



a better energy, a better future, a better world.

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message to shareholders

Dear Shareholders

Based on a vision focused on serving people (shareholders, customers and employees), EDP's recent years, including the challenging year of 2011, can be summed up in three words: anticipation, execution and differentiation.

We foresaw a very demanding context

The very complex macroeconomic background to our business and our analysis of its causes enable us to predict a clear and necessary paradigm shift in our society. The world we live in today is different from the one we knew in recent years.

The change from the present focus on short-term reality to a long-term vision will entail engagement and communication between all stakeholders – the company, employees, shareholders and partners. This will be essential if we are to manage the challenge in the right way.

Over the past decade, the disproportionate rise in worldwide indebtedness as opposed to value creation has exposed several weaknesses and placed us in a position where a change in behaviour is imperative. This excessive leverage, especially in the westernised bloc, combined with a misguided approach to risk, led in practice to unbalanced national economies and direct intervention in various European countries, including Portugal.

For the first time we are witnessing a phenomenon where countries pose a greater risk than the companies operating in them. This is true of Portugal and EDP, where the three major ratings agencies consider that at one or more levels EDP is safer in terms of credit than the Portuguese state. Despite this, due to the ratings agencies' internal mechanisms which disregard EDP's global and diversified profile, the company has been dragged into the successive devaluations of Portugal's rating.

Furthermore the utilities sector, formerly seen as a defensive sector, is now under huge regulatory pressure on account of the evident difficulties faced by states and taxpayers. Not even the maintenance of low prices in the energy markets has been able to prevent a continuous decline in demand since 2008. In this complex context the capital-intensive and long time to market profile, combined with the immobility of assets, forces companies to have a clear strategy based on (i) controlled risk, (ii) efficient operations and (iii) focused growth.

We have executed and the results achieved have confirmed our vision...

The 2011 results clearly bear out the defined growth strategy, constant diversification of markets and allocation of assets, focus on efficiency, financing policy and firm commitment to the people that made all this possible.

In terms of growth we have yet again achieved our best ever operating profits, with gross operating profits (EBITDA) growing 4% to EUR 3.756 billion and net operating profits also growing by 4% to EUR 1.125 billion.

Due to the conditions described above, EBITDA in Portugal fell 5%, but this was offset by the strong growth abroad, which increased by 11%. EDP Renováveis and HC Energía were the major drivers of growth in 2011. At present, 58% of EDP's EBITDA comes structurally from abroad, as against 44% in 2006.

As for efficiency, 2011 saw the conclusion of the second phase of the Opex project, which has already saved over EUR 270 million since 2006. The Opex III was also launched, with ambitious goals for savings up to 2015. Due to this concentrated focus, EDP is once again the most efficient utilities company in the Iberian Peninsula.

Operational investment in 2011, which totalled EUR 2.2 billion in line with what was announced to the market, fell by around EUR 500 million compared to 2010 and will fall a further EUR 200 million in 2012. These successive reductions since 2008 represent a pragmatic approach to the new reality in which we find ourselves. In financial terms the debt/profit ratio remained the same as in 2010, although EDP has been among the companies in the sector that has deleveraged the most in the last six years. The consolidation of financial ratios will remain a priority goal.

Shares outperformed the PSI 20 by 24% and its European counterparts by 21%, which shows that the market recognises EDP's special positioning.

Generally speaking, EDP's performance during 2011 reflects a clear vision, huge capacity for adaptation and a coherent path that the company has been consistently following.

...and a unique positioning

EDP is now the largest Portuguese industrial group, the energy sector leader and the company that invests most in Portugal (totalling close to EUR 3 billion in the last three years) and abroad, where we already obtain over half our profits. We lead the largest hydroelectric project in Europe, with over six hydroelectric projects under construction in Portugal, which will save over EUR 200 million per year in fossil fuels and CO₂ emissions in 2020. In an innovative approach to projects of this type, these involve such renowned Portuguese architects as Eduardo Souto Moura and Álvaro Siza Vieira. We are also the world's third largest producer of wind energy. We deliver energy to over 11 million customers, which represents our firm commitment to helping develop all the regions where we are present. But we go further than this. Even in a region where we have no business interests, in the Kakuma refugee camp we have built the largest Portuguese social responsibility project in the world. We are also Portugal's greatest corporate investor in culture and social innovation (close to EUR 20 million per year) through the various EDP foundations. On a daily basis we strive to become a global energy company and a leader in creating value, innovation and sustainability. Ten years ago we began to produce our sustainability report, now incorporated into this report, promoting transparency in our different areas of activity and encompassing the ten principles of the United Nations Global Compact, which we endorsed in 2004. For the second year running we were recognised as the world's top-ranking company in the electricity sector in the Dow Jones Sustainability Index, which distinguishes the companies with the best performance in issues such as transparency, risk management, biodiversity and human development. Because the future is not built without innovation, our group invests EUR 65 million per year in research and development. We anticipated the deep-offshore wind energy market with the world's first wind platform, successfully installed in Portuguese waters. We have invested in new smart-energy grids, putting in place the first smart cities, which are recognised by the EU as a benchmark in Europe. We have also invested in the electric car as the essential vehicle in the transition to a low-carbon economy.



It was this balanced profile, active in many geographic regions and endowed with a vision, that attracted China Three Gorges (CTG), the largest Chinese renewable energy operator, through the greatest ever privatisation operation in Portugal. This process was an unquestionable landmark in terms of transparency and competitiveness. The new partner will guarantee access to competitive financing, contributing to the company's financial soundness and allowing the platforms developed in recent years to continue to grow, while also creating new opportunities in the Asian market.

We are ready to continue to be a world leader in the energy sector

2012 will certainly be one of the most complex years for the company, but we are confident that we have already laid the grounds for managing the current economic situation and the energy market as well as possible. Our portfolio is essentially based on regulated or long-term contract assets (c. 85%). Our generation portfolio, 63% of which does not emit greenhouse gases, has an average residual working life of over 24 years. We have 2,600 MW under construction which will start to generate significant revenue in 2012. As a result of the entry of CTG we are structurally funded until 2015, with a liquidity position of EUR 8.1 billion at the end of December 2011 if we take into account the EUR 4 billion under the strategic partnership. We have an investment programme that matches the new market reality and an ambitious training programme for the people in our team of exceptional quality in the different markets. As to the regulatory challenges in the various geographic areas, we will maintain a proactive approach in identifying problems and offering credible solutions that are properly grounded and adjusted to the different realities.

Our delivery capacity is also demonstrated by our successive execution of a sustained policy of dividend growth, established in 2006, which forecast an increase in dividend per share of 85% up to 2011. Hence the proposal to offer our shareholders at a General Meeting will be EUR 0.185 per share, an increase of 8.8% against 2010.

We would like to extend a word of thanks to the shareholders, customers, suppliers, business partners, government bodies, regulatory bodies and corporate bodies (in particular the General and Supervisory Board), for the support and confidence they have placed in the whole team over the year.

Without people, the performance and unique positioning that EDP has achieved in recent years would not have been possible. Their dedication and commitment, manifested in the best ever results of the 2011 internal satisfaction survey, were crucial for this success. For all this, a special word goes to the over 12,000 employees of 29 nationalities, working on four continents and 13 countries, who make up EDP.

In 2012, even more effort and integration will be required. We count on the support of everyone to pursue this path to success and thus contribute to a more open, competitive and responsible Portugal. It is our wish to carry on charting the future course of events.

António Mexia
Chairman of the Executive Board of Directors

Lisbon, 8th March 2012

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 principal 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 07 April.

EDP is a vertically integrated utility company, 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 maintains significant electricity and gas operations in Spain, is the third largest wind power operator worldwide with facilities for renewable energy generation in the Iberian Peninsula, the United States, Brazil, France, Belgium, Poland and Romania, and is developing wind farms in the UK and Italy. It also has electricity distribution, generation and supply activities in Brazil.

EDP has a relevant presence in world energy outlook, being present in 13 countries, with more than 9.6 million electricity clients and 1.3 million points of supply of gas and over 12,000 employees around the world. On December 31, 2011, EDP had a capacity of 23.2 GW, generating 58.4 TWh, of which 63% comes from renewable sources.

EDP has been recognized for the second consecutive year as the leading company in the electricity sector in the Dow Jones Sustainability index.

Sustainability Indexes and ratings where EDP is represented:



USA/Canada

- 260 Employees
- 3,422 Installed Capacity (MW)*
- 9,330 Net Generation (GWh)
- 100% Generation from renewable sources**



Brazil

- 2,635 Employees
- 2,831,651 Electricity Customers
- 1,874 Installed Capacity (MW)*
- 8,043 Net Generation (GWh)
- 100% Generation from renewable sources**
- 24,544 Electricity distribution



* MW EBITDA
**Includes hydro, wind, biomass and waste

France/Belgium

34 Employees
363 Installed Capacity (MW)*
705 Net Generation (GWh)
100% Generation from renewable sources**



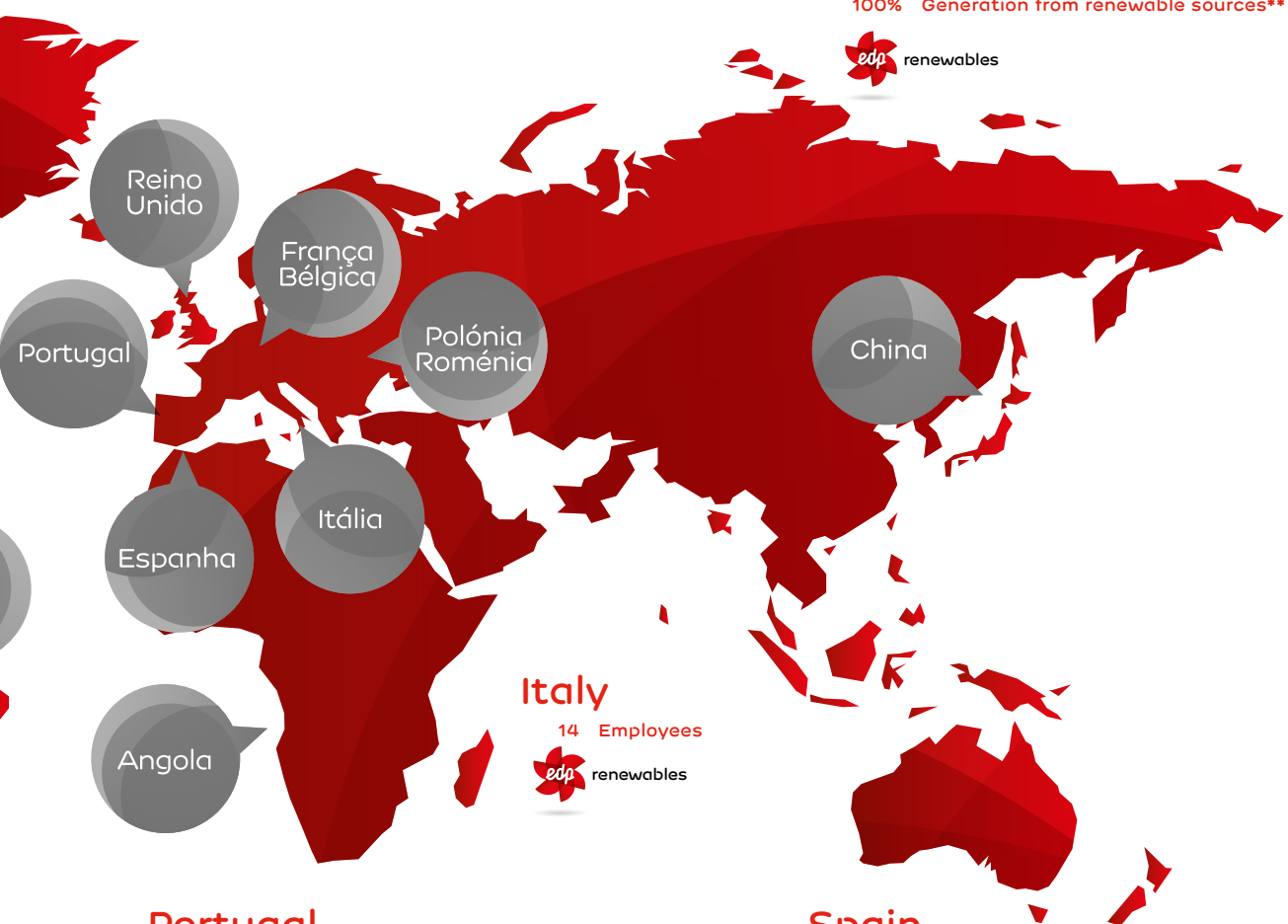
United Kingdom

21 Employees



Poland/Romenia

51 Employees
475 Installed Capacity (MW)*
621 Net Generation (GWh)
100% Generation from renewable sources**



Italy

14 Employees



Portugal

7,252 Employees
6,053,509 Electricity Customers
271,576 Gas Customers
10,992 Installed Capacity (MW)*
24,364 Net Generation (GWh)
51% Generation from renewable sources**
46,508 Electricity distribution
7,138 Gas distribution (GWh)



Spain

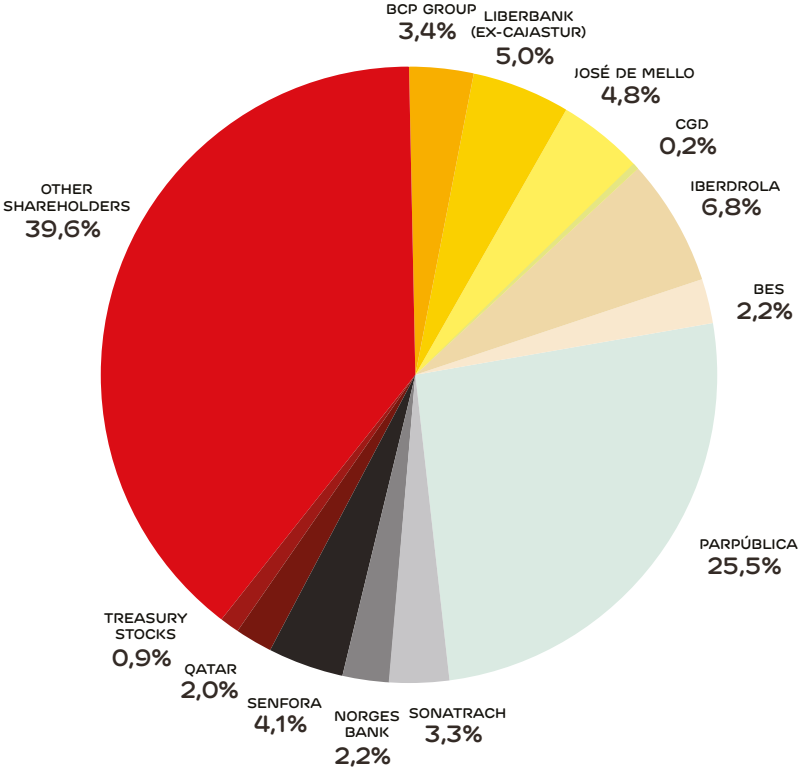
2,038 Employees
1,015,543 Electricity Customers
787,860 Gas Customers
6,087 Installed Capacity (MW)*
15,331 Net Generation (GWh)
37% Generation from renewable sources**
9,517 Electricity distribution
48,447 Gas distribution (GWh)



shareholder structure

The shares representing the EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on 16 June 1997. Since then the company was subsequently subjected to more seven phases of reprivatisation.

The EDP share capital of EUR 3,656,537,715 is represented by 3,656,537,715 shares, of which on December 31, 2011, 2,936,222,980 were Category A shares, these being ordinary shares, and 720,314,735 Category B shares, all with a face value of one euro each. The qualifying holdings held by shareholders in the EDP share capital in December 31, 2011 were as follows:



At the end of 2011 was held the eight phase of reprivatisation of EDP's share capital through the direct sale of 21.35% of EDP's share capital by Parpública - Participações Públicas (SGPS), S.A. After two rounds of selection of potential investors, the Portuguese government decided to sale its 21.35% shareholding in EDP to China Three Gorges Corporation. On December 30, 2011, EDP signed with China Three Gorges Corporation an agreement establishing a strategic partnership to be developed between both companies, as from the entry of China Three Gorges Corporation in EDP's share capital. The final agreement of the partnership is subject to the prior satisfaction of certain conditions, namely the attainment of approvals from relevant regulatory authorities from certain jurisdictions.

corporate bodies

board of the general meeting

Rui Eduardo Ferreira Rodrigues Pena, **Chairman**
António Bernardo de Menezes e Lorena de Sêves, **Vice-Chairman**
Maria Teresa Isabel Pereira, **Company Secretary**

statutory auditor

KPMG & Associados, SROC, S.A., represented by Jean-éric Gaign, **Certified Auditor, Permanent Statutory Auditor**
Vítor Manuel da Cunha Ribeirinho, **Certified Auditor, Deputy Statutory Auditor**

general and supervisory board

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

executive board of directors

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

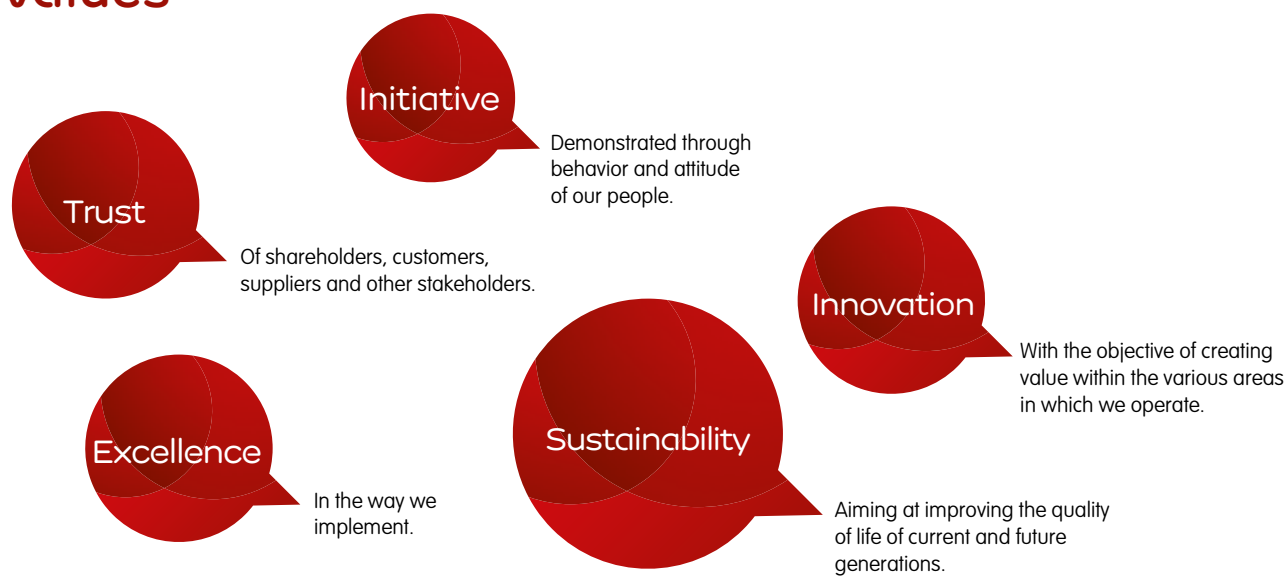
*The effective exercise of their respective offices is conditional upon the entry into force of the Strategic Partnership Agreement signed between EDP and CTG on December 30, 2011.

vision, values and commitments

vision

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

values



commitments

commitment with persons

- 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.

commitment with sustainability

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

commitment with customer

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

commitment with 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.

