors in accordance with the above stated terms."

--- As the shareholders waived the reading of the above said statement, the Chairman of the General Shareholders' Meeting granted permission to speak to Prof. Alberto João Coraceiro de Castro, Chairman of the Remuneration Committee of the General and Supervisory Board, who, after welcoming all presents, made a brief summary of the referred proposal.

(...) -----
--- After the presentation, the Chairman of the General Shareholders' Meeting thanked Prof. Alberto João Coraceiro de Castro and declared open the debate relating to Item Six of the agenda. (...) -----
--- Since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal on Item Six of the agenda, having been issued 2,579,653,402 votes, corresponding to 2,579,653,402 shares, which represent 70.5491% of the share capital. As abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.7659% of votes in favour). -----
--- Afterwards, the Chairman of the General Shareholders' Meeting read the content of **Item Seven** of the – “Resolve on the remuneration policy of the other members of the corporate bodies presented by the Remunerations Committee elected by the General Shareholders' Meeting” – and, following the same procedure adopted in the previous proposals, asked the shareholders that were present about the waiver of the reading of the statement, with the following content: -----
” In accordance and for the effects of the contents of article 2, no. 1 of Law no. 28/2009, dated 19th June and of article 11, no. 2, d) of EDP – Energias de Portugal, S.A. By-Laws, it competes to the Company's General Annual Shareholders' Meeting to approve the proposal on the Remuneration Policy of the Members of the Corporate Bodies that is submitted by the respective Remunerations Committee. -----
Thus, at the General Shareholders' Meeting held on 17th April 2012, it was not only approved the proposal of the Remunerations Committee that ended its term of office, but also elected the new Committee, composed by: -----
• José Manuel Galvão Teles – Chairman reelected -----
• José de Mello Energia, S.A., represented by Luís Brito de Goes – Member -----
• Álvaro Pinto Correia – Member -----
EDP – Energias de Portugal, S.A. By-Laws establish, on article 8, no. 1, that the Company's Corporate Bodies are: -----
a) The General Shareholders' Meeting (GSM) -----
b) The General and Supervisory Board (GSB) -----
c) The Executive Board of Directors (EBD) -----
d) The Statutory Auditor (SA) -----
On the other hand, the By-Laws of the Company also foresee the existence of other Corporate Bodies, with statutory dignity: -----
e) The Environment and Sustainability Board (ESB) -----
f) The Remuneration Committee, elected by the General Shareholders' Meeting and, within the GSB, a Committee for the Monitoring of Financial Matters which according to the By-Laws, also assumes the designation of Audit Committee -----
g) The Board of the GSM. -----
These are the corporate bodies of EDP - Energias de Portugal, S.A. -----
The Remuneration Committee, elected by the General Shareholders' Meeting, is therefore, responsible for the determination of the remuneration of the members of the following corporate bodies: Board of the General Shareholders' Meeting; Chairman and members of the GSB; Statutory Auditor and Environment and Sustainability Board. The Committee for the Monitoring of Financial Matters or Audit Committee shall be dealt with together with the other Committees of the GSB. -----
In the compliance of the powers conferred by the GSM, the Remunerations Committee set the remunerations of EDP' Corporate Bodies members for the 2012-2014 term of office (with exception of the EBD), although with an express reservation regarding the fact that the Committee would comply with its duty of following, every year, the activity of the respective corporate bodies. -----
In that sense, it shall be disclosed the Remuneration Policy of Corporate Bodies Members, which has been unchanged on the last years, complying with the main principles approved in General Shareholders' meetings. -----
As a result and with the purpose of providing clear and complete information on the referred remuneration policy and with the aim of obtaining from the General Shareholders Meeting the confirmation of that policy, subsequently you will find detailed data on the adopted guiding principles and on the way found suitable to secure the necessary mitigation of management risks and the alignment of corporate bodies members' interests with the Company's interest. -----
I. Framework -----
EDP's remuneration Policy is framed by the guidelines defined by reference shareholders of the Company, which are issued in accordance with the best practices of the sector. -----
The Corporate Bodies Remuneration Policy is annually reviewed and approved by the General Shareholders under proposal of the Remunerations Committee. On the respective definition it were formulated proposals aiming to assure that remunerations are adequate and reflect the risk profile and the long-term objectives of the Company, being also in conformity with legal rules, principles and pertinent national and international recommendations. -----
II. Guiding Principles -----
This Committee has guided its decisions on the matter of remuneration policy, namely of the General and Supervisory Board members, by the following guiding principles: -----
i) Definition of a policy, which is simple, clear, transparent and aligned with EDP's culture, in order that the remuneration practice may be based on uniform, consistent, fair and balance criteria. -----
ii) Definition of a policy, which is consistent with an efficient management and risk control to avoid excessive exposition to risk and conflicts of interest, seeking coherence with the purposes and long-term values of the Company. -----
iii) Assessment and stimulus of a careful performance, in which the merit shall be dully awarded, assuring homogeneity levels compatible with GSB necessary cohesion, considering also the economic and financial situation of the company and of the country. -----
iv) Alignment of the remunerations of the several corporate bodies members of the companies with higher stock market capitalization and congeners, namely Iberian. -----
v) The more recent recommendations issued by European Union and Portuguese Securities Commission. -----
vi) Considering of the circumstances arising from the serious economical crisis and the current financial constraint, with the purpose of complying with the demands of a greater social justice in the country in general, as well as within the scope of the company's several remuneration regimes. -----
The remuneration policy of EDP's corporate bodies shall, in essence, be simple, transparent, moderated, adapted to the conditions of the work performed and to the company's economical situation, but also, competitive and equitable, in order to assure the purpose of value creation for the shareholders and remaining stakeholders. -----
III. Conclusions -----
Based on these criteria, the Commission defined: -----
i) the remunerations of GSB members, including its Chairman, must be determined in values below to the ones assigned to EBD members, and it shall not be attributed to them a variable remuneration component or any other remuneration complement. -----
ii) The difficulties that the country is struggling in consequence of the generalized economical, financial and social crisis installed worldwide imposed remuneration adjustments in a containment sense but, in any case, it shall always be taken into account the performance merit and the complexity of the functions performed by the members of each body, so that the cohesion, stability and development of the company is not jeopardized. -----
iii) It shall be considered the progressive increase of work and responsibility of the Audit Committee members, assuring a differentiation pursuant to other GSB members. -----
iv) It is also important to distinguish the performance of other specific functions within GSB, namely the coordination, assigned to the Chairman and Vice-Chairman. -----
Current circumstances, in which the companies with national relevance carried out their activity deserve, from our point of view, a particular care in the development of the value chain which, beyond economical aspects, reveal its social sustainability point of view, reason why we ask for the best acceptance, by the General Shareholders Meeting, of the proposal hereby submitted.” -----
--- As the shareholders waived the reading of the above said proposal, the Chairman of the General Shareholders' Meeting granted permission to speak to the Chairman of the mentioned Committee, Mr. José Manuel Archer Galvão Teles, who began by welcoming the shareholders and the members of the corporate bodies that were present, and subsequently presented the policy of remuneration of the corporate bodies except for the Executive Board of Directors. (...) -----