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

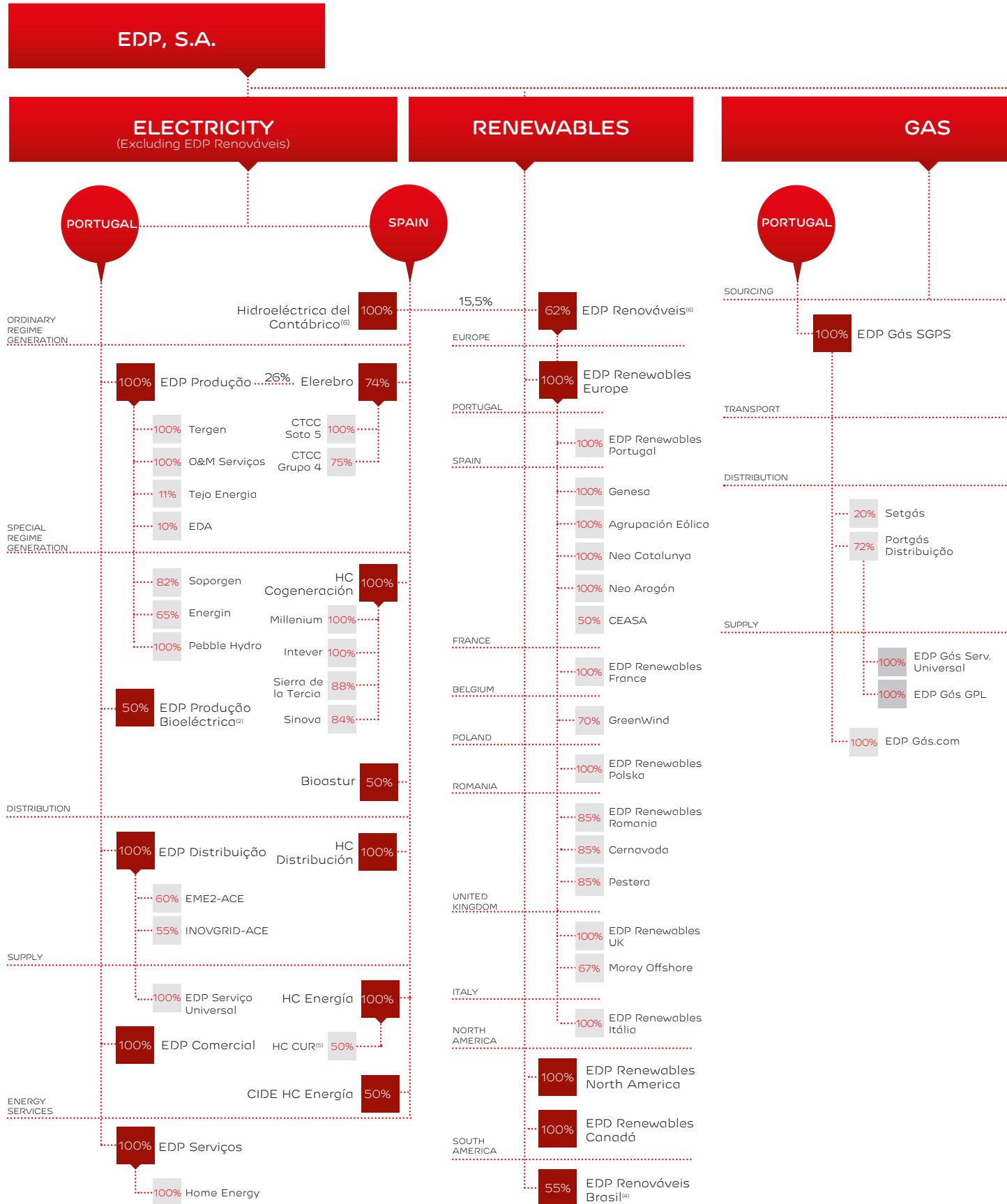
- Promote access to energy, in a reliable and safe manner and with quality.
- Adapt commercial policies to the specific social nature of the market.
- Ensure equity in the access to energy and energy systems.

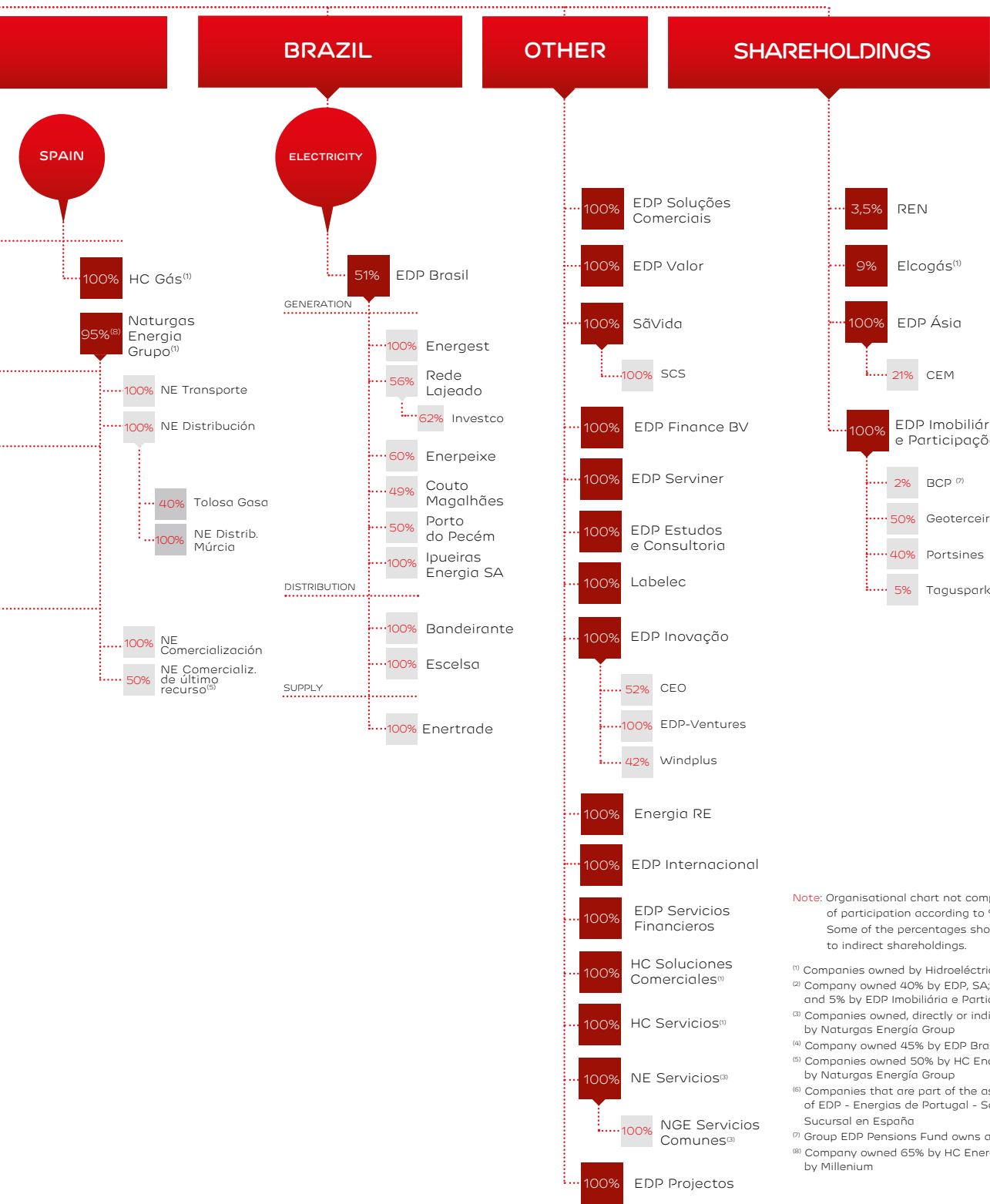
8. social development and citizenship

- 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 2012

organisational structure





Note: Organisational chart not comprehensive and % of participation according to % of consolidation. Some of the percentages shown relate to indirect shareholdings.

⁽¹⁾ Companies owned by Hidroelétrica del Cantábrico

⁽²⁾ Company owned 40% by EDP, SA; 5% by EDP Produção and 5% by EDP Imobiliária e Participações

⁽³⁾ Companies owned, directly or indirectly, by Naturgas Energía Group

⁽⁴⁾ Company owned 45% by EDP Brasil

⁽⁵⁾ Companies owned 50% by HC Energía and 50% by Naturgas Energía Group

⁽⁶⁾ Companies that are part of the assets of EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España

⁽⁷⁾ Group EDP Pensions Fund owns a 0.9817% participation

⁽⁸⁾ Company owned 65% by HC Energía Gas and 30% by Millenium

facts of the year

2011



01

JAN-13

EDP receives first tranche of electricity deficit amortisation fund in Spain. On January 11th, 2011, the Spanish Electricity Deficit Amortisation Fund launched its inaugural bond issuance explicitly guaranteed by the Kingdom of Spain. This first tranche which amounted to EUR 2 billion paid a coupon of 4.80%. EDP, through HC Energia, received around EUR 102.5 million.

JAN-25

EDP issues EUR 750 million 5 year bond maturing in January 2016 with a coupon of 5.875%.

JAN-31

EDP issues CHF 200 million 3 year bond maturing in February 2014 with a coupon of 3.5%.

03

MAR-15

Due to the significant reduction of the Caixa Geral de Depósitos, S.A.'s participation in EDP's share capital, Mr. Fernando Manuel Barbosa Faria de Oliveira has presented his resignation as member of the General and Supervisory Board.

MAR-17, 25 E 28

Moody's downgrades EDP to "Baa1" with stable outlook, Fitch downgrades EDP's senior unsecured rating to 'A-', on RWN and Standard & Poor's downgrades EDP to "BBB" with creditwatch negative, following the earlier downgrade of the rating of the government of the Republic of Portugal.

MAR-30

EDP Renováveis takes full control of Genesa, following the decision of Caja Madrid to exercise its put option over its 20% stake in Genesa, in accordance to the provisions under the shareholders' agreement.

04

APR-01, 04 AND 06

Standard & Poor's affirmed EDP at "BBB" with outlook negative, Fitch downgrades EDP's senior unsecured rating to 'BBB+', on RWN and Moody's places "Baa1" of EDP under review for possible downgrade.

APR-14

Annual General Shareholders Meeting. Approval of the 2010 individual and consolidated financial statements and approval of the proposed distribution of EDP's 2010 net profit for the period. Election of Parpública – Participações Públicas (SGPS), S.A. and José de Mello Energia, S.A. as members of the General and Supervisory Board.

APR-26

The member of the General and Supervisory Board José de Mello energia, S.A., elected in the Annual General Shareholders Meeting held on April 14th, 2011, appointed Mr. Luis Filipe da Conceição Pereira as representative to exercise the office.

APR-28

The member of the General and Supervisory Board Parpública – Participações Públicas, (SGPS), S.A., elected in the Annual General Shareholders Meeting held on April 14, 2011, appointed Mr. Joaquim José de Oliveira Reis as representative to exercise the office.

05

MAY-13

Payment of gross dividend of EUR 0.17 per share for the 2010 financial year (net dividend of EUR 0.133).

MAY-30

Banco Espírito Santo changes its ownership interest in the share capital of EDP. The current direct shareholding of BES in EDP amounts to 23,000,000 shares, which represents 0.63% of the company's share capital.

06

JUN-16

EDP Brasil announces the acquisition of Santo Antônio do Jari HPP, located between the border of Pará and Amapá States. The installed capacity of Santo Antônio do Jari HPP will be 300 MW, of which 190 average MW were sold at the energy A-5 auction of December 2010 for 30 years until 12/31/2044, equivalent to the end of the concession.

07

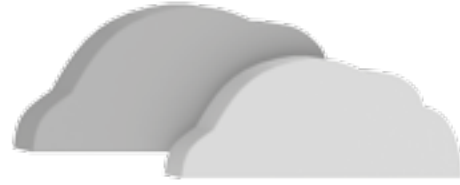
JUL-08

EDP sets price of secondary distribution offer of EDP Brasil's ordinary shares at BRL 37.0 per share. With this transaction, EDP decreases its shareholding in EDP Brasil from 64.8% to 51.0%, while receiving an amount of proceeds of BRL 811 million (corresponding approximately to EUR 362 million, at a currency rate BRL/EUR of 2.21).

JUL-08

Moody's downgrades EDP's rating to "Baa3" with negative outlook, following the earlier downgrading of the rating of the government of the Republic of Portugal to "Ba2" with a negative outlook.





2012

08

AUG-03

ANEEL approves a 6.89% tariff increase at EDP Escelsa's annual tariff readjustment process.

AUG-05

EDP sells its stakes in Ampla Investimentos and Ampla Energia for EUR 85 million.

AUG-25

EDP's General Shareholders Meeting. Modification of EDP's By-laws highlighting the elimination of the special right of category B shares (held by the Portuguese State or by public entities) of non limitation of the voting rights exercise to 5% of the share capital.

AUG-25

Qatar notifies qualifying holding in EDP. Qatar Holding LLC notified EDP that it has acquired a qualifying holding represented by 73,800,000 ordinary shares, which corresponds to 2.018% of EDP's share capital and 2.018% of the respective voting rights.

09

SEP-21

EDP transfers the right to receive the reclassification of the cogeneration overcost during 2009-2011 period in the amount of EUR 185 million.

10

OCT-17

ERSE announces the proposal for electricity tariffs in 2012 and parameters for the 2012-2014 regulatory period.

12

DEC-05

EDP issues EUR 200 million 3 year bond, maturing in December 2014.

DEC-08

Standard & Poor's places EDP's rating with creditwatch negative maintaining at "BBB".

DEC-15

ERSE announces parameters, tariffs and prices for electricity and other services for 2012-2014.

DEC-22

EDP and China Three Gorges establish strategic partnership. In the context of the 8th reprivatization phase of EDP, the Portuguese State announced that China Three Gorges (CTG) has been selected to be the purchaser of a 21.35% stake in EDP. Accordingly, it was approved by EDP's Executive Board of Directors, following the prior favourable opinion of the General and Supervisory Board, the establishment of a strategic partnership with CTG. The partnership strengthens EDP's credit profile through the increase of EDP's financial liquidity position.

DEC-23

Fitch affirms EDP's rating at "BBB+" removing from rating watch to outlook negative. The rating action follows announcement of the sale of Portuguese State's 21.35% stake in EDP to China Three Gorges. Fitch believes that this reduces EDP's refinancing risk and aids cost of debt issues. The Negative Outlook reflects the constraint of the Republic of Portugal's 'BB+' / Negative rating on EDP's rating.

01

2012

JAN-04

Imputation to China Three Gorges of 21.35% of voting rights. The imputation of a qualifying holding results from the signature of the said agreement within the context of the implementation of EDP's 8th reprivatization phase.

02

2012

FEB-01 AND 06

Standard & Poor's downgrades EDP to "BB+" with negative outlook and Moody's downgrades EDP to "Ba1" with negative outlook.

2012

FEB-20

General shareholders meeting was held, were it was approved: not to be regarded as a EDP competitor the shareholder that holds at least 20% of the share capital and maintains a strategic partnership with the company; the increase of the limit for the cast votes from 20% to 25%; election of the members of the General and Supervisory Board for the three year period 2012-2014; election of the members of the Executive Board of Directors for the three year period 2012-2014.



recognition

corporate

António Mexia is the Iberian Peninsula's Top Manager 2010

The Portuguese-Spanish Chamber of Commerce and Industry (CCILE) - CCILE awarded the CEO of EDP, António Mexia, Iberian Manager of the Year 2010 for the economic results obtained and the position adopted in matters of sustainability and stakeholder relations.



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 global Sustainability Yearbook 2012, which features 15% of the companies with the best sustainability performance in each of the 58 sectors evaluated by SAM.

EDP considered the European company with the best financial report, according to the "2011 IR Global Rankings"

The evaluation is performed by an independent committee that performs tests on the results made by IR Global Rankings analysts, and also other procedures they deem necessary to provide a reasonable basis for their evaluation, based on transparent criteria for accuracy, consistency and quality of information.

InovCity in Évora is made a European reference project

InovGrid was selected by the European Commission and Eurelectric as a single case study from among more than 260 Europe-wide projects of smart energy grids. The project demonstrates the many benefits of smart grids in the areas: customer/consumer and operator and distributor of electricity.

EDP in the Best Annual Report of the non-financial sector category of the Deloitte 2011 Awards

The Investor Relations and Governance Awards 2011, annually presented by Deloitte, also elected Rui Teixeira, Chief Financial Officer of EDP Renováveis the best CFO Investor Relations.



EDP is the world's leading company of the electricity sector on the Dow Jones Sustainability Index for the second consecutive year

The Group retains 1st place in the Dow Jones Sustainability index. EDP's presence on the DJSI World and DJSI Europe is now in its 4th consecutive year, rising two points compared to 2010.

EDP is a member of FTSE4Good

EDP was included in the FTSE4Good Index Series for the first time after the index changed its rating strategy. EDP was considered to have the best practices in the management of climate change.

António de Almeida receives Career Award

António de Almeida, Chairman of the General and Supervisory Board of EDP received the Career Award for a 50-year career full of challenges. The award was presented by the Portuguese President, Cavaco Silva.



edpON internationally recognised

The EDP Group's corporate television - edpON - won first place in the Audiovisual Communication category at the FEIEA (Federation of European Business Communicators Association) Grand Prix Awards 2011. The ceremony elects the best European projects in internal communication. EDP was also awarded 2nd place for Revista ON and 3rd place for its intranet.

Brazil

EDP Brasil is re-elected a model company in sustainability

EDP was recognised, for the fourth consecutive year, among the 21 Brazilian companies of the Exame Sustainability Guide. The emphasis is on the innovation and sustainability of EDP as core pillars of the business strategy.

EDP Brasil receives the "Época" Award for Green Company

Awarded by Época magazine and the consultancy company PricewaterhouseCoopers (PwC). It is an evolution of the Época Award for Climate Change, given to the 20 most advanced companies in terms of environmental strategy.

EDP Brasil obtains Ethics Seal

EDP was one of the first four companies to obtain the Ethics Seal established by the Inspectorate-General Union, awarded to businesses with good governance and ethical standards. The recognition is based on criteria such as the code of ethics and social responsibility, among others.

EDP Brasil is included in the Corporate Sustainability Index (ISE)

For the sixth consecutive year, EDP was included on the ISE of BM&FBovespa, which reflects a portfolio of shares of companies with a high degree of compliance with corporate sustainability and corporate governance practices.

EDP recognised as a Featured Business

EDP Escelsa, EDP Bandeirante and Investco were recognised as Featured Brazilian Businesses in the Environment and Sustainable Development, awarded by the Biosphere Environmental Institute, in Rio de Janeiro.

EDP Brasil in the "Valor 1000" ranking

EDP achieved 68th position in the thousand largest of 2010 of Valor Econômico newspaper, and it was the highest Portuguese company on the ranking. The companies are ranked by net revenues and are grouped into 25 sectors.

EDP Brasil elected the Most Sustainable Energy Company of South America

In The New Economy Clean Tech & New Energy Awards 2011, organised by the British magazine The New Economy, EDP won a prize, which aims to identify organisations with the best environmental practices in the energy sector.

Procel Efficient City Award

The Reluz Street Lighting and Energy Efficiency of traffic light signalling systems programme, implemented by EDP Bandeirante in partnership with the municipality of Mogi das Cruzes received a Recognition of Merit at the Procel Efficient Electricity City Award, sponsored by the National Energy Conservation Programme (Procel).

EDP Renováveis in Brazil receives award of "most innovative company"

Cenaeel Wind Farm, in Santa Catarina was elected the most innovative electricity company in the southern region of Brazil, by Amanhã magazine. The Champions of Innovation Ranking is chosen in partnership with Edusys, a consultancy firm that uses the Innovation Index method.

Portugal

EDP is one of the best “leadership schools”
EDP is placed second in the ranking of the Best Companies for Leadership in Portugal, a worldwide study conducted by the Hay Group consultancy firm, which indicates the best companies for training leaders. The Hay Group assessed 67 companies in Portugal for the 2011 ranking.

EDP distinguished in the Energy Efficiency Awards
In a universe of the 2,500 largest Portuguese companies (selected by turnover), the “Energy Efficiency Barometer Portugal 2010” analysed how companies use energy in their processes, facilities and activities. This initiative is organised by PremiValor Consulting in conjunction with reference partners, and it is also supported by ADENE, the Directorate-General for Energy and Geology (DGEG) and BCSD Portugal.



EDP Soluções Comerciais distinguished in the contact center management area
EDP Soluções Comerciais was awarded the following prizes: 1st place for the best contact centre of the utilities sector and Innovation 2011, by the Portuguese Contact Centres Association.

EDP Excellence in Communications for the 3rd consecutive year
The intranet, television and the special edition of edplife received an award for excellence in communication from APCE (Portuguese Association of Corporate Communication).

EDP is leader in Engagement Rating Portugal
EDP leads the Engagement Rating index, which measures the transparency of companies’ engagement with their stakeholders in relation to sustainability. The selection of the target companies for analysis was based on the list of the 500 Largest & Best of Exame magazine. EDP won the three previous editions of the rating.