--- Succeeding, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related Item Seven of the agenda, having been issued 2,492,764,578 votes, corresponding to 2,492,764,578 shares, which represent 68.1728% of the share capital social. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9771% of votes in favour). -----

--- Entering **Item Eight** of the agenda, the Chairman of the General Shareholders' Meeting proceeded by reading its content – “Resolve on the election of members of the General and Supervisory Board, for the current 2012-2014 term of office” – as well as the proposal presented by the shareholders José de Mello Energia, S.A., Banco Comercial Português, S.A. and Banco Espírito Santo, S.A., document attached to these minutes, as follows: -----

“Whereas: -----

a) At the General Shareholders' Meeting of EDP – Energias de Portugal, S.A. (EDP) dated 20th February 2012, the Members of EDP General and Supervisory Board were elected for the 2012-2014 term of office; -----

b) Taking into account the renounce presented by two Members of the General and Supervisory Board, at the present date, there are two vacancies to fill in on the referred corporate body. -----

The Shareholders indicated below propose to the General Shareholders Meeting the election of the persons identified as follows, as Members of the General and Supervisory Board, for the remaining period of the current 2012-2014 term of office: -----

- Augusto Carlos Serra Ventura Mateus -----

- Nuno Manuel da Silva Amado” -----

--- The Chairman of the General Shareholders' Meeting recalled that, according to the information contained in the notice to convene meeting, the voting of this item would be made separately, by sub items in the following terms: -----

8.1 Election of Augusto Carlos Serra Ventura Mateus as a member of the General and Supervisory Board, for the current 2012-2014 term of office. -----

8.2 Election of Nuno Manuel da Silva Amado as a member of the General and Supervisory Board, for the current 2012-2014 term of office. -----

(...) -----

--- After discussion of Item Eight of the agenda and since no one else asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to the election of Augusto Carlos Serra Ventura Mateus, whose curriculum is attached to these minutes, as a Member of the General and Supervisory Board, for the current (2012-2014) term of office, having been issued 2,479,197,341 votes, corresponding to 2,479,197,341 shares, which represent 67.8018% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.6668% of votes in favour). -----

--- The Chairman of the General Shareholders' Meeting submitted to vote the proposal related to the election of Nuno Manuel da Silva Amado, whose curriculum is attached to these minutes, as a Member of the General and Supervisory Board, for the current (2012-2014) term of office, having been issued 2,495,472,803 votes, corresponding to 2,495,472,803 shares, which represent 68.2469% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.5234% of votes in favour). -----

--- The Chairman of the General Shareholders' Meeting proceeded the works, going to **Item Nine** of the agenda – “Resolve on the election of a member of the Environment and Sustainability Board, for the current 2012-2014 term of office” – and read the proposal presented by the Executive Board of Directors regarding this item, which is attached to these minutes, as follows: -----

“Considering that Professor Augusto Carlos Serra Ventura Mateus presented its renounce as Chairman of the Environment and Sustainability Board of EDP – Energias de Portugal, S.A. (EDP), -----

The Executive Board of Directors proposes that the General Shareholders Meeting: -----

Resolves to elect as Chairman of the Environment and Sustainability Board of EDP for the remaining period of the current 2012-2014 term of office Professor José Pedro Sucena Paiva, which curriculum vitae is herewith attached, with renowned qualification in the field of environment protection and sustainability.” -----

--- After the reading, the Chairman of the General Shareholders' Meeting declared open the discussion of the subject of the proposal presented by the Executive Board of Directors. -----

--- Since no one else asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to the election of a member of the Environment and Sustainability Board, for the current 2012-2014 term of office, having been issued 2,495,899,469 votes, corresponding to 2,495,899,469 shares, which represent 68.2585% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9996% of votes in favour). -----