EDP awarded prizes at the “Top Companies” awards
The first edition of the “Top Companies” awards by Human Resources magazine awarded EDP in 4 of 10 categories: CEO of the Portuguese electricity company (António Mexial, Director of Human Resources (Maria João Martins), a company where people most like to work and the company with the greatest team spirit.



The Reputation Awards give recognition to EDP in six categories
APECOM (Portuguese Association of Communication and Public Relations Consulting Companies) presented the award of Communications Personality of the Year to António Mexia, it also recognised the project “A tua energia” (“Your energy”) in the Energy, Environment and Ecology category. EDP’s Annual Report received an award in the Financial Communication, Mergers and Acquisitions category; the Concert at Alqueva Dam, in the Events category;

edpON Corporate Television in the Corporate TV & Video category and ON magazine in the Corporate Publications category.

Energia Douro Concert wins 7 awards at the European Best Event Awards’11
First place as Best Celebration/Festivity Event, Musical Event, Best Events Agency – Desafio Global; second place in Best European Award and Best Public Event; and a special award as Best Integrated Event. EDP Group earned the seventh prize, as Best Event Promoter Company. 46 agencies from Portugal, Spain, France, Italy, Germany, Switzerland, Denmark, Sweden and Belgium participated in the awards.



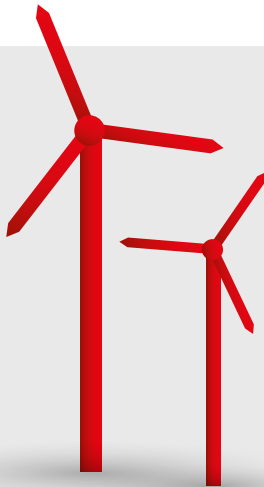
EDP Renováveis considered most confidence-inspiring energy company operating in Portugal
The analysis was conducted by the Reputation Institute in the Portuguese market in 2011. EDP Renováveis won awards in the categories of: products and services, innovation, workplace, governance, citizenship, performance and leadership.

Spain

European award for a research project of Naturgás
The R&D+Innovation project on renewable methane won an award at Congreso Europeo de Tecnología Gasista, EGATEC 2011. This project is conducted in partnership by Naturgás and the Basque Country University.

EDP Renováveis won “Best Sustainability Agreement” in 2010 in EMEA Finance at the 4th Annual Achievement Award
The prize was awarded for the wind farms project that the company is developing in Margonin, Poland, and for the long-term financing agreement that was put into practice.

EDP Renováveis awarded the 1st Prize in Excellence
An initiative of the Círculo de Empresarios y Gestores Españoles y Portugueses (CEGEP), Business Spanish Portuguese Capital. The distinction was based on six quantitative criteria, emphasizing the creation of jobs and financial autonomy, since 77% of its assets are self-financed.



summary of key metrics

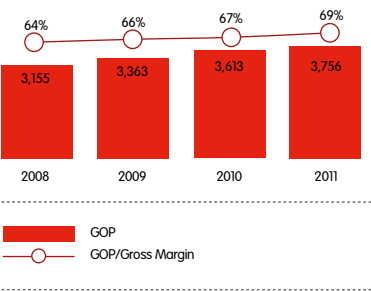
FINANCIAL INDICATORS

EUR thousands

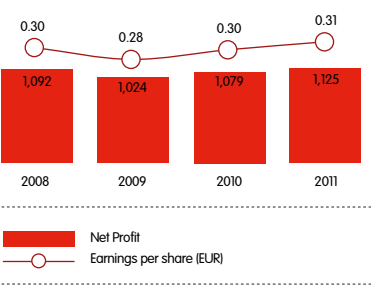
	2011	2010	2009	2008
EDP GROUP				
Turnover	15,120,851	14,170,742	12,198,183	13,894,063
Gross operating profit	3,755,588	3,612,810	3,362,948	3,154,936
Operating profit	2,267,390	2,062,509	1,969,567	1,929,994
Net profit*	1,124,663	1,078,925	1,023,845	1,091,529
Operating Cash-flow	2,946,805	1,842,144	3,921,669	1,744,507
Operating investment	2,160,624	2,667,341	3,234,740	3,618,187
Financial Investment /(Divestiture)	104,721	184,265	-132,549	-1,362,987
Net assets	41,280,577	40,488,853	40,261,557	35,744,969
Equity**	8,109,534	7,854,558	7,291,151	6,366,820
Net debt***	16,948,236	16,246,836	14,006,568	13,889,511
Net debt/Gross operating profit (x)	4.5	4.5	4.2	4.4
Financial liabilities/Equity	232%	228%	223%	231%
Earnings per share (EUR)	0.31	0.30	0.28	0.30
Dividend Yield	7.1%	6.8%	5.0%	5.2%
Market capitalisation	8,742,782	9,108,435	11,364,519	9,854,369
ELECTRICITY GENERATION - IBERIA (EXCLUDING EDP RENOVÁVEIS)				
Turnover	4,798,766	4,131,681	3,708,759	4,095,750
Gross operating profit	1,187,272	1,235,098	1,374,936	1,172,169
Operating profit	747,749	785,170	908,560	738,921
Net profit*	432,195	460,353	636,639	523,465
Operating Investment	513,295	556,033	879,579	685,688
ELECTRICITY DISTRIBUTION - IBERIA				
Turnover	5,209,325	5,282,933	4,987,805	6,213,227
Gross operating profit	832,233	697,758	694,041	769,809
Operating profit	558,479	415,516	391,292	496,768
Net profit*	327,979	309,132	272,166	304,116
Operating Investment	332,917	279,300	280,645	283,893
ELECTRICITY SUPPLY - IBERIA				
Turnover	2,921,184	2,775,362	1,784,816	1,129,950
Gross operating profit	-13,985	58,180	31,590	33,855
Operating profit	-30,603	13,060	8,726	26,414
Net profit*	-36,719	3,315	909	3,728
Operating Investment	8,372	6,055	8,148	6,246
EDP RENOVÁVEIS				
Turnover	991,752	845,056	648,242	532,429
Gross operating profit	800,738	712,749	542,549	437,877
Operating profit	347,497	289,907	230,785	231,615
Net profit*	88,604	80,203	114,349	104,364
Operating Investment	828,665	1,231,711	1,690,384	2,090,862
GAS - IBERIA				
Turnover	2,165,773	1,686,786	1,189,024	1,442,422
Gross operating profit	311,028	272,959	217,518	208,518
Operating profit	254,435	163,236	171,021	165,462
Net profit*	150,241	100,216	121,625	127,979
Operating Investment	79,012	92,218	79,536	78,804
EDP BRASIL				
Turnover	2,312,945	2,147,630	1,680,006	1,844,908
Gross operating profit	681,739	674,000	550,221	562,277
Operating profit	521,513	505,116	419,233	379,558
Net profit*	225,798	246,933	240,786	149,684
Operating Investment	341,203	427,336	258,512	428,926

* Net Profit attributable to EDP Equity holders
** Does not include Non Controlling Interests
*** Includes Financial Debt, Cash and equivalents, short-term assets at fair value and fair value and net investment hedges
Note: the figures before 2011 are not restated according to changes in accounting policy 2a).

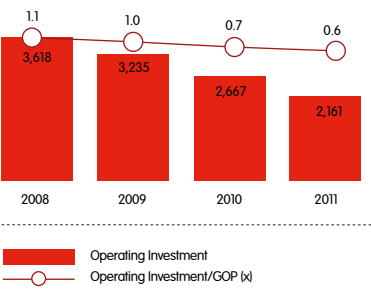
GROSS OPERATING PROFIT (EUR MILLIONS)



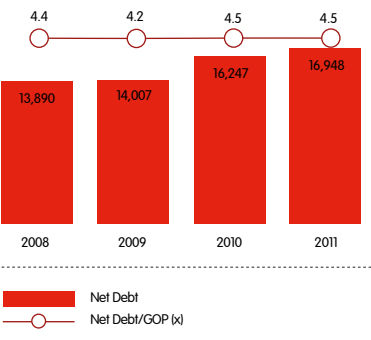
NET PROFIT* (EUR MILLIONS)



OPERATING INVESTMENT (EUR MILLIONS)



NET DEBT*** (EUR MILLIONS)



OPERATING HIGHLIGHTS

	2011	2010	2009	2008
NUMBER OF EMPLOYEES*	12,305	12,096	12,096	12,245
Electricity business (ex-Brazil)	9,149	9,164	9,202	9,481
Electricity generation (ex-EDP Renováveis)	2,109	2,172	2,210	2,339
EDP Renováveis	805	833	721	627
Electricity distribution	3,992	4,056	4,163	4,378
Electricity supply	367	254	195	167
Other	1,876	1,849	1,913	1,970
Gas business	537	519	537	422
Electricity business in Brazil	2,619	2,413	2,357	2,342
Generation	367	262	260	231
Distribution	2,091	2,040	2,014	2,033
Supply	23	23	17	14
Other	138	88	66	64

ELECTRICITY GENERATION - IBERIA (EXCLUDING EDP RENOVÁVEIS)

Installed Capacity (MW)	14,266	13,818	13,401	12,491
Portugal	10,380	9,943	9,974	9,091
Spain	3,886	3,875	3,427	3,401
Net electricity generation (GWh)	33,721	37,951	36,978	35,627
Portugal	22,974	26,093	24,736	22,511
Spain	10,747	11,858	12,242	13,117

ELECTRICITY GENERATION - EDP RENOVÁVEIS

Installed Capacity (MW)	7,157	6,437	5,490	4,400
Portugal	613	599	595	553
Spain	2,201	2,050	1,861	1,692
Rest of Europe	838	551	397	232
USA	3,422	3,224	2,624	1,923
Brazil	84	14	14	0
Net electricity generation (GWh)	16,800	14,352	10,907	7,807
Portugal	1,391	1,472	1,275	1,028
Spain	4,584	4,355	3,275	2,634
Rest of Europe	1,326	805	426	238
USA	9,330	7,689	5,905	3,907
Brazil	170	31	26	0

ELECTRICITY DISTRIBUTION - IBERIA

Distribution outlets	6,793,795	6,800,047	6,764,329	6,716,520
Portugal	6,137,676	6,149,046	6,119,805	6,088,179
Spain	656,119	651,001	644,524	628,341
Electricity sales (GWh)	56,025	57,156	55,277	56,147
Portugal	46,508	47,836	46,146	46,468
Spain	9,517	9,310	9,131	9,679

ELECTRICITY SUPPLY - IBERIA**

Number of costumers	7,069,052	7,115,296	7,055,525	6,754,151
Portugal	6,053,509	6,105,291	6,102,495	6,087,578
Spain	1,015,543	1,010,005	953,030	666,573
Electricity sales (GWh)	55,072	60,816	62,522	65,983
Portugal	33,710	39,375	43,154	46,236
Spain	21,362	21,441	19,367	19,747

GAS BUSINESS

Gas Distribution - Portugal				
Distribution outlets	270,866	245,347	221,388	200,988
Gas sales (GWh)	7,138	6,843	6,133	5,952
Gas Supply - Portugal				
Number of costumers	271,576	245,335	221,356	200,988
Gas sales (GWh)	8,191	8,925	3,315	2,693
Gas Distribution - Spain				
Distribution outlets	993,851	983,873	963,837	690,032
Gas sales (GWh)	48,447	45,644	18,968	20,688
Gas Supply - Spain				
Number of costumers	787,860	823,792	833,450	628,294
Gas sales (GWh)	28,259	29,809	21,261	24,750

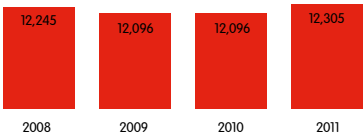
ELECTRICITY BUSINESS IN BRAZIL

Installed Capacity (MW)	1,790	1,735	1,733	1,697
Electricity sales (GWh)				
Generation	7,873	7,263	6,893	5,473
Distribution	24,544	23,749	21,313	24,408
Supply	9,895	8,263	8,715	7,282
Number of costumers	2,831,651	2,740,431	2,667,731	2,582,636

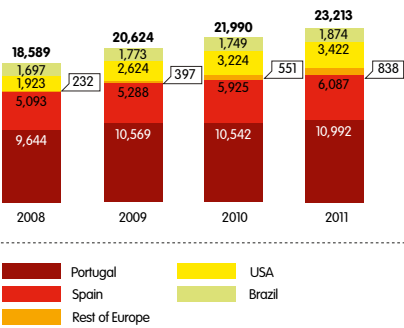
* Includes Corporate Bodies

**includes last resort supply

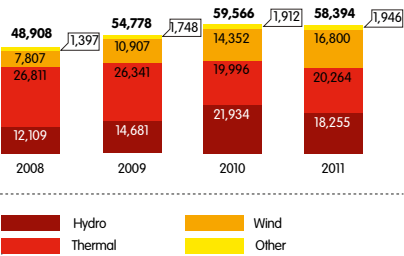
NUMBER OF EMPLOYEES*



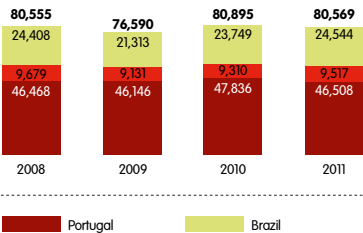
INSTALLED CAPACITY (MW)



NET GENERATION (GWh)

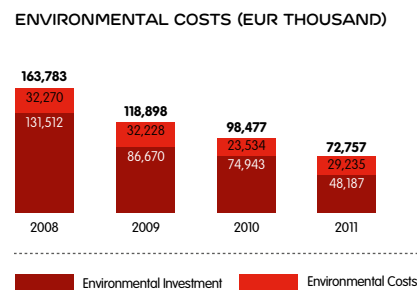
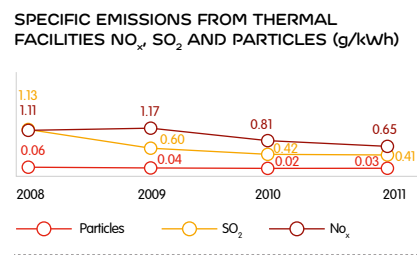
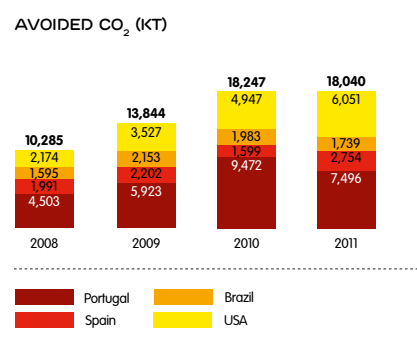


ELECTRICITY DISTRIBUTED (GWh)



ENVIRONMENT INDICATORS	2011	2010	2009	2008
PRIMARY ENERGY CONSUMPTION (TJ)				
Total for generation	192,996	176,519	242,878	237,259
Coal	112,425	81,816	132,628	121,423
Fuel Oil	679	1,566	6,105	11,292
Natural Gas	64,016	78,581	89,051	90,180
Other fuels	12,253	10,996	10,618	13,411
Forest waste	3,350	3,280	4,227	676
Fuel for vehicle fleet	272	281	249	277
ELECTRICITY CONSUMPTION				
Generation internal consumption (MWh)	2,079,218	1,815,385	2,429,843	2,244,466
Administrative services (MWh) ⁽¹⁾	41,614	44,628	33,256	31,138
Grid losses (%)	7.2	8.6	8.3	8.4
ENVIRONMENTAL CERTIFICATION (ISO 14001)				
Net maximum installed capacity certified (MW)	16,195	15,103	12,633	11,424
Net maximum installed capacity certified (%)	70	69	62	61
Gas distribution certified (%)	100	100	100	100
ATMOSPHERIC EMISSIONS				
Total Emissions (kt)				
CO ₂ ⁽²⁾	16,919	14,699	20,007	19,783
SO ₂	9.4	9.5	17.1	34.0
NO _x	15.1	18.3	33.3	33.3
Particles	0.7	0.6	1.0	1.7
Overall specific CO ₂ Emissions (g/kWh)	285	244	362	387
Specific emissions from thermal facilities (g/kWh)				
CO ₂	731	654	705	647
SO ₂	0.41	0.42	0.60	1.13
NO _x	0.65	0.81	1.17	1.11
Particles	0.03	0.02	0.04	0.06
Avoided CO _{2e} from renewable sources (kt)	18,040	18,247	13,844	10,285
CO ₂ Intensity (g/€)	1,119	1,037	1,640	1,424
WATER				
Colling water (m ³ x10 ³)	1,444,350	1,150,342	1,726,053	1,700,122
WASTES ⁽³⁾				
Total waste (t)	554,796	765,340	929,642	835,922
Total hazard waste (t)	22,145	4,741	3,012	3,328
Recovered Waste (%)	72	92	94	85
DISTRIBUTION IN PROTECTED AREAS				
Distribution grid in protected areas (km) ⁽⁴⁾	14,178	14,035	13,878	13,632
Substations in protected areas (n ^o)	39	40	42	41
ENVIRONMENTAL COSTS (EUR THOUSANDS)	77,422	98,477	118,898	163,783
ENVIRONMENTAL INSURANCE (EUR THOUSANDS) ⁽⁵⁾	263	280	144	n/a

(1) Figure for Portugal in 2010 (36,370 MWh) was revised because it not included a set of buildings that have changed the supplier.
(2) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions reported in climate change chapter.
(3) Since 2011 the EDP reports separately waste and by-products.
(4) Figure for 2010 was revised to include overhead and underground lines.
(5) EC Environmental Liability Directive 2004/35 April 21, 2004.



SOCIAL INDICATORS

2011⁽¹⁾ 2010 2009 2008

EMPLOYMENT				
Employees (no.) ⁽²⁾	12,119	11,989	12,009	12,166
Gender ratio (%)	78	79	79	80
Overall satisfaction rate	81	n/a ⁽³⁾	81	75
Turnover (%)	5.76	5.76	5.51	6.00
Employees average age (years)	46	46	45	45
Absentee rate (%)	3.35	3.52	3.61	3.44
Personnel costs (EUR thousands)	573,643	575,408	540,036	573,674
Employee benefits (EUR thousands)	61,258	153,362	158,353	161,200
Gratuities (EUR thousands) ⁽⁴⁾	34,429	33,763	39,254	34,000
TRAINING				
Total hours of training	477,091	419,737	353,205	487,111
Average training per employee (hrs)	39	35	29	40
Employees trained (%)	81	96	75	82
Total training costs (EUR Thousands)	8,026	8,940	7,225	7,232
Productivity at work (EUR/h)	230	233	222	182
HEALTH AND SAFETY				
OHSAS 18 001 (% installed capacity)	58	60	55	46
On-duty accidents (no.)	46	44	47	76
Fatal on-duty accidents (no.)	2	1	1	0
EDP frequency rate (Tf)	2.17	2.08	2.26	3.43
EDP severity rate (Tg)	180	117	144	176
Total days lost due to accidents (no.)	3,815	2,469	2,984	3,894
Fatal accidents of contracted workers (no.)	4	6	10	6

(1) Not include information about the Pecém Powerplant.

(2) The number of employees does not include corporate bodies (2011: 100)

(3) The survey of employee satisfaction is being performed with a periodicity of two years.

(4) Includes only Portugal.

EDP FREQUENCY AND SEVERITY RATE



ECONOMIC INDICATORS

2011 2010 2009 2008

SUSTAINABILITY INDEX ⁽¹⁾	130	132	124	118
Economic Indicators				
Direct economic value generated (EUR thousands)	16,394,395	15,396,666	13,544,202	15,825,252
Economic Value Distributed (EUR thousands)	14,117,905	12,932,655	11,621,298	13,747,101
Supplier costs	901,048	862,256	768,202	735,768
Personnel costs	634,900	728,770	698,389	734,874
Allocation to Foundations	16,020	14,254	14,459	12,282
Returned to community	187,484	186,303	531,037	195,563
Dividends	616,581	561,819	507,153	454,937
Accumulated Economic value (EUR thousands)	2,276,491	2,464,011	1,922,904	2,078,152
Spending on R&D (EUR thousands)	65,485	36,527	31,035	23,690
Fines and Penalties (EUR thousands)	97	4,367	1,165	408
Support from public authorities (EUR thousands) ⁽²⁾	1,024	1,265	156	653
Billing of energy services (EUR thousands)	19,967	22,515	12,386	12,658

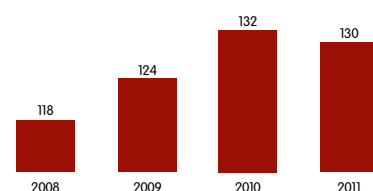
⁽¹⁾ (1) The algorithm of economic dimension has been reviewed impacting the serie.

The slight decrease observed in 2011 compared to 2010 was due to the performance of the severity index (social dimension) and environmental performance resulting from a year with low hydroelectric producibility index < www.edp.pt/pl/investidores/resultados/Pages/Resultados.aspx >

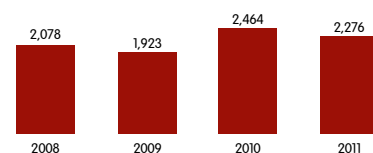
(2) The results for the 2007-2010 refers to Portugal.

Note: the figures before 2011 are not restarted according to changes in accounting policy 2a).

SUSTAINABILITY INDEX



ACCUMULATED ECONOMIC VALUE (EUR MILLIONS)



strategic framework

- 24 framework**
 - 24 macro-economic
 - 27 energetic
 - 28 regulatory
- 31 strategic agenda**
- 33 challenges and objectives**



framework

macro-economic framework

The world's economic activity slowed down during 2011 mainly due to structural imbalances in developed economies, the normalization of monetary policy and changes in productive cycle dynamics. Additionally, unforeseen natural and social-economical events also had a significant impact, such as the earthquake in Japan, deep social and political changes in some Arab countries, uncertainty in European governing bodies and the instability in the global financial markets.

The European debt crisis was the main focus of risk, but was not its only source. Instead it became the most visible manifestation of the insufficient progress in correcting global macroeconomic imbalances, such as the excessive debt levels of developed economies when compared with their low growth potential – notably the financial and economic support package to Portugal – and the vulnerability of the growth efforts in some developing economies, closely linked to weak internal demand and changing social structures.

The resolution of both structural barriers, as well as the economical, social and political challenges will result in solid and sustainable future economic growth. In the meanwhile, the creation, negotiation and implementation of global economic policies consistent with this objective will strongly influence economic activity and the risk appetite through 2012.

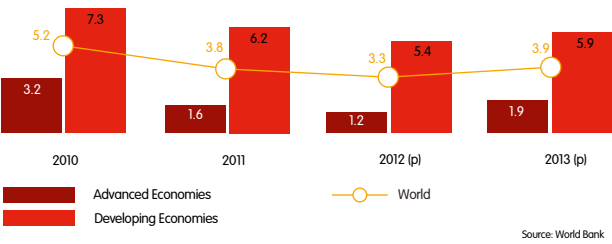
correction of structural imbalances dampens the global economic recovery

Contrary to what was initial thought, the economic growth process that started in 2010 was not sustained, especially since the second quarter of 2011. The economic climate was affected by higher uncertainty and volatility. Forecasts for global economic activity have since then been lowered, to below 4%, in the period 2010-2013, a level that is both inferior to the long-term trend and the growth rate in 2010.

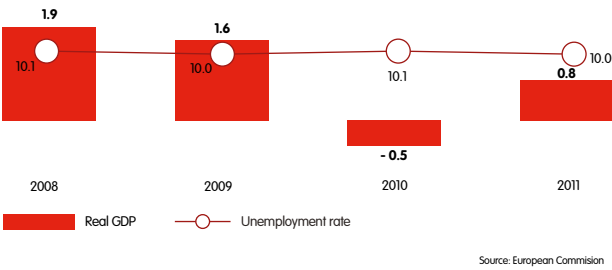
The divergence between the performance of developed and emerging economies widened. The expected growth rate forecast for 2011-2013 for the emerging economies is more than three times that of a group of their developed peers (5.8% vs. 1.6%, respectively). Nonetheless, the sensitivity of emerging economies to a downturn in international commerce increases the relevance of policies that stimulate internal consumption. Such policies have already been implemented during the last quarter of 2011, by way of a less restrictive monetary policy.

In developed economies, the normal boundaries to economic policy are now restricted by budgetary constraints, a heightened level of discipline demanded by financial markets and low interest rates that are close to their level of effectiveness. In these countries, the creative use of monetary policy has gained prominence. On this regard, the flexibility and faster implementation of monetary policy has led to innovative strategies by many central banks, tackling such issues as liquidity, debt support and communication with financial markets. Faced with the shortage in resources, fiscal policy is challenged with effective indirect impact, invigorating public initiative instead of indiscriminate public spending, whose fiscal burden is now incompatible with the developed economies' finances.

WORLD PERFORMANCE (REAL GDP)



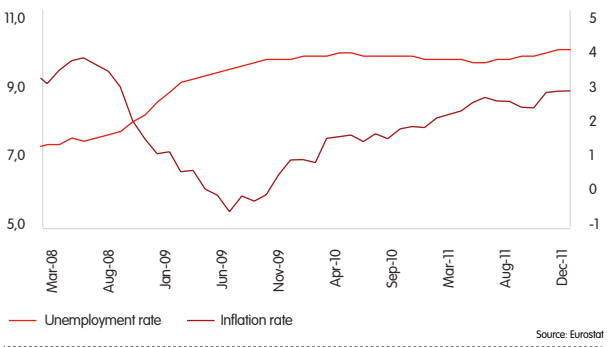
EURO AREA PERFORMANCE (REAL GDP AND UNEMPLOYMENT)



lower inflationary pressures disguised by the impact of indirect taxation

Upward inflationary pressures decreased, due to the lower price on base commodities, at a global level, the lack of substantial inflationary pressures in developed economies and the effects of a more restrictive monetary policy in emerging markets, over the year. However, the increase of indirect taxation methods has limited the impact on final consumer prices. Inflation rates in the developed economies should decrease throughout 2012, mainly due to the effect of the price evolution of base commodities.

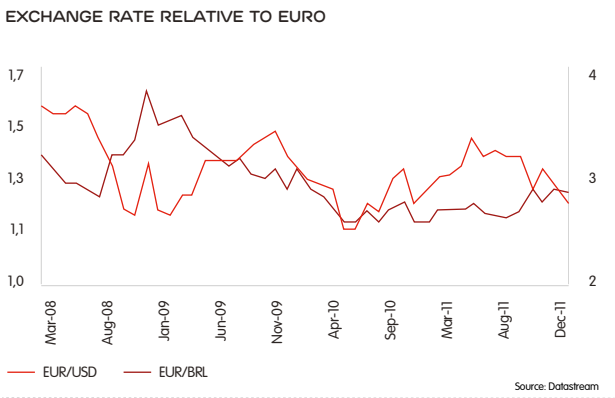
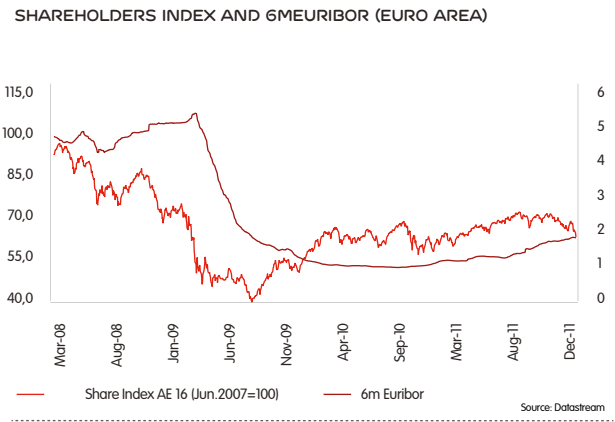
UNEMPLOYMENT AND INFLATION RATES (EURO AREA)



dysfunctional markets lead ECB to take stern measures to stabilize financial markets

The global increase in risk aversion intensified throughout the second quarter of the year, following the downgrade of the USA's credit rating and higher tension in European markets. The complexity of the negotiation process and the implicit demands of the financial stabilization policies for the euro area, were the main drivers for strain in Europe. Rumours about the possible redefinition of the group of euro countries were common, contributing to the downward spiral of instability in European markets. By contagion these uncertainty affected the global market.

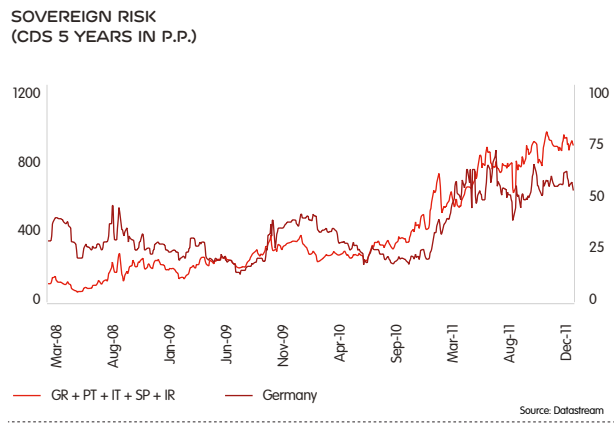
Equity markets increased losses, especially in European markets and in financial institutions; credit spreads tended to increase based on their level of exposure to financially vulnerable countries; the euro depreciated, having gone below 1.30 dollars. Conversely, investments perceived as safe, such as German and US sovereign debt, gold and short-term instrument in currencies like the Swiss Franc or the Yen registered unprecedented rises in demand.



The significant decrease in confidence affected the normal functioning of financial markets, bringing with it substantial risk for the financing of European economies. The troubles in interbank lending markets coupled with the low demand in other debt markets justified a change in monetary policy. The European Central Bank reduced its exchange rates to 1% and increased the maturities on its liquidity facilities to 3 years, among other measures, to restore the efficiency in the monetary policy's transmission mechanism. The prices implied in derivatives trading suggest that the interest rates will remain low for a long period of time.

sovereign debt crisis requires deepening of the European institutional framework

The economic growth in euro zone was affected by the escalation and spread of the systematic risk, resulting from a fear of developing interplay mechanisms between the sovereign risk, the financial system and the economy. The creation level of wealth in the Euro area is still below the registered in the beginning of the actual crisis in 2008. A restrained external demand, unfavourable financial conditions, persistence of a volatile confidence climate and the reduction of debt levels in the private and public sectors indicate the maintenance of a very low growth over 2012-2013, close to stagnation.



The economic activity deterioration was accompanied by a more heterogeneous performance among the member states proportional to the debility level of public finances (especially in Latin countries) and the exposure to the external sector and global investment cycle (Northern European economies). The Northern European countries had higher growth rhythms and unemployment reduction, in a trend almost symmetric to the Southern European countries.

The progressive increase in social, economic and financial tensions demanded a review of the European institutional framework. The ratification and subsequent implementation of the new budgeting pact bring larger budgetary coordination and supervision among the Economic and Monetary Union members and additional limits to the budget policy. Although desirable from the budget medium term sustainability perspective, it may have restrictive effects in the short term and lead in the opposite direction from intra-European policies, aimed to balance the financial condition between member states.

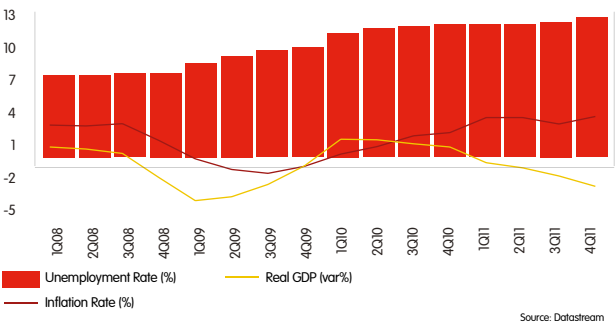
The decisions regarding Greek economic sustainability and stabilization as well as the formal and tacit intergovernmental agreement negotiated at the December Summit and the financial stabilization funds operation are privileged opportunities to achieve changes in the uncertainty climate and restore the European institutions credibility and confidence in the European project, in early 2012.

portuguese economy recession related to the growth model restructuring

The increasing tensions in the debt markets reflected in the increase in the risk premiums required to Portuguese issuers to unaffordable levels led the Portuguese Government to the inevitable request for international financial assistance in April 2011. Within this request, the Economic Adjustment Programme (PAEF) was negotiated and defined,

not only framing the economic policy options but also determining the structural reorganisation across the economic sectors until 2014. The Program aims greater long term growth potential with higher weight of the external sector in the domestic product. It is not risk-free: there are implications that may arise from the mismatch between long term (and uncertain) program and the political and social support, in a context of significant increase in the unemployment rate (14% of the active population in the last quarter of 2011), larger precariousness in the labour market and deteriorating households financial conditions.

PORTUGUESE ECONOMY PERFORMANCE



PAEF has three fundamental pillars – the public finances consolidation; the growth factors improvement and the financial system's stability – aiming to ensure a more sustained growth along with a reduction of the Portuguese economy chronic external financial needs. In counterpart, Portugal accesses a € 78 billion funding to be disbursed in stages and conditional to meeting the targets negotiated. The program's implementation began in the third quarter of 2011 but its major effects will mainly occur from 2012. The budget goal of public deficit in 2011 equal or lower than 5.9%/GDP will be achieved using exceptional and punctual measures. Thus, an extra effort of budget consolidation will be required in 2012 to achieve a deficit of 4.5% of the GDP.

Even though the PAEF is taken as an essential mechanism for the Portuguese economy, the short term social and economic impacts appear to be substantial. The public accounts correction may contribute to the worsening of the recession in 2012 as it strongly impacts the household income and the demand. It is expected a real GDP reduction exceeding 3% and an eventual stagnation in 2013 which reflects a very expressive correction in the internal demand with emphasis on the unprecedented fall of the private consumption, connected with the private agents' indebtedness and the budget consolidation process.

The internal difficulties and external context uncertainty guided to deterioration in the rating assessments by the major rating agencies, placing the sovereign debt in a speculative grade. Although the public funding derives mostly from the institutional channel, these valuations impact negatively the private sector, the larger companies funding conditions and the financial system, making harder the return to financial markets from 2013.

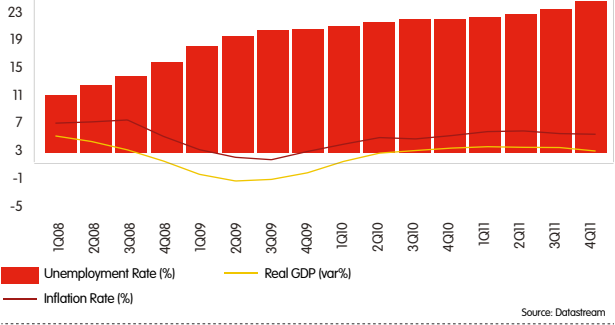
The inflation rate shall reach annual values greater than 3% again in 2012 (3.7% in 2011), driven by changes in indirect taxation. Thus, given the labour market weakness, the absence of wage pressures and the commitment to moderate the production costs, it is expected that the tax effects progressive exhaustion leads to a significant reduction of the inflation rate from the last quarter of 2012. PAEF includes specific goals and measures to the energetic sector, tending to increase the sector's competition, the electric system sustainability, the renewable energy funding model and the rational use of

energy. Improvements in those dimensions may trigger a review of the business model in some market segments as generation and distribution and provide changes in the Portuguese electric market's competitive framework.

growth in Spain undermined by the sovereign debt crisis and budget consolidation

The Spanish economy had a progressively weaker growth during 2011, due to rising tensions in the financial markets and also to lower external demand and the expressive decrease of consumption in a context of recurrent investment debility. The GDP fell 0.3% in the last quarter of the year, growing 0.7% on average. The public deficit has reached 8% of the GDP exceeding the goal of 6%, deviation resulting mostly from poor budget execution by the autonomous communities, obliging important compensatory measures to achieve the target agreed to 2012 or the plan revision, after the agreement with European peers, in order to soften the budget retrenchment's impact in the economic activity and the confidence climate.

SPANISH ECONOMY PERFORMANCE



The prospective economic activity will still be weak due to the conditions imposed by the intensification of the budget consolidation process and its effects in the private agents' consumption and investment decisions. It is expected a downswing in 2012 and a virtual economic stagnation in 2013 with an average annual GDP decrease of 0.7% in 2012-2013 (projections from the Bank of Spain). European institutional decisions will be vital to shape the confidence climate, softening or severing the actual unfavourable tendencies.

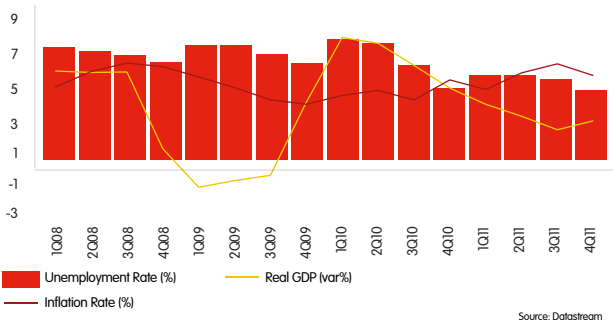
The economic activity dynamics during 2011 and the persistence of a high uncertainty level context were very harmful to the employment evolution. The unemployment rate increased to 21.6% in 2011, which covered near 5 million people. The year end values showed more job destruction, highlighting the services sector. The Bank of Spain projections indicate the risk of the unemployment rate rising above 23% in 2012-2013. The inflation rate decreased to less than 3% in the last months of 2011, approaching the subjacent inflation rate (1.7%), which attests the lack of significant domestic inflationary pressures.

moderation of domestic demand in Brazil boosted by the global economy weakness

The economic slowdown in Brazil is justified by several conjunctural factors: the deterioration in the external environment through the economic agents' expectations, the international trade evolution and the foreign direct investment; along with the mismatch of economic policies effects. The GDP did not change in the third quarter of 2011, having the lowest homologue growth in the year (2.1% vs. an average of 3.8% the previous quarters). A 3.0% - 3.5% growth is expected to 2011, below

the previous years. In 2012 a slight acceleration is expected supported by the potential dissipation of some uncertainty external focus and the monetary policy smoothing (less 1.5 b.p. in the target to the Selic rate to 11% at the end of 2011 – 10.5% in January 2012).

BRASILIAN ECONOMY PERFORMANCE



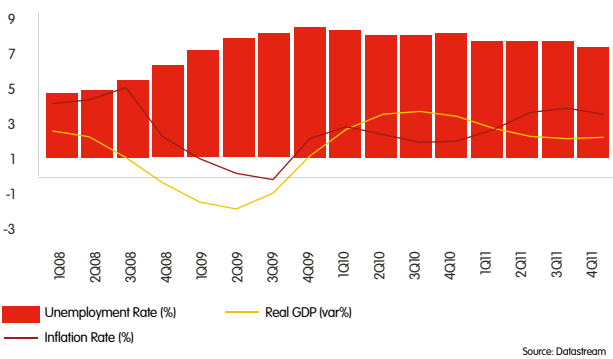
The Brazilian growth support and the economic policy adjustment were vindicated with increasing grade of Brazilian sovereign credit in 2011 by the major rating agencies, consolidating a low investment grade position, and with the reduction of the sovereign funding costs. The Brazilian stock index had one of the worst performances among peers. The Brazilian real depreciation, however common among emerging markets currencies, may have been amplified by regulatory changes that limit foreign exchange exposure in Brazilian banks.

The disinflationary process shall continue. To 2012-2013 the Central Bank of Brazil estimates an average inflation rate of 4.7% (vs. 6.5% in 2011). The main risk comes from the wage pressures and their propagation to other prices in the economy, emphasizing – for this purpose – the minimum wage increase for next years. The factors supporting domestic demand continue to indicate some robustness, based on the improvement of households income, the employment expansion (unemployment rate reach its historical minimum of 6%) and the credit availability.

North-American economy reaccelerated in late 2011

North-American economy kept a trend of moderated growth which intensified at the end of the year, overcoming the negative dynamics in other economic areas. The improvement in labour market and the preservation of an accommodative monetary policy had a positive impact in the confidence climate, allowing a recovery in private consumption, despite the deterioration in households' financial condition and the lack of recovery in the real estate market. Nevertheless, the GDP growth in 2011 was lower than the previous year (1.8% vs. 3.0%). The inflation rate shows a decreasing tendency during the year.

US ECONOMY PERFORMANCE



The North-American financial assets have indirectly benefited from the recurrent instability in the European markets. The sovereign debt rating review and the struggling to find resolution mechanisms for the economy's highly indebtness had almost no influence in the North-American markets' performance. The public debt yields remained at historically low levels and the US Dollar slightly appreciated against the Euro.