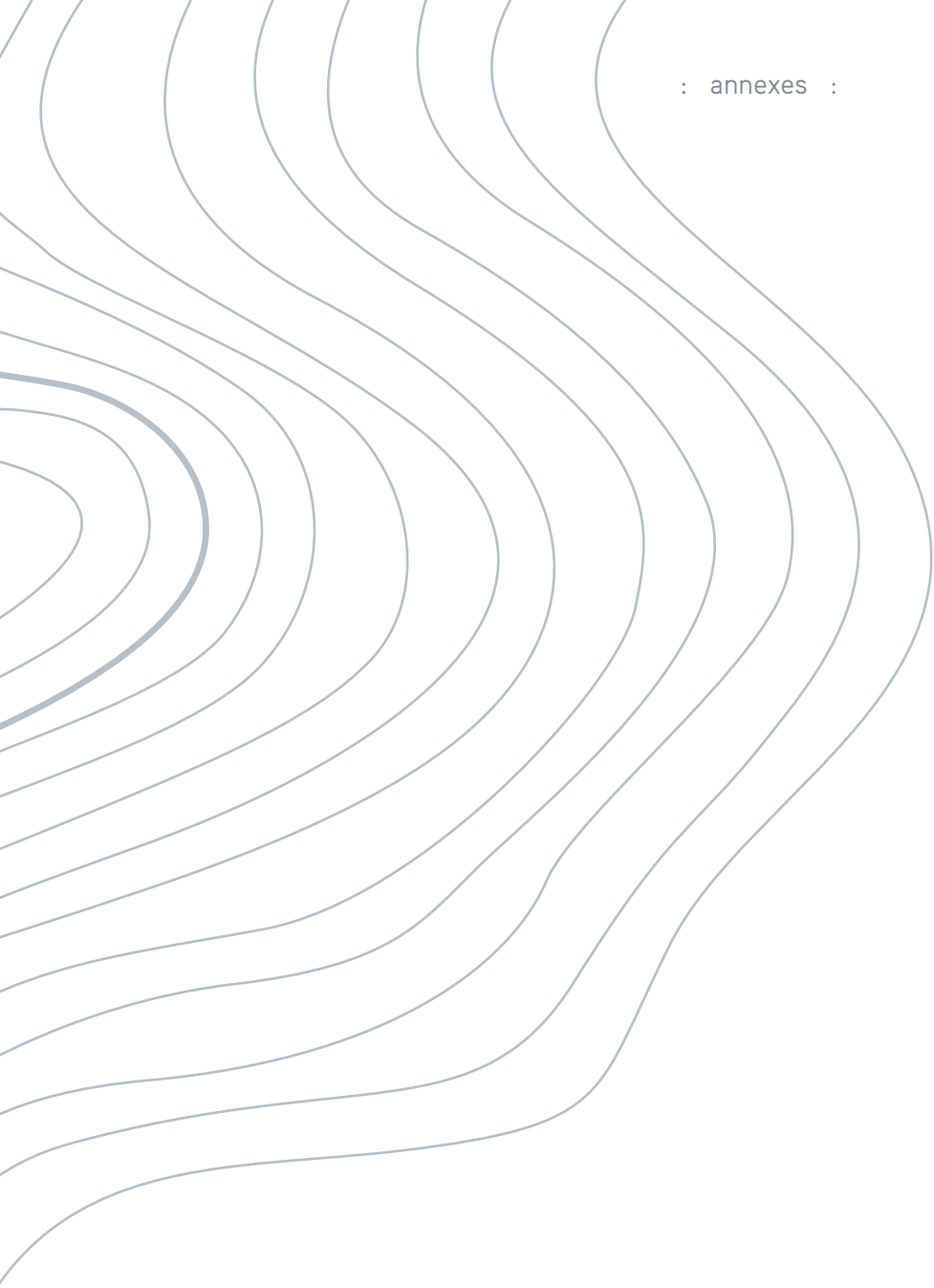
--- Being concluded the discussion and resolution of all items of the agenda, the Chairman of the General Shareholders' Meeting began to refer how much he congratulated by the fact, that once more, EDP has demonstrated being possible, within an unfavorable context in the Country and in Europe, present brilliant results. Mr Rui Eduardo Ferreira Pena also mentioned that he associates his vote of praise to the Chairman and other members of the Executive Board of Directors an, interpreting the sense of the shareholders, extended this vote to all workers of EDP. Also thanked the comprehension of all presents, which was decisive for the due course of the works of the present Shareholders Meeting. -----

--- There being no further business, the meeting was closed at seven hours and forty minutes, in relation to which the present minutes were drawn up and will be signed by the Chairman of the General Shareholders' Meeting and by the Company Secretary. -----

Lisbon, 10th of May 2013

The Company Secretary
Maria Teresa Isabel Pereira

: annexes :



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