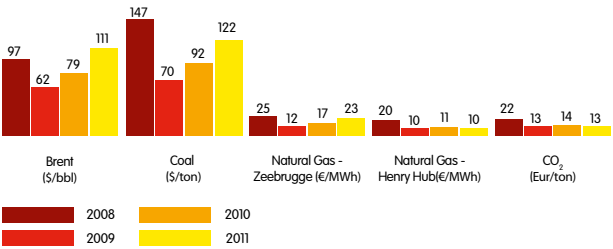
For the next years the recovering trend is expected to be maintained, supported in the monetary incentive, the resuscitation of credit and the stabilization of the confidence climate. This scenario is not risk-free, as it may be affected by the markets' volatility, the weakness of the real estate market and higher budget retroactivity. The inflationary pressures will remain immaterial in the context of business expansion below potential.

energetic framework

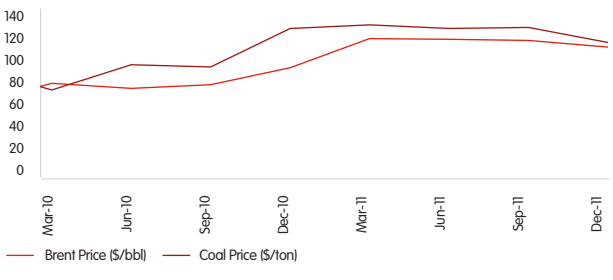
After the economic recovery observed in 2010 – with relevant growth in both electricity and natural gas consumption in Europe and in the United States – 2011 was characterized by a slowdown in economic activity of the developed world. As a result, electricity and natural gas consumption fell across most European countries. In Portugal, electricity demand fell 3.2% (2.3% adjusted for temperature and labour days) and in Spain fell 2.1% (1.2% adjusted). In the United States, electricity consumption remained near stagnant.

Despite the economic slowdown observed in developed countries, energy prices rose significantly relative to 2010 levels. These price developments are, on one hand, supported by the strong demand for fossil fuels from emerging markets, such as China and India. Additionally, the earthquake/tsunami in Japan and the European government positions on nuclear closures after Fukushima motivated an increase in natural gas demand, easing global LNG surplus. On the other hand, the geopolitical instability across the Middle East and North Africa threatened oil supplies.

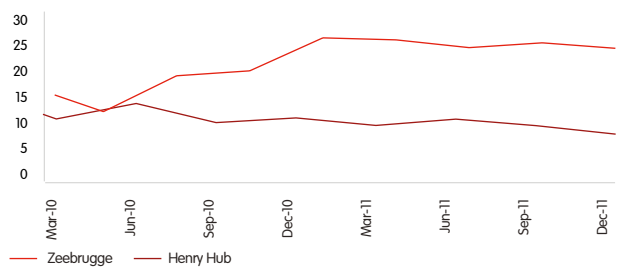
FUEL AND CO₂ ANNUAL AVERAGE PRICES



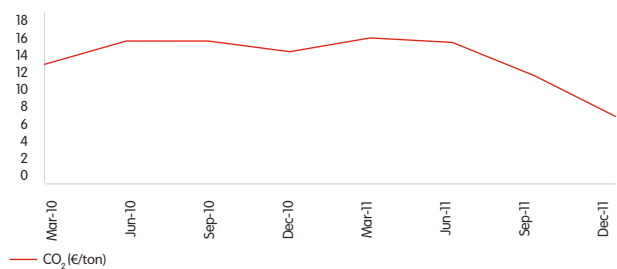
BRENT AND COAL PRICES



NATURAL GAS PRICES (ZEEBRUGGE AND HH, €/MWh)



CO₂ PRICE

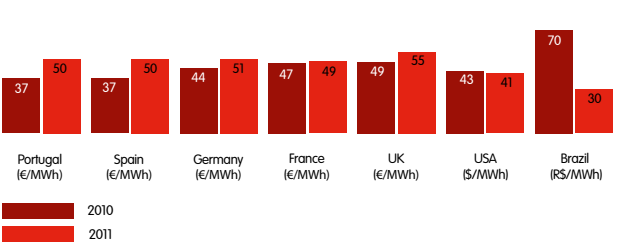


In this context, oil prices (Brent, European index) rose 40% against 2010 levels, with average oil prices for the year as a whole registering a record high above 110 \$/bbl. Coal prices (API#2, European index) grew 32% against 2010 levels, having registered an average value for the year above 120 \$/ton, the second-highest on record. Natural gas in Europe followed this upward trend, with the Zeebrugge gas index registering values in the 22-24 €/MWh range, a 32% growth against 2010 levels. In opposition, prices fell in the United States, where shale gas production continued to increase and inventories of gas storage registered record highs. The Henry Hub gas index fell 13% relative to 2010 levels, registering an average value of 10 €/MWh for the year. In Europe, CO₂ allowances prices in the EU ETS (Emissions Trading Scheme) fell sharply during the second half of the year. 2011 average price was 10% below the 2010 value, mainly justified by the slowdown of the European economic activity and an environment of high regulatory uncertainty. In particular, the European Commission's Energy Efficiency Directive proposal published in June and the beginning of the sale of allowances from NER300 increased fears of excess pollution permits over the next decade, putting further downward pressure on carbon prices.

As a result of this fuel price evolution, European wholesale electricity market prices ("pool") increased in 2011 compared with 2010 values. In the Iberian market, MIBEL, prices were around 50 €/MWh, aligned with other wholesale European markets. Despite the lower electricity consumption, residual thermal demand increased more than 7%, pushing pool prices up. This increase in thermal demand was mainly driven by a decrease in hydroelectric generation (2010 registered very humid conditions, against below average rainfall recorded in 2011).

In the first half of 2011, marginal costs of combined cycle gas plants were lower than those of coal. However, this situation changed in the second semester, mainly due to the increased price of gas contracts indexed to oil prices, the large fall in CO₂ price and the moderate fall in coal prices. Regarding annual volumes of thermal generation, natural gas output decreased against 2010 values, which was more than compensated by the strong increase in coal generation (in Spain, coal output almost doubled from 2010 to 2011). Besides the relative competitiveness between conventional thermal generation technologies, contributing to this strong recovery of coal generation was the Royal Decree-Law 1221/2010 in Spain that forced domestic coal-burning plants to generate (~23 TWh/year).

SPOT PRICES EVOLUTION ON WHOLESALE MARKETS



Note: Spot price in the United States refers to average price of the following trading points: NE-ISO Mass Hub, MISO Cinergy Hub, ERCOT Zone N, NYISO Zone J, NYISO Zone A, PJM Western Hub, CAISO NP-15.

In the United States, electricity prices fell across most of the country, with many markets mirroring the decline in natural gas prices. In general, the lower North American prices compared to European prices are explained by lower gas prices and the inexistence of CO₂ emissions cost.

In Brazil, in opposition with what happened in Europe and in the USA, electricity consumption increased by 3.8% up to November 2011 against the same period in 2010. On the supply side, in August 2.7 GW of new capacity were auctioned (of which ~1 GW is natural gas and ~1 GW is wind power) to be commissioned in 2014/2015. The average price of this auction was 102 BRL/MWh (~45 €/MWh), with wind power registering lower prices than thermal generation. In December, another 1.2 GW more of new capacity were auctioned (of which ~1 GW is wind power) to be commissioned in 2016, with an average price of 103 BRL/MWh. In the spot market, wholesale electricity prices fell significantly against 2010 levels as a result of an intense rainy season and the high level of water reservoirs.

regulatory framework

developments in the European Union

European energy policy

Early in 2011, the European Commission announced 4 commitments to ensure a competitive, sustainable and secure energy for Europe: completing the internal market for energy until 2014; no Member State be an energy island after 2015; increase energy efficiency; and enhance coordination of EU foreign policy on energy.

Special emphasis was given: to give legal certainty to private operators to plan and invest; to implement open and competitive energy markets; to promote integrated and intelligent infrastructures and interconnections; and to strengthen energy efficiency measures, trend that still diverges to the strategic objectives, particularly in transport and building areas, in conjunction with the decarbonisation targets (whose "Roadmap for a low-carbon economy", published in March, covers all sectors of the economy) and economic growth.

The Florence Forum, which brings together the key players in the European electrical sector, focused its conclusions in the completion of the internal market by 2014, in the work of "Regional initiatives", in the infrastructure and financing program – in which the European Commission has proposed a significant long-term 50 billion euro plan, of which 9.1 billion euro for electric grids – and in integrity and transparency of information of energy markets, stressing the need for implementation of REMIT European Regulation – 1227/2011, which entered into force on 28 December, whose major rules are already implemented in Portugal.

electric sector

regulatory developments for the framework of the electricity sector in Portugal

memorandum of understanding

In the context of the external financial Assistance program to which Portugal appealed, in May was concluded a Memorandum of Understanding which included a number of measures impacting the electricity sector and its regulatory developments. The transposition of Directive 2009/72/EC of the European Parliament and the Council, of July 13 (3rd EU energy package) by Decree-Law 78/2011, of June 20, was the first measure of the Memorandum to be achieved.

Also completed was the timetable to eliminate the regulated sale tariffs, aiming their replacement by free prices schemes and complete liberalization from January 1, 2013, as well as the protection of vulnerable consumers, following the new social tariff, based on social and economic criteria; an extraordinary social support system to the energy consumer (ASECE) was created by Decree-Law 102/2011, consisting of a discount to the price of supply in addition to the social tariffs of electricity and natural gas.

The Memorandum also established a timetable for the review of support systems for cogeneration and renewable energies, as well as to the additional costs associated with the generation ordinary regime. Finally, the Memorandum provided for the revision of the 2011 energy taxation scheme.

transposition of the “EU 3rd energy package”

The transposition of Directive 2009/72/EC was included in the revision of Decree Law 29/2006, carried out by Decree Law 78/2011, realizing one of the measures of the memorandum before mentioned. This Act increases the separation of regulated activities and the free market, as well as the powers of the regulatory authority and the protection of consumers. However, this Decree Law will be supplemented with new legislation that adjusts Decree Law 172/2006. The new legal framework reformed the generation special regime, which may sell energy through organized markets or bilateral deals, with conditions to be regulated, also allowing these operators to provide system services.

The elimination of regulated sales tariffs was also promoted, as well as a transitional regime, with tariffs to be determined by ERSE for those customers who have not contracted with a supplier in the liberalized market, with a limit of 3 years. A rule was established for the pass through of additional costs with the acquisition of energy in the generation special regime, mandatory for 2012 tariffs and optional until 2015, whereby ERSE will fix the revenues of regulated companies over a period of 5 years. Within the referred new legal framework, ERSE has revised the applicable Regulations.

tax

From October 1st the VAT rate applicable to the supply of electricity and natural gas has increased from 6% to 23%. The 2012 State budget, approved by Law 64-B/2011 of 30th December, instituted a new electricity tax, setting the rate at € 1/MWh, with exemption for supplies intended for the production of electricity, electric traction transport and consumers economically vulnerable beneficiaries of social tariffs.

regulatory developments for the framework of the electricity sector in Spain

tariff deficit

Royal Decree-Law 6/2010 has changed Law 54/1997, establishing: (i) from January 2013, access tariffs should be sufficient to recover the full costs of the regulated activities, without any “ex-ante” deficit (ii) a transitional period, limiting the inadequacy of revenue, and (iii) the

transfer of credits to the securitization Fund, supported by the State. It is estimated a total tariff deficit of 22,000 M€ at December 31, 2011.

Presented below, is the timetable to eliminate the tariff deficit:

YEAR	MAXIMUM DEFICIT
2010	5,500M€
2011	3,000M€
2012	1,500M€

During 2011 there were 11 bond issues relating to tariff deficit, through the FADE (Depreciation Fund of Electric Tariff Deficit) with a total amount of € 9,811M transferred by companies for the FADE.

tariffs

As a result of concerns about the tariff deficit, the Royal Decree 1202/2010 stipulates the possibility of quarterly reviews of access regulated tariffs and last resort tariffs.

Royal Decree 302/2011 stipulates a settlement mechanism for price differences, through which last resort suppliers buy financial products for an amount of energy equivalent to the difference between the volumes to which it applied for and those that are assigned through CESUR auctions. The sellers are the producers in special regime with regulated tariffs.

generation

According to the Royal Decree-Law 14/2010, since 2011 producers in ordinary and special regime support a rate of € 0.5/MWh to finance the sustainability of costs to access the electrical system. Producers also support the cost of energy efficiency and reduction policies (4.38% corresponds to HC) over the period 2011-2013, as well as the cost of social tariff until 2013.

national coal

In a demand reducing context, as well as increased electric generation through renewable resources, in 2011 started the scheme provided for by Royal Decree 134/2010, which instituted a procedure for the provision of security restrictions on supply of electricity, requiring the operation of power plants using domestic coal, on a transitional basis for the period 2011-2014. HC participates in this procedure with the Group 3 of the coal-fired Soto de Ribera, with a regulated price per MWh produced.

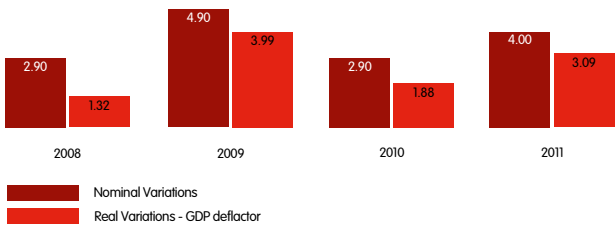
capacity payments and availability service

Under the capacity payments regime, fixed by Law 54/1997, the Ministerial Order ITC 3127/2011 regulated the availability service, as a way to promote in a time horizon of one year or less, the availability of plants that would not be available without a specific payment. Capacity payments also include investment incentives laid down by Ministerial Order 2794/2007, paying annual fixed amounts for investment in generation under ordinary regime. Additionally, the said Ministerial Order ITC increases the value of the investments incentive of € 20,000 to €26,000 euro per MW installed, since mid-December 2011.

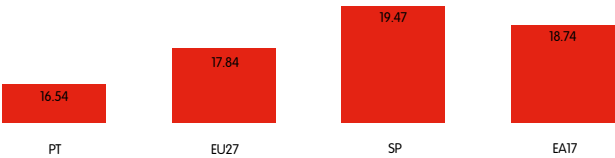
tariff developments in Portugal and Spain

In Portugal, over the past four years, the average prices of electricity supply tariffs, at low voltage, have an annual growth, in real terms, of about 2.2% and grew at an annual average increase of 4.4% in all other voltage levels.

NOMINAL AND REAL AVERAGE ELECTRICITY PRICES VARIATION IN PORTUGAL (%)



AVERAGE ELECTRICITY PRICES (EURO CENT./KWH)



Source: Eurostat. 1st Semester 2011
Household costumers in consumer band Dc (annual consumption between 2500 and 5000 kWh)

In 2011, supply tariffs in Portugal rose on average by 4.0% vis-à-vis 2010 tariffs, while network access tariffs grew 12.3% face the previous year. In Spain, the tariffs of last resort for residential consumers (TUR) rose 9.8% (average), while access tariffs remained unchanged for the first quarter of 2011. In July, the access tariffs decreased by 10.9%, allowing keeping unchanged the TUR until September. In October, due to rising energy costs, the TUR increased 1.5%. However, it was set a new access tariff and a TUR for the period “super off-peak” with hourly restrictions.

When compared, the prices of electricity in Portugal, in the first half of 2011, to households in annual consumption band between 2,500 and 5,000 kWh, are 11.7% below average of the 17 countries of the Euro area and 7.3% below the average for the EU 27. In the case of Spain, electricity prices are 3.9% above average of the countries of the Euro area and 9.1% above EU average.

regulatory development for the framework of the electricity sector in Brazil

It was concluded, in November, the Public Hearing number 40/2010, which set the methodology for the third round of Tariff Revisions in the distribution. In this context, the WACC was reduced from 9.95% for 7.50%, mainly due to the improvement of rating of country risk; the X factor also received major changes, incorporating incentives or penalties of up to 1% of the revenues, respectively in the case of improvement or decrease of quality; for operational costs was defined a competition scheme between companies through benchmarking, where efficient companies can pass-through the tariff operating costs above their actual costs. Due to the lengthy process of definition of methodologies, there was no tariff review for the Bandeirante, scheduled for October; its tariffs are frozen and the tariff review should occur in October 2012, simultaneously with the tariff adjustment. For Escelsa, the new rules will only be applied only in August 2013.

In generation, the recalculation methodology of Effective Guarantee allowed, due to increments of efficiency and power, an increase of 21MWm for hydro plants Peixe Angical power plant (9.5 MWm) and Mascarenhas (11.5 MWm). Also relevant was the evaluation of all regulatory risks that allowed the acquisition by EDP Group of the 373 MW hydroelectric project of Santo Antônio do Jari, under construction in northern Brazil.

gas sector

regulatory development for the framework in Iberia

In Portugal, it was published the Decree Law 77/2011, of June 20, transposing into national law the directive 2009/73/EC of the European Parliament and of the Council, of July 13, under the “EU 3rd energy package”. This new decree amends the Decree Law 30/2006 of June 15, covering to organisation of the natural gas sector in liberalized environment. Fundamentally, reinforces the separation of regulated activities and the free market, as well as the powers of the regulatory authority and consumer’s protection. The free market still lacks of consequential amendments to DL 140/2011 of July 26 and regulation of the sector under the responsibility of ERSE.

Similar to the electric sector, was created the social tariff for the supply of natural gas (DL 101/2011 of Sep., 30) for economically vulnerable customers entitled with a supply contract and annual consumption less than 500 m³. Social tariff is a discount rate on low pressure access tariffs. The value of the discount is determined by ERSE, and will be supported by all clients through natural gas access tariffs. Additionally, Decree Law 102/2011 created the extraordinary social support to the consumer of energy (ASECE) aimed to individual consumers in a position to benefit from the social tariff. The ASECE corresponds to a discount on invoices that hits on the gross price of supply. This support, funding by the State budget, was designed to somehow overcome the effects of the rise in the rate of VAT of 6% to 23%, also since October 1st.

In Spain, the last resort tariff was updated in April, July and October, in view of the rising cost of gas. In accordance with the provisions of the Ministerial Order 3128/2011 supplier have to keep strategic reserves of gas corresponding to 20 days supply volume in the previous year, instead of the previous 10 days.

Finally, as a consequence of the change of Government in Spain, was suspended the legislative process on the planning of infrastructure and to amend the Royal Decree 1434/2002, which defines the legal regimes framework of the sector activities, switching of supplier and others.

renewable energy

global regulatory review

The Fukushima incident led to intense debate on the role of nuclear power in the world and stressed concerns about nuclear energy, with many countries reconsidering their strategies. In particular, several Governments in Europe questioned the increase of its share of nuclear energy to meeting the carbon emission targets. In sequence, at least 8 countries have abandoned plans to install new reactors. Germany had the most significant reaction: closed its 7 oldest nuclear power stations and decided to close all nuclear power stations until 2022, reverting the policy defined in November 2010, when announced 10 years of life extension in average of nuclear power plants. There followed several measures and referenda in other European States, such as Italy, Switzerland and Belgium, by adopting plans for decommissioning of nuclear power stations and abandoning new projects.

In other European countries, even without relevant changes, the debate was kept around the reliability, security and future of nuclear energy. In any case, many experts consider that political changes will affect the availability of nuclear power in the short and medium term, which most likely will promote appropriate policies for the construction of new renewable projects.

In November and December, was held in Durban, South Africa, the United Nations Summit on Climate Changes. Overcoming various difficulties, the Summit produced agreements on a number of relevant aspects. For the first time, industrialized and developing countries agreed to continue negotiations for a single global agreement until 2015. This is the first time that China, India and the USA signed a binding agreement.

Significant was also the agreement to extend the Kyoto Protocol (which was due to expire in 2012), until 2017 or 2020, to decide on 2012, which will enable the continuation of the clean development mechanism.

strategic agenda

EDP's strategy stands in 3 axes, presented in 2006 – Controlled Risk, Superior Efficiency and Focused Growth. EDP believes that these 3 axes are distinctive compared to its competitors, giving it the capacity of growth associated to low risk and positioning it as a reference in terms of efficiency. Based in these 3 axes, EDP presented in 2008 its strategic agenda for the four years 2009-2012, made up of ten points:

controlled risk:

- 1▶ Management of the regulatory agenda to keep the low risk profile that typifies EDP Group's activity;
- 2▶ Proactive management of exposure to the energy markets through risk hedging strategies;
- 3▶ Reduction of CO₂ emissions through investments in generation capacity with low CO₂ emission levels;
- 4▶ Solid capital structure, based on continued improvement of debt ratios;

superior efficiency:

- 5▶ Selective investment policy, favouring investments with greater return and low risk;
- 6▶ Incremental efficiency gains across all businesses and countries;
- 7▶ Promotion of a culture of integration across all countries;

focused growth:

- 8▶ Wind energy: Focus on projects with high return and implementation of current 'pipeline';
- 9▶ Hydroelectric energy: Gradual increase in capacity in Portugal by implementation of current 'pipeline';
- 10▶ Brazil: Execution of current generation projects and thorough analysis of new opportunities.

Since 2005, EDP recorded a compound annual growth rate of EBITDA of 11%/year, sustained by the two major growth platforms of the

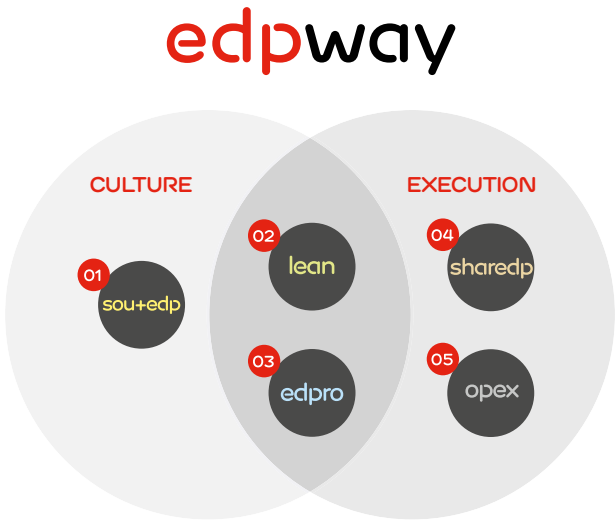
Group: Renewables and Brazil. These two platforms, which in 2005 weighted 23% of EBITDA, represent now in 2011 almost 40% of total operations. Despite EDP's business mix change, its low risk profile was kept intact. As of 2011, like in 2005, the weight of liberalised business continued below 10% granting a strong previsibility to earnings and cash-flow. EDP also intensified during this period its internationalisation process with the acquisition of Horizon Wind Energy in 2007 which made possible the entrance in the north-american market and with the Initial Public Offer of EDP Renewables in 2008, which leveraged the entrance in new geographies, namely in eastern Europe, and allowing a presence in 13 different countries.

This period was also marked by a strong step towards efficiency, namely through the successful execution of two opex programs, which led to the decrease of the opex/gross profit ratio from 38% in 2005 to 27% in 2011. In these 6 years, EDP also concluded a significant divestment program which totalled 1.67 billion euros, versus an initial target of 1.5 billion euros, including, in the energy sector, the reduction of the stakes in REN and EDP Brasil and, in Telecom and IT, the sale of ONI, Sonae.com and Edinfor. As a result, and despite a capex plan of almost 16 billion euros in the last 6 years, of which nearly 60% aimed at renewables and Brazil, EDP managed to improve its Net Debt (excluding regulatory receivables)/ EBITDA from 4.4x in 2005 to 4.1x in 2011.

At the end of 2011, in the context of the 8th phase of reprivatization, EDP and China Three Gorges (CTG) established a strategic partnership. EDP and CTG, China's largest clean energy group, will combine efforts to become worldwide leaders in renewable energy generation, by means of a strategic partnership in renewable generation projects, where EDP will lead in Europe, US, Canada, Brazil and other selected South American markets and CTG will lead in Asia markets where it is present and/or it has technological or industrial advantage. In accordance with the envisaged partnership, CTG will invest €2bn until 2015 for stakes between 34-49% in 1.5 GW of operational and ready-to-build renewable energy generation projects, from which €800M in the first 12 months after the closing of the partnership. Moreover, the partnership with CTG includes a firm funding commitment by a Chinese financial institution to EDP at corporate level in the amount of up to €2bn for a maturity up to 20 years. This partnership strengthens EDP's credit profile through the increase of EDP's financial liquidity position with the extension by two years of the coverage of EDP's financing needs till mid-2015 and targeting a Net Debt/EBITDA ratio below 3.0x by 2015.

edp way

Assuming its role as the integrating instrument for the five cross-company and transformational projects of the EDP Group, the 'EDP Way' pursued in 2011 the consolidation of a group culture and the reinforcement of the capability to execute the strategic options previously created by EDP. Throughout 2011, the unity among these projects and their corporate vision was greatly reinforced, having also been achieved communication and change management synergies, highlighting the EDPWay Day, which mobilized more than 1,000 participants.



Sou+EDP: this project, focused on the human capital, encompasses a set of initiatives on 3 axes: corporate attractivity, internal mobility and communication and mobilization. Corporate attractivity of the EDP Group increased due to a series of activities undertaken at universities and job fairs, and also to the recruiting programs that were launched in the meanwhile, such as OnTop and Talent City. Regarding Internal Mobility, it should be highlighted the creation of a mobility dynamic through the preparation and publication of the applicable procedures.

Lean: the Lean approach was gradually consolidated and extended across the EDP Group throughout 2011, having reached a total of 11 business units. At the same time, the Lean project management was particularly focused on developing an action plan aiming at the sustainability of this approach within the Group, having conducting for this purpose a diagnosis based on a survey directed to the main stakeholders in the project. It should be also emphasized the development of a training offer at distinct levels within the Group, including both the EDP University and the general training catalogue.

EDPro: this project, focused on an effective management of the Group's key processes, concluded in 2011 the first annual process improvement planning cycle, a fundamental instrument for mobilizing and coordinating all main participants in process management within the Group. Still during 2011, it was conducted a revision of the operating model for the Business Process Management IT support tool. It should also be pointed out that American Project and Quality Center, an US-based organisation working with over 700 of the Fortune 1000 companies, selected EDP as 'best practice partner' for its 'Building strong process management capabilities' project.

SharEDP: During 2011, it should be highlighted the completion of the projects which provided the harmonization of procedures and practices at Iberian level concerning treasury management and suppliers invoicing with automatic data capture, among others. Regarding the Lynx project, concerning the implementation of the new SAP R3 multi-geographies and of great transformational

potential, it should be emphasized the roll-out of the HR module across some of the main business units. On the ShareCom component, it should be pointed out the preparation of the Iberian Management Information System, the convergence of the contact centre model for the Iberian Peninsula and also the integration of the commercial support services in Spain.

Opex: this project, focused on the optimization of the EDP costs base achieved savings of €159M in the previous year, two years before the target (€160M in 2012). In these circumstances, during 2011, priority was given to the internal launch of the third vague of this project in the context of the preparation of the new business plan.

Transversal to EDP culture, the company integrates **sustainability** in all its activities, keeping five major guidelines until 2012:

- 1▶ Deepening of Sustainability and Environmental Management in the management and control systems of the Group;
- 2▶ Identification of best practices and promotion of internal and external partnerships;
- 3▶ Reinforcement of skills related to the management of environmental risk and responsibility;
- 4▶ Development of a company-wide culture of excellence in sustainability performance;
- 5▶ Widening to the several stakeholders of the Group the application of tools that allow the gathering of expectations and valuation of the Group's performance.

These guidelines are met through an annual Environment and Sustainability Operational Plan and are framed by the base model of the Dow Jones Sustainability Indexes. Sustainability management occurs at diferent levels of the organisation, from strategy to operation. For further information about the Group's sustainability organisation, refer to Corporate Governance, EDP Functional Structure, or at www.edp.pt/sustainability.

challenges and objectives

AREAS OF ACTION	OBJECTIVES	GOALS	DATE
ECONOMIC AND SOCIAL VALUE	To focus the growth	EBITDA growth 2009-2012: 7%-8%	2012
		Net Profit growth 2009-2012: 6%-8%	2012
	To promote internal efficiency	OPEX reduction of 160 M€	2012
	To control risk exposure	Net Debt/EBITDA: ~3.5x	2012
	To improve the integration of sustainability practices in the internal management	Keep the SAM Gold Class	2012
ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION	Focus the growth to a cleaner production	In 2020, reduce CO ₂ specific emissions by 70% compared to 2008 values	2020
	Strengthen an appropriate environmental management of EDP's activities	More than 1,300 MW of installed capacity certified by ISO 14001;	2012
		More than 945 MVA (20 substations) certified by ISO 14001, in the Distribution activity	2012
INNOVATION	To promote the competitiveness and productivity through innovation	To finance Research & Development and Innovation projects of EUR 63.6 million	2012
INTEGRITY AND GOOD GOVERNANCE	Strengthen the ethics in all EDP's employees' culture	Incorporate the list of the World's Most Ethical Companies by Ethisphere Institute	2012
TRANSPARENCY AND DIALOGUE	Report transparently and ensure an open and trusting relation with the stakeholders	Review the model of stakeholder engagement	2012
		A multifunctional and attractive Annual Report in a web format	2012
HUMAN CAPITAL AND DIVERSITY	Strengthen health and safety management in all EDP's Group	Having a certified Corporate Safety Management System	2013
	Work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers, by 5% compared to 2011	2012
	Keep a high level of employee satisfaction	100% implementation of the Action Plan	2013
ACCESS TO ENERGY	Keep or improve the quality levels of technical and commercial services provided to our clients	Ensure that ICEIT and EIDC are above the levels set by Regulators	2012
SOCIAL DEVELOPMENT AND CITIZENSHIP	Enhance a close relation between the company and the society	Budget allocated to Fundação EDP: up to 0.1% of the group's turnover in 2011	2012
		Extend the Volunteer Program to all the Group	2012

Aligned with the Group's Principles of Sustainable Development, was designed a set of challenges and objectives which accomplishment demonstrates the company's commitment to address the challenges identified as materially relevant for the company and its stakeholders, according to the process found in the annexes in the "Reporting Principles" chapter.

performance

36	business
36	electricity business (excluding Brazil)
56	gas business in Iberia
60	electricity business in Brazil
64	ethics
64	ethics in edp
64	work of the ethics ombudsman
65	r&d and innovation
65	energy efficiency
65	electric mobility
66	renewable energy and distributed generation
66	distribution technology and smart grids
67	advanced generation technology
67	other innovation initiatives
67	organisation and sponsorship of innovation awards
68	environment
69	policy and strategy
69	operational activities
71	climate change
72	biodiversity
73	environmental costs and revenue
74	communication
74	the new edp brand
75	edp in the media
76	employees
77	human resources policies
77	edp employees
78	labour relations
78	attract and commit
78	value and develop
78	assessment of potential and performance
79	recognition of merit with fairness
79	balance professional, personal and family life and citizenship
79	generate opportunities
79	guarantee diversity and respect the value of the human being
79	innovate, motivate, engage, communicate and manage change
80	employee satisfaction
80	occupational health and safety
80	customers and products
80	description of customers
81	customers' voice
82	access to electricity
83	service quality
83	product safety
83	customer ombudsman
83	access to services and communication
84	privacy
84	energy efficiency
85	value-added products and services
86	suppliers
87	management and dialogue
87	good practices
89	monitoring contracts
90	community
91	ngo
91	local communities
93	impact of new projects
93	social investment
93	other support

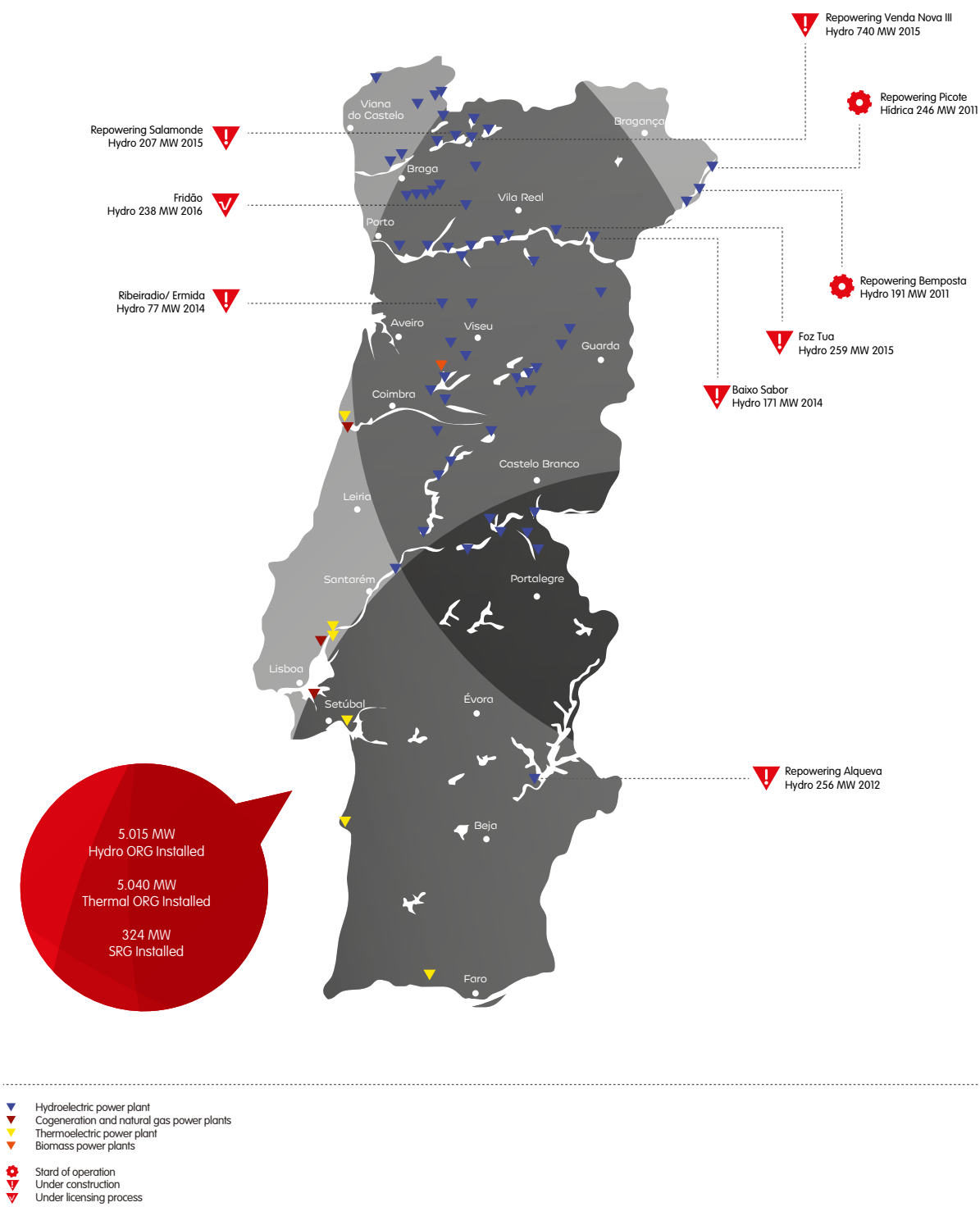


1. business

1.1. electricity business (excluding Brazil)

GENERATION ACTIVITY IN IBERIA - PORTUGAL

PRESENCE OF EDP GROUP IN THE ELECTRICITY GENERATION ACTIVITY IN PORTUGAL



main events of the electric generation activity in Portugal

In Portugal, EDP Group is present in the electricity generation activity under Ordinary and Special Regime through EDP Produção, and under special regime through EDP Produção Bioelétrica, Soporgen, Energin, Fisigen and Pebble Hydro

By the end of the year, the total installed capacity was 10,056 MW, of which 5,015 MW (49.9%) in hydroelectric plants and 5,040 MW in thermoelectric power plants.

2011 was characterized by inflows to the system below average, with an hydrological index of 0.92, quite lower than the 1.31 registered in 2010.

The Hydroelectric Ordinary regime generation was 10,485 GWh, 27% lower than the record generation in 2010 (14,376 GWh), as a consequence of lower hydraulicity. At the end of the year, the storage reservoirs level was about 46% of their maximum capacity (52% in 2010).

On the other hand, although the thermoelectric Ordinary Regime generation grew 8.4%, reaching 10,944 GWh, it was not enough to offset the loss in hydro generation.

The Special Regime generation dropped about 5% to 1,545 GWh, due to the lower hydraulicity.

The power requested in the mainland network was 9,192 MW, about 211 MW below the maximum occurred in 2010.

Regarding EDP Produção hydroelectric generation portfolio capacity, it is worth mentioning the conclusion of construction works and assembly of Picote (246 MW) and Bemposta (191 MW) repowerings. In the last quarter took place the start of operation tests and began the respective trial periods.

As planned, the construction works continued in the repowering of Alqueva (256 MW), entry into service scheduled to 2012, hydroelectric plants of Baixo Sabor (171 MW) and Ribeiradio/Ermida (77 MW) with conclusion scheduled for 2014 and Venda Nova III (740 MW) until 2015. In the beginning of the year were launched the constructions of Salamonde II (207 MW) and Foz-Tua (259 MW), which equipment supplies were already awarded.

In the same context, hydroelectric plant of Fridão (238 MW) is in the final phase of the licensing process. The works in the power plant are scheduled to be launched in mid 2012.

On the thermal portfolio, during 2011 were achieved the main efforts to the decommissioning of Barreiro power plant and the corresponding Environmental Requalification which shall be completed in March 2012.

In what concerns the power plants' certification, in addition to the maintenance of the registration in the Eco-Management and Audit Scheme (EMAS), it is important to highlight the "multisite" registration of more hydroelectric facilities: Caniçada, Salamonde, Cascata do Ave (Guilhofrei, Ermal, Ponte da Esperança e Senhora do Porto), Carrapatelo, Torrão, Crestuma-Lever, Castelo do Bode, Bouçã, Cabril and Santa Luzia.

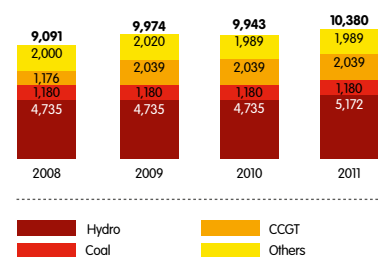
Finally, we emphasize the assignment by the Direcção-Geral de Energia e Geologia (DGEG) of the investment incentive to Alqueva, Ribatejo and Lares power plants, from 1st January 2011 to 1st June 2017 in the first two and until 1st December 2020 in Lares.

GENERATION IN IBERIA - PORTUGAL

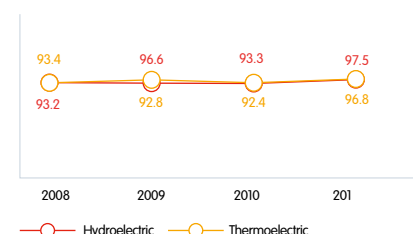
	UNIT	2011	2010	2009	2008
Installed Capacity in Portugal *	MW	14,819	14,198	13,304	12,262
EDP's Installed Capacity *	MW	10,380	9,943	9,974	9,091
EDP's market share *	%	70	70	75	74
Source: REN Technical data					
NUMBER OF GENERATING GROUPS*	#	192	190	190	186
Ordinary Regime Generation	#	116	114	116	114
Hydroelectric power plants	#	95	93	93	93
Command Centre	#	1	1	1	1
Generating power plants	#	3	3	3	3
Power plants	#	37	35	35	35
Thermoelectric power plants	#	21	21	23	21
Coal	#	4	4	4	4
CCGT	#	5	5	5	3
Fuel oil	#	10	10	12	12
Gasoil	#	2	2	2	2
Special Regime Generation	#	76	76	74	72
Mini-Hydroelectric power plants	#	67	67	67	67
Biomass	#	4	4	4	2
Cogeneration	#	5	5	3	3
INSTALLED CAPACITY AT 31 DECEMBER*					
Ordinary Regime Installed Capacity	MW	10,056	9,619	9,675	8,812
Hydroelectric power plants	MW	5,015	4,578	4,578	4,578
Thermoelectric power plants	MW	5,040	5,040	5,096	4,234
Coal	MW	1,180	1,180	1,180	1,180
CCGT	MW	2,039	2,039	2,039	1,176
Fuel oil	MW	1,657	1,657	1,713	1,713
Gasoil	MW	165	165	165	165
Special Regime Installed Capacity	MW	324	324	299	279
Hydroelectric power plants	MW	157	157	157	157
Biomass	MW	32	32	32	11
Cogeneration	MW	136	136	111	111
Total Capacity	MW	10,380	9,943	9,974	9,091
NET GENERATION*					
Ordinary Regime Generation	GWh	21,429	24,468	23,514	21,642
Hydroelectric power plants	GWh	10,485	14,376	7,642	6,435
Thermoelectric power plants	GWh	10,944	10,092	15,872	15,207
Coal	GWh	6,879	4,889	8,869	6,926
CCGT	GWh	4,072	5,156	6,696	7,481
Fuel oil	GWh	-6	46	307	801
Gasoil	GWh	0	1	0	0
Special Regime Generation	GWh	1,545	1,625	1,222	869
Mini-Hydroelectric power plants	GWh	439	622	368	170
Biomass	GWh	198	203	129	49
Cogeneration	GWh	907	800	725	650
Total Generation	GWh	22,974	26,093	24,736	22,511
ENERGY BALANCE					
Hydrological index	#	0.92	1.31	0.77	0.56
EDP Group power plants					
Hydroelectric output	GWh	10,485	14,376	7,642	6,435
Thermoelectric output	GWh	10,944	10,092	15,872	15,207
Mini-hydroelectric output	GWh	439	622	368	170
Wind power output (ENERNOVA)	GWh	1,391	1,472	1,273	1,026
Biomass output	GWh	198	203	129	49
Cogeneration output	GWh	907	800	725	650
EDP Group Net generation	GWh	24,364	27,565	26,009	23,537
Direct sales to industrial costumers	GWh	0	0	0	0
Output to grid (EDP Group)	GWh	24,364	27,565	26,009	23,537
Other generators with PPA	GWh	8,814	7,701	8,088	8,596
Other generators SRG	GWh	15,256	14,821	11,927	9,670
Importer/(Exporter) balance	GWh	2,813	2,623	4,777	9,431
Pumped hydroelectric storage	GWh	-737	-512	-929	-639
Consumption Related to output	GWh	50,509	52,198	49,872	50,595
Synchronous compensation	GWh	-1	-0	-1	-0
Own consumption in generation	GWh	-6	-5	-5	-5
Energy Delivered to Distribution	GWh	50,502	52,193	49,866	50,590

* Excludes wind

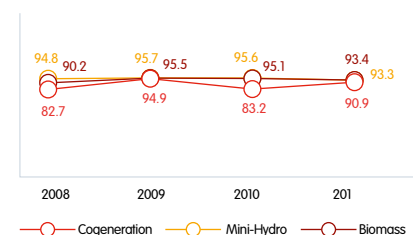
GENERATION PORTFOLIO (MW)



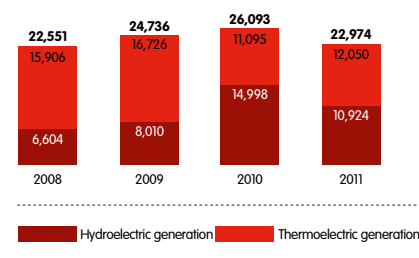
ORDINARY REGIME GENERATION - AVAILABILITY (%)



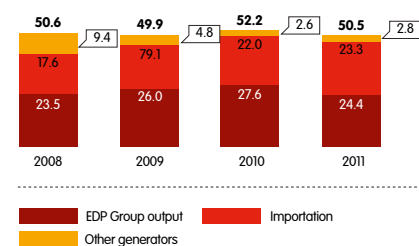
SPECIAL REGIME GENERATION - AVAILABILITY (%)



NET GENERATION (GWh)



ENERGY BALANCE 2011 (TWh)



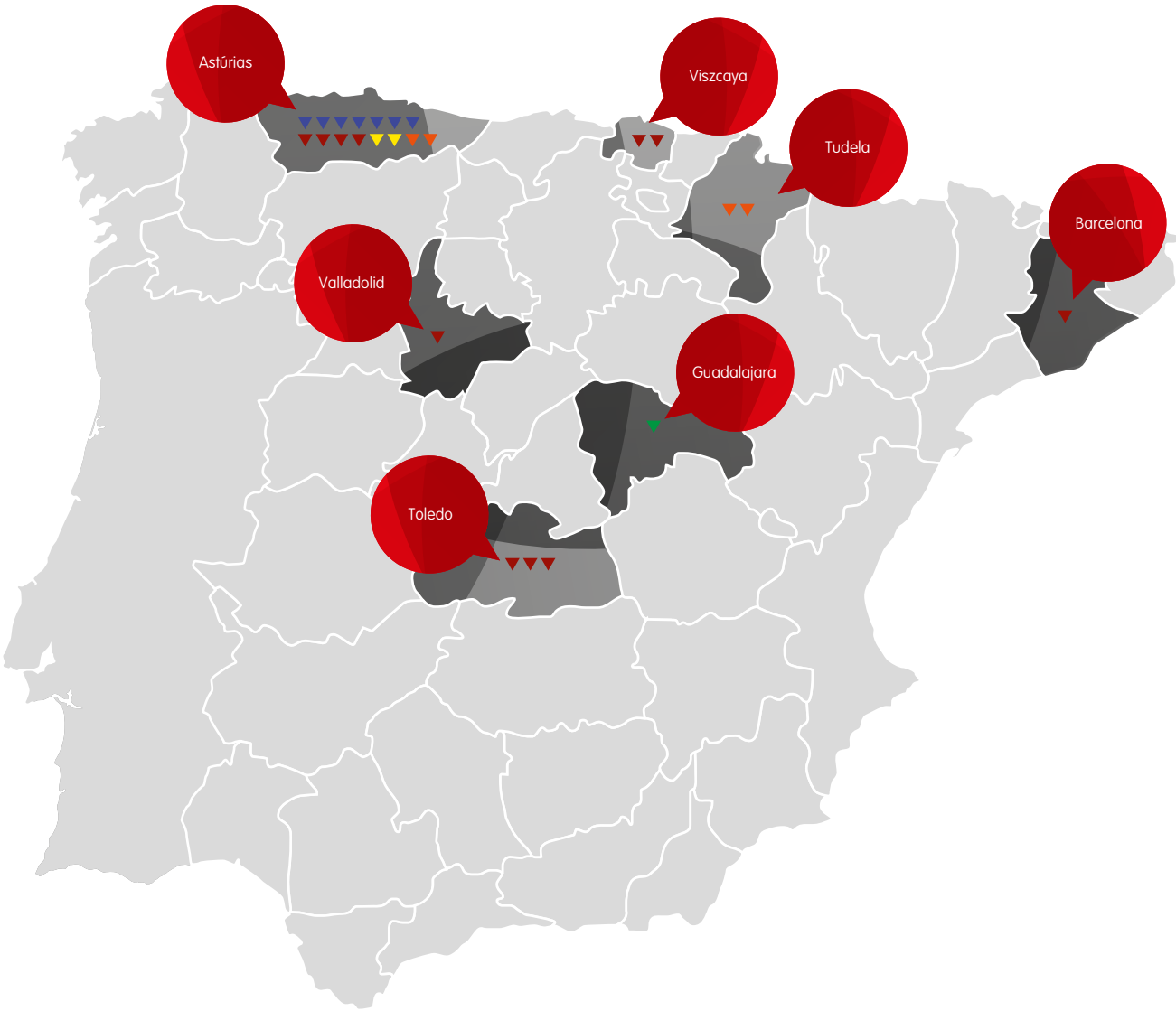


1. Alqueva Repowering
2. Venda Nova III Repowering
3. Bemposta Repowering
4. Baixo Sabor Hydroelectric Power Plant (upstream generating plant)

GENERATION ACTIVITY IN IBERIA - SPAIN

PRESENCE OF EDP GROUP IN THE ELECTRICITY ACTIVITY IN SPAIN*

*EXCLUDES WIND POWER



- ▼ Hydroelectric Power Plant
- ▼ Cogeneration Power Plants
- ▼ Thermoelectric Power Plant
- ▼ CCGT Power Plant
- ▼ Nuclear

main events of the electricity generation activity in Spain

In Spain, EDP Group is present in electricity generation through HC Energía under Ordinary and Special Regime generation.

By the end of 2011, the total installed capacity was 3,855 MW of which 426 MW (11%) from hydroelectric plants and 3,314 (89%) from thermoelectric power plants.

The total availability of coal plants was 97.3%, which confirms the excellent operation of the equipment, even more considering the extraordinary operating flexibility of these groups due to the complementary nature of coal over gas.

The availability of CCGT's was 98.7%. The combined cycle also had a very flexible operation, with frequent stops, attending to the requirements of the market.

In 2011 total generation decreased by 9% vs. 2010, due to both a lower hidraulicity and to lower thermal output. Nevertheless, the second half of 2011 saw the recovery of coal output (+26% vs. 2010) related to the decrease of CO₂ price which reached a minimum by December at 6.94€/ton.

The new capacity payment model has been applied since 2008, replacing the previous capacity guarantee model. There are two types of incentives: to investment (regulated in Order ITC 2794/2007) and to availability (regulated in Order ITC 3124/2011).

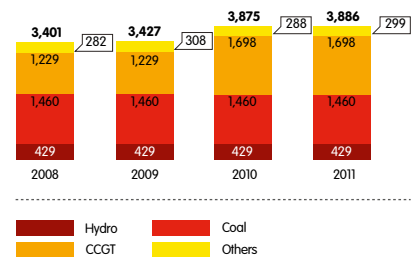
Royal Decree 134/2010 establishes a restriction procedure to guarantee the operation of power plants using domestic coal. This RD is transient (2011 - 2014). The Group 3 of HC power plant in Soto de Ribera, takes part in this procedure.

GENERATION IN IBERIA - SPAIN

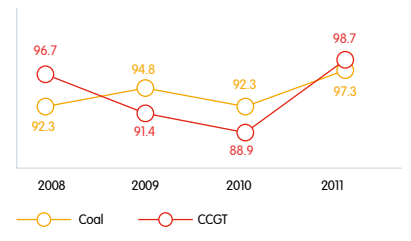
	UNIT	2011	2010	2009	2008
Installed Capacity in Spain *	MW	79,843	77,634	75,010	75,004
EDP's Installed Capacity *	MW	3,886	3,875	3,427	3,401
EDP's market share *	%	4.9	5.0	4.6	4.5
NUMBER OF GENERATING GROUPS*	#	37	38	40	38
Ordinary Regime Generation	#	21	21	20	20
Hydroelectric power plants**	#	12	12	12	12
Thermoelectric power plants	#	9	9	8	8
Coal	#	4	4	4	4
CCGT	#	4	4	3	3
Nuclear	#	1	1	1	1
Special Regime Generation	#	16	17	20	18
Hydroelectric power plants**	#	0	1	1	1
Thermoelectric power plants	#	16	16	19	17
Biomass	#	1	1	2	2
Cogeneration	#	9	9	11	9
Waste	#	6	6	6	6
INSTALLED CAPACITY AT 31 DECEMBER*					
Ordinary Regime Installed Capacity	MW	3,740	3,740	3,272	3,271
Hydroelectric power plants**	MW	426	426	426	426
Thermoelectric power plants	MW	3,314	3,314	2,846	2,845
Coal	MW	1,460	1,460	1,460	1,460
CCGT	MW	1,698	1,698	1,229	1,229
Nuclear	MW	156	156	156	156
Special Regime Installed Capacity	MW	146	135	155	130
Hydroelectric power plants**	MW	3	3	3	3
Thermoelectric power plants	MW	143	132	152	127
Biomass	MW	3	3	7	7
Cogeneration	MW	57	46	63	38
Waste	MW	83	83	82	82
Total Capacity	MW	3,886	3,875	3,427	3,401
NET GENERATION*					
Ordinary Regime Generation	GWh	9,904	10,942	11,346	12,416
Hydroelectric power plants**	GWh	584	1,038	877	812
Thermoelectric power plants	GWh	9,320	9,904	10,469	11,604
Coal	GWh	5,354	4,244	5,865	6,575
CCGT	GWh	2,754	4,470	3,491	3,831
Nuclear	GWh	1,212	1,190	1,113	1,198
Special Regime Generation	GWh	841	916	896	700
Hydroelectric power plants**	GWh	2	7	2	2
Thermoelectric power plants	GWh	843	909	894	698
Biomass	GWh	0	0	6	6
Cogeneration	GWh	300	356	369	192
Waste	GWh	541	553	519	500
Total Generation	GWh	10,747	11,858	12,242	13,117
ENERGY BALANCE					
Hydrological index	#	0.83	1.34	0.81	0.66
EDP Group power plants					
Hydroelectric output	GWh	584	1,038	877	812
Thermoelectric output	GWh	5,354	4,244	5,865	6,575
Nuclear output	GWh	1,212	1,190	1,113	1,198
CCGT output	GWh	2,754	4,470	3,491	3,831
Mini-hydroelectric output	GWh	2	7	2	2
Wind power output (ENERNOVA)	GWh	4,584	4,355	3,275	2,632
Biomass output	GWh	0	0	6	6
Cogeneration output	GWh	300	356	369	192
Waste output	GWh	541	553	519	500
EDP Group Net Generation	GWh	15,331	16,214	15,517	15,749
Other generators - ORG	GWh	169,621	178,227	181,116	207,924
Other generators - SRG	GWh	86,925	85,631	74,020	62,772
Importer/(Exporter) balance	GWh	-6,091	-8,333	-8,106	-11,040
Pumped hydroelectric storage	GWh	-3,215	-4,458	-3,763	-3,731
Consumption Related to output	GWh	262,571	267,281	258,784	271,673
Own consumption in generation	GWh	-7,247	-6,673	-7,081	-8,338
Own consumption in transmission grid	GWh	0	0	0	0
Losses	GWh	-2,771	-2,890	-3,090	-3,440
Energy Delivered to Distribution	GWh	252,552	257,718	248,613	259,896

* Excludes wind power
** Includes mini-hydro from EDP Renováveis

GENERATION PORTFOLIO (MW)



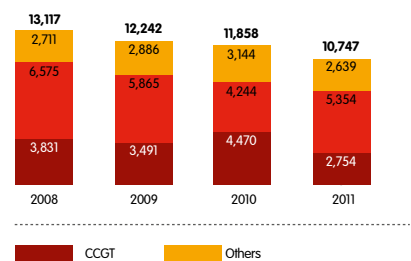
ORDINARY REGIME GENERATION - AVAILABILITY (%)



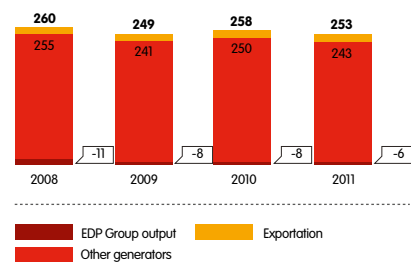
SPECIAL REGIME GENERATION - AVAILABILITY (%)



NET GENERATION (GWh)



ENERGY BALANCE 2011 (TWh)

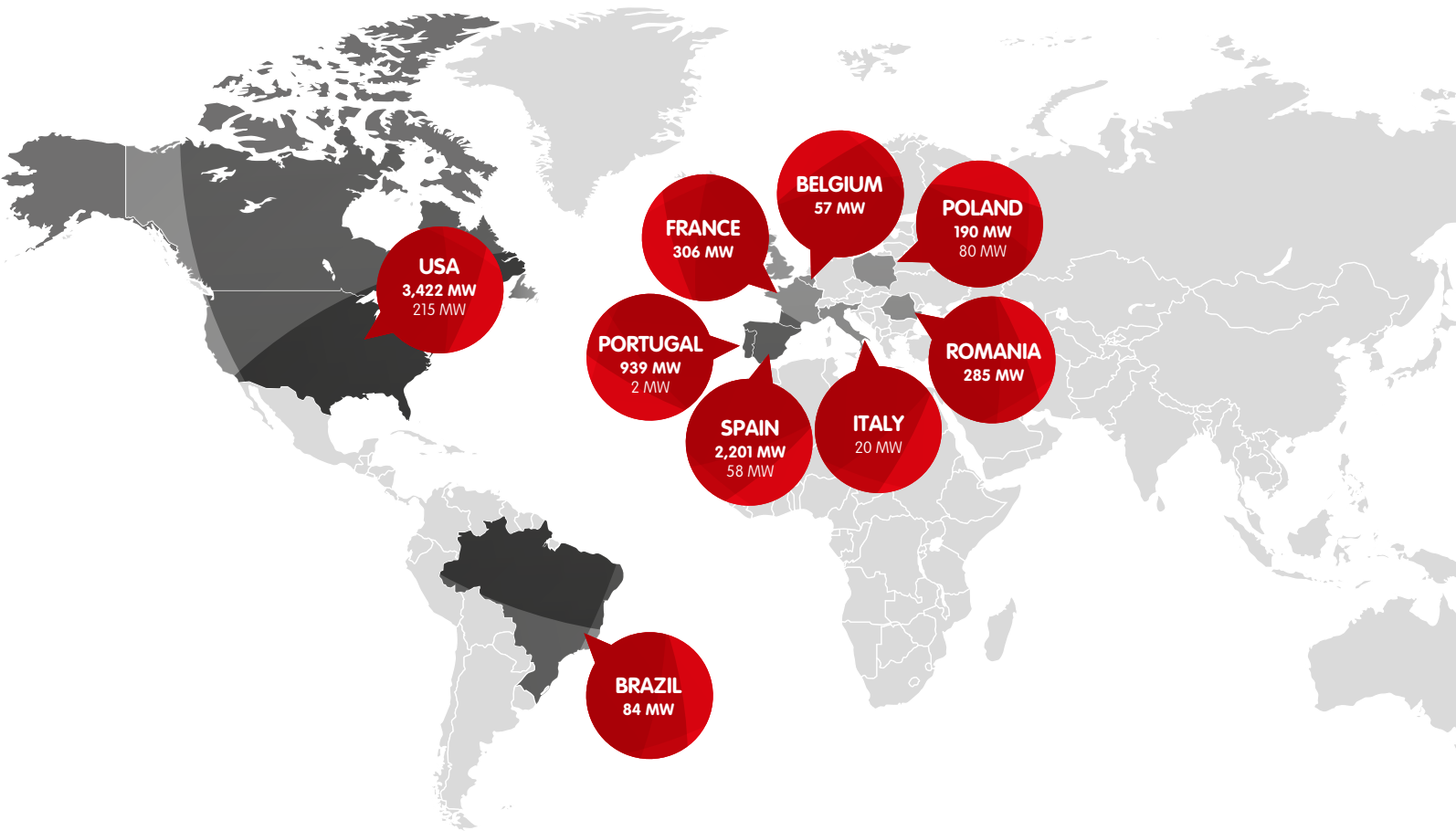




1. Castejón Combined Cycle Power Plant
2. Miranda Hydroelectric Power Plant
3. Soto Ribera Thermoelectric Power Plant

EDP RENOVÁVEIS

PRESENCE OF EDP GROUP IN THE OPERATION OF WIND FARMS IN THE WORLD



 MW Installed Capacity
MW under construction

main events of EDP Renováveis activity

EDP Group is present in the activity of wind 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.

In 2011, EDPR increased its capacity by 806 MW (12.1%), of which 538 MW (15.6%) in Europe, 198 MW (6.1%) in the U.S. and 70 MW in Brazil. By year-end 2011, EDPR held a market share of total wind energy installed capacity in Europe of 4% and in the U.S. of 7%.

The average load factor, in 2011, was 25% in Europe, 33% in the U.S. and 35% in Brazil. Operational excellence and prime location of EDPR's wind farms allowed the reach of superior net capacity factors comparing to the industry (as the case for Spain with +146 b.p.s).

EDPR - EUROPE (EDPR EU)

EDPR EU has been a top company in wind energy additions over the last few years, with a total wind energy capacity installed of 3,977 MW and a pipeline in various stages of development of 9.1 GW, including 160 MW under construction.

After the entry into operation of 87 MW in ENEOP2's wind farms, 2011 installed capacity in Portugal increased to 939.

In Spain, capacity installed was 2,201 MW after an increase of 151 MW versus prior year. At the end of 2011, there were 58 MW under construction.

In 2011, installed capacity reached 306 MW in France, after an increase in the year of 22 MW, while in Belgium it remained at 57 MW.

Poland saw a significant increase in capacity, as the 70 MW Korsze wind farm entered into operation in 2011. Year end installed capacity in Poland amounted to 190 MW.

In Romania, installed capacity increased to 285 MW as a result of the completion of the Cernavoda project (138 MW), and two new projects for a total increase of 195 MW.

2011 was an important year for EDPR UK. In June 2011 EDPR's interest in offshore projects increased from 1,500 MW to 2,500 MW through the establishment of a joint venture with Repsol Nuevas Energias.

As of December 2011, EDPR EU has the first MW under construction in Italy via the Villa Castelli (20 MW) wind farm.

EDPR - NORTH AMERICA (EDPR NA)

The activity in the U.S. is operated by the North American platform EDPR NA.

At the end of 2011, EDPR NA owned 29 wind farms in operation located in 11 different states, summing a total capacity of 3,422 MW, after the installation of new 198 MW during the year.

EDPR NA continued its development efforts in Canada, where it installed its first met towers in Ontario, opened a new office in Toronto, and established new prospects in Ontario and British Columbia.

By the end of 2011, EDPR NA held a pipeline of 10.3 GW, including 215 MW already under construction.

EDPR - BRAZIL (EDPR SA)

EDPR created a joint-venture in Brazil, in June 2008, together with EDP Brasil, named EDP Renewables Brazil (EDPR SA).

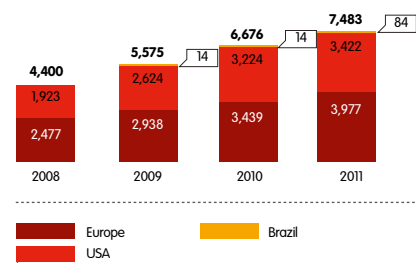
EDPR SA owned, at the end of 2011, a capacity in operation of 84 MW and a pipeline of 1,614 MW. 2011 was the year of the completion of the 70 MW Tramandai wind farm, one of the best wind farms in EDPR's portfolio of diversified assets.

EDP RENOVÁVEIS

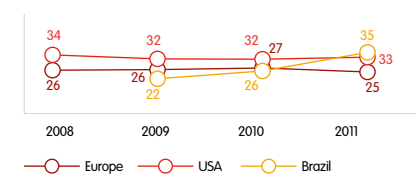
	UNIT	2011	2010	2009	2008
Wind Installed Capacity	GW	238	194	158	121
EDP Renováveis Installed Capacity	GW	7	7	6	5
Source: Global Wind Report 2010, GWEC: Wind Installed Capacity					
INSTALLED CAPACITY AT 31 DECEMBER*					
Europe**	MW EBITDA	3,977	3,439	2,938	2,477
Portugal**	MW EBITDA	939	838	680	553
Spain	MW EBITDA	2,201	2,050	1,861	1,692
France	MW EBITDA	306	284	220	185
Belgium	MW EBITDA	57	57	57	47
Poland	MW EBITDA	190	120	120	0
Romania	MW EBITDA	285	90	0	0
USA	MW EBITDA	3,422	3,224	2,624	1,923
Brazil	MW EBITDA	84	14	14	0
Total Capacity	MW EBITDA	7,483	6,676	5,575	4,400
LOAD FACTOR					
Europe	%	25	27	26	26
Portugal	%	27	29	28	27
Spain	%	25	27	26	26
France	%	23	24	23	23
Belgium	%	23	21	23	0
Poland	%	27	28	0	0
Romania	%	16	0	0	0
USA	%	33	32	32	34
Brazil	%	35	26	22	0
NET GENERATION*					
Europe	GWh	7,301	6,632	4,975	3,900
Portugal	GWh	1,391	1,472	1,275	1,028
Spain	GWh	4,584	4,355	3,275	2,634
France	GWh	589	489	346	238
Belgium	GWh	117	107	79	0
Poland	GWh	376	194	0	0
Romania	GWh	245	15	0	0
USA	GWh	9,330	7,689	5,905	3,907
Brazil	GWh	170	31	26	0
Total net generation	GWh	16,800	14,352	10,907	7,807
MWS UNDER CONSTRUCTION DURING 2011*					
Europe**	MW	160	176	232	292
Portugal**	MW	2	20	50	58
Spain	MW	58	57	61	92
France	MW	0	22	22	0
Belgium	MW	0	0	0	13
Poland	MW	80	0	22	60
Romania	MW	0	57	57	69
Italy	MW	20	20	20	0
USA	MW	215	314	144	99
Brazil	MW	0	0	0	70
Total MWs under construction	MW	375	490	376	461

*Excludes mini-hydro
** Includes ENEOP2

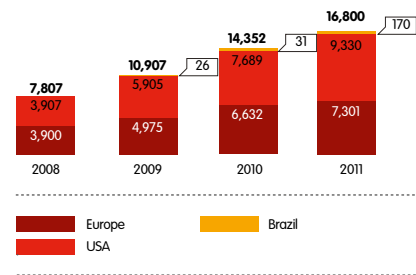
GENERATION PORTFOLIO
(MW EBITDA+ ENEOP2)



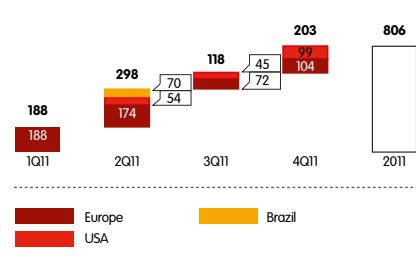
LOAD FACTOR (%)



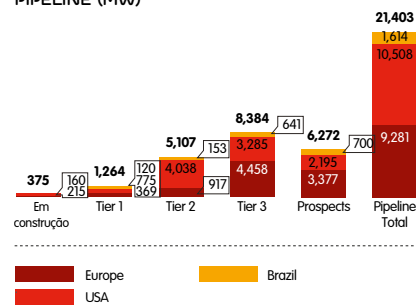
NET GENERATION (GWh)



ENTRY INTO SERVICE IN 2011 (MW)



PIPELINE (MW)



EDP RENOVÁVEIS SHARE PRICE (€)





1. Cernavoda Wind Farm - Poland
2. Villa Castelli Wind Farm - Italy
3. Korsze Wind Farm - Romania
4. Tramandai Wind Farm - Rio Grande do Sul - Brazil

DISTRIBUTION IN IBERIA

PRESENCE OF EDP GROUP IN THE ACTIVITY OF ELECTRICITY DISTRIBUTION IN THE IBERIAN PENINSULA



main events of the electricity distribution activity in Iberia

EDP takes part in distribution through EDP Distribuição in Portugal and HC Energía in Spain. This operation, based essentially on efficiency improvements and quality of services in the distribution grids, distributed about 56TWh of energy in 2011.

Portugal

In Portugal, EDP Distribuição has the concession of the National Distribution Grid in Medium and High Voltage Electricity and the concession of all the 278 municipal Distribution Grids in Low voltage, on the mainland. It has 223 thousand km of network and 46.5TWh of electricity distributed in 2011 to a total of 6.1 million costumers.

The investment and maintenance policies followed by EDP Distribuição in the last years continue to have excellent results, ensuring the satisfaction of demand in adequate technical conditions and ever-improving technical service quality indicators. The ICEIT (Interruption Time Equivalent to the Installed Capacity) indicator registered in 2011 75 minutes, significantly lower than the previous years. The program of regional imbalances reduction (in terms of technical service quality) and the higher investment in the network automation had a strong contribution to the ICEIT reduction.

During 2011 there were significant developments in InovGrid project. This project was created based on the need to modernize the electricity distribution network and to enhance the achievement of the European targets to energy efficiency and renewable energy integration. The InovGrid project aims to provide higher intelligence to the distribution network, allowing to control and automate the energy management which is extremely important considering the significant increase in generation distributed. It improves the service quality and the distribution security. It is also relevant to the customer relationship, providing more information and new products and services with lower operating costs. InovGrid project was launched in 2007 by EDP Distribuição and it reached a significant landmark in 2011 with more than 32 thousand EDP Box assembled, of which 30 thousand in InovCity, Évora.

In May 2011, InovGrid was selected by the European Comission and the Eurelectric as an European case study to development of methodology and tool to assess smart grids' costs and benefits.

Micro-generation in low voltage remains high, with 8,136 new micro-generators with an installed capacity of 29 MW. By the end of the year were connected 17,327 installations like those, which correspond to a capacity of 61.6 MW. Xxx new Special Regime Generators were also connected to the distribution grid, with xxx MVA of capacity, amounting xx SRG with xxx MVA. In both cases, there is a predominance of photovoltaic and wind technologies.

Spain

In Spain, HC Energía conducts the electricity distribution business in 5 Autonomous Communities with a total of 22,652 km of network and 9.5 TWh of distributed energy, with a 2% growth vs. 2010.

The investments carried out in recent years, as well as the implemented procedures, allowed a decrease of the interruption of supply to less than an hour in Asturias, the main distribution area, which concentrates more than 93% of HC costumers. HC Energía continues to lead the quality of service in the Spanish electric System. HC Energía registered the best quality service index ever with a value of 39 minutes (0.65 hours), which implies a 7 minute decrease facing the values registered in 2010, the previous record registered.

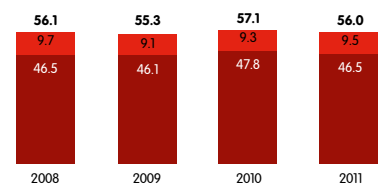
At the end of 2011, HC Distribución obtained the certification ISO 14001 on quality and environment.

DISTRIBUTION IN IBERIA

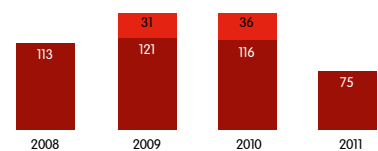
PORTUGAL	UNID	2011	2010	2009	2008
ENERGY INPUT IN THE DISTRIBUTION GRID					
For the regulated market	GWh	26,978	33,484	40,452	48,796
For the free market	GWh	22,994	18,130	8,971	1,306
Total	GWh	49,972	51,614	49,422	50,102
Note: includes VHV consumptions					
OUTGOING ENERGY FROM THE GRID					
Energy delivered to the distribution grid	GWh	49,972	51,614	49,422	50,102
Distribution losses	GWh	-3,464	-3,778	-3,277	-3,633
Total	GWh	46,508	47,836	46,146	46,468
ELECTRICITY DISTRIBUTION FOR THE REGULATED MARKET					
	GWh	24,579	30,581	37,626	45,289
Very high voltage	GWh	266	1,012	1,330	1,667
High voltage	GWh	1,008	2,095	3,723	6,358
Medium voltage	GWh	2,594	4,795	9,128	14,052
Special low voltage	GWh	1,615	2,498	3,163	3,340
Low voltage	GWh	17,551	18,653	18,740	18,364
Street lighting	GWh	1,544	1,528	1,542	1,509
ELECTRICITY DISTRIBUTION FOR THE LIBERALISED MARKET					
	GWh	21,930	17,255	8,520	1,180
Very high voltage	GWh	1,508	512	208	0
High voltage	GWh	5,455	4,387	2,089	2
Medium voltage	GWh	11,711	9,731	4,770	263
Special low voltage	GWh	1,907	1,228	413	219
Low voltage	GWh	1,349	1,398	1,040	695
ICEIT	Min	75	152	152	113
Points of Supply	m #	6,138	6,149	6,120	6,088
Employees	#	3,617	3,670	3,778	3,996
GRID STRUCTURE INDICATORS					
Extension	km	222,627	220,318	218,226	214,856
Overhead lines	km	173,469	172,181	170,931	169,321
Underground lines	km	49,158	48,138	47,295	45,534
Substations	#	411	404	399	397
Transformation stations	#	64,458	63,223	62,036	61,157
EFFICIENCY INDICATORS					
Points of Supply/Employee	#	1,697	1,675	1,620	1,524
Energy/Employee	GWh	12.9	13.0	12.2	11.6

SPAIN	UNID	2011	2010	2009	2008
OUTGOING ENERGY FROM THE GRID					
Energy delivered to the distribution grid	GWh	9,851	9,704	9,519	10,029
Distribution losses	GWh	334	394	389	350
Total	GWh	9,517	9,310	9,131	9,679
ENERGY DISTRIBUTED					
High voltage	GWh	5,812	5,401	5,322	5,762
Medium voltage	GWh	1,282	1,293	1,215	1,284
Low voltage	GWh	2,422	2,616	2,594	2,633
Total	GWh	9,517	9,310	9,131	9,679
Total Market Spain	GWh	233,275	237,892	229,899	240,797
EDP market share	%	4.1	3.9	4.0	4.0
ICEIT	Min	39	46	55	65
Points of Supply	m#	656	651	645	628
Employees	#	375	386	368	366
GRID STRUCTURE INDICATORS					
Extension	km	22,652	22,265	21,874	21,356
Overhead lines	km	18,250	18,148	17,995	17,836
Underground lines	km	4,402	4,117	3,878	3,520
Substations	#	56	53	53	48
Transformation stations	#	6,686	6,507	6,464	6,327
EFFICIENCY INDICATORS					
Points of Supply/Employee	#	1,750	1,687	1,751	1,717
Energy/Employee	GWh	25.4	24.1	24.8	26.4

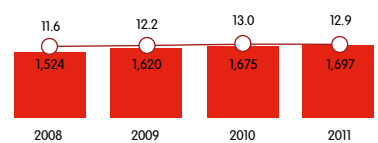
ENERGY DISTRIBUTED (TWh)



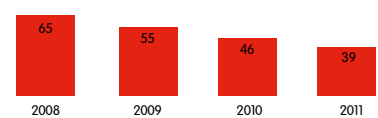
INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME IN PORTUGAL (MIN)



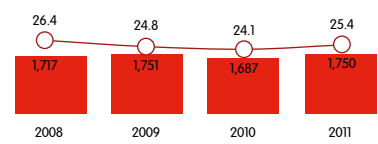
OPERATIONAL EFFICIENCY IN PORTUGAL



INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME IN SPAIN (MIN)



OPERATIONAL EFFICIENCY IN SPAIN





1. Marinha Grande Substation - Portugal
2. Proaza Substation - Spain
3. Distribution Grid
4. EDP Box

SUPPLY IN IBERIA

PRESENCE OF EDP GROUP IN THE ACTIVITY OF SUPPLY IN THE IBERIAN PENINSULA



main events of the electricity supply activity in Iberia

EDP Group is engaged in supply in Portugal in the regulated market through EDP Serviço Universal, in which ensures the supply of electricity with a tariff set by regulation and through EDP Comercial operating in the free market. In Spain is present in the Last Resort Market by HC CUR and in the liberalized market through HC Energía, Naturgás energía and HC CIDE Energía, acting in competition with other Iberian players.

Portugal

During 2011, the overall number of customers in the Regulated Market fell by 0.3%, as a result of the outflow of nearly 35 thousand customers to the free market, partly offset by the inflow of 15 thousand new customers.

Electricity sales in the regulated market decreased by about 20% vs. 2010, particularly in higher voltage levels (VHV, HV and MV), with a global reduction above 51%. This huge reduction reflects the effect of the referred migration of customers to the liberalised market as a consequence of the regulated tariff extinction for those voltage levels.

In line with previous year, 2011 continued to be a year of consolidation for the liberalised market, after a new build-up in 2009, especially in the B2B segment. In opposition, the tariff context in B2C segment did not allow its development. Despite the lower growth of the liberalised market and higher competition, EDP Comercial kept a leadership position, through a strong partnership with the costumers.

At the end of the year, EDP Comercial achieved a market share of 42% in energy supplied and, providing 77% of the facilities in the liberalised market. Such a performance was an outcome of the sustained action of the company business units.

The B2B segment, following the path to the market relaunching since 2009, was once more the segment with more competitive dynamics in 2011, as it received new players and new costumers in the market. The proposal of value adjusted to the costumers' needs resulted in a sales volume of around 7.9 TWh during the year and a costumer portfolio of 14,871 facilities at the end of the year.

In the B2C segment, EDP Comercial was the choice of approximately 267 thousand domestic costumers and small business (80% of the Liberalised Market), corresponding to 1,2 TWh of sales volume.

Spain

EDP Group reached approximately 699 thousand costumers in the liberalised market which means an increase of 7.4% comparing with 2010.

The B2B segment recorded 18,186 GWh of energy sold, 0,3% higher than the previous year.

The strategy in B2C segment has been focused on the portfolios analysis, to gain profitable costumers through cost channels and get their fidelity with a dual offer.

Due to the decrease of the demand in Spain and the competition in electricity market, the margins this year in B2B and B2C were smaller than in 2010.

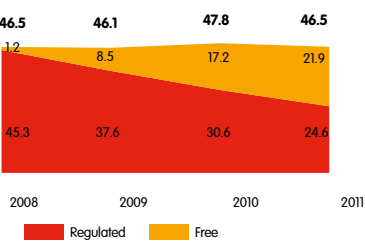
SUPPLY IN IBERIA

PORTUGAL	UNIT	2011	2010	2009	2008
LAST RESORT MARKET					
Number of costumers	#	5,771,900	5,791,683	5,842,797	5,890,427
Very high voltage	#	12	21	26	53
High voltage	#	86	177	193	234
Medium voltage	#	8,339	12,803	17,681	22,913
Special low voltage	#	17,473	23,985	28,246	32,170
Low voltage	#	5,692,425	5,702,584	5,746,352	5,785,797
Street lighting	#	53,565	52,113	50,299	49,260
Electricity sales	GWh	24,579	30,581	37,626	45,289
Very high voltage	GWh	266	1,012	1,330	1,667
High voltage	GWh	1,008	2,095	3,723	6,358
Medium voltage	GWh	2,594	4,795	9,128	14,052
Special low voltage	GWh	1,615	2,498	3,163	3,340
Low voltage	GWh	17,551	18,653	18,740	18,364
Street lighting	GWh	1,544	1,528	1,542	1,509
LIBERALISED MARKET IN PORTUGAL					
Number of costumers	#	365,776	357,363	277,008	197,752
EDP Comercial	#	281,609	313,608	259,698	197,151
B2B	#	14,871	9,082	7,535	9
B2C	#	266,738	304,526	252,163	197,142
Other suppliers	#	84,167	43,755	17,310	601
Electricity sales	GWh	21,929	17,248	8,520	1,180
EDP Comercial	GWh	9,132	8,794	5,529	947
B2B	GWh	7,940	7,510	4,565	271
B2C	GWh	1,191	1,284	963	676
Other suppliers	GWh	12,797	8,453	2,992	233

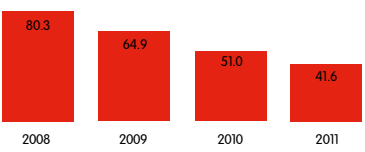
SPAIN

REGULATED / LAST RESORT MARKET					
Number of costumers	#	316,728	359,145	422,252	549,398
High voltage	#	0	0	0	4
Medium voltage	#	0	0	0	77
Low voltage	#	316,728	359,145	422,252	549,317
Electricity sales	GWh	833	1,099	3,133	7,240
High voltage	GWh	0	0	1,559	5,064
Medium voltage	GWh	0	0	11	133
Low voltage	GWh	833	1,099	1,563	2,043
LIBERALISED MARKET IN SPAIN					
Number of costumers	#	7,586,894	5,248,118	3,028,182	2,153,754
HC Energia + NG Energia	#	698,815	650,860	530,778	117,175
B2B	#	8,192	7,871	4,848	3,400
B2C	#	690,623	642,989	525,930	113,775
Other suppliers	#	6,888,079	4,597,258	2,497,404	2,036,579
Electricity sales	GWh	20,529	20,342	16,234	12,507
HC Energia + NG Energia	GWh	18,186	18,124	12,833	9,941
B2B	GWh	2,343	2,218	3,402	2,566

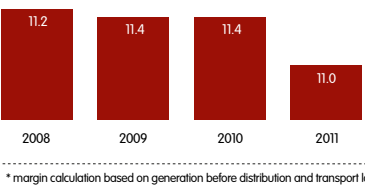
ENERGY SUPPLY IN PORTUGAL (TWH)



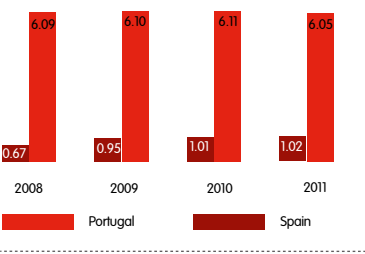
MARKET SHARE - LIBERALISED MARKET IN PORTUGAL(%)



MARKET SHARE - LIBERALIZED MARKET IN SPAIN (%)*



EDP COSTUMERS IN IBERIA (MILLIONS)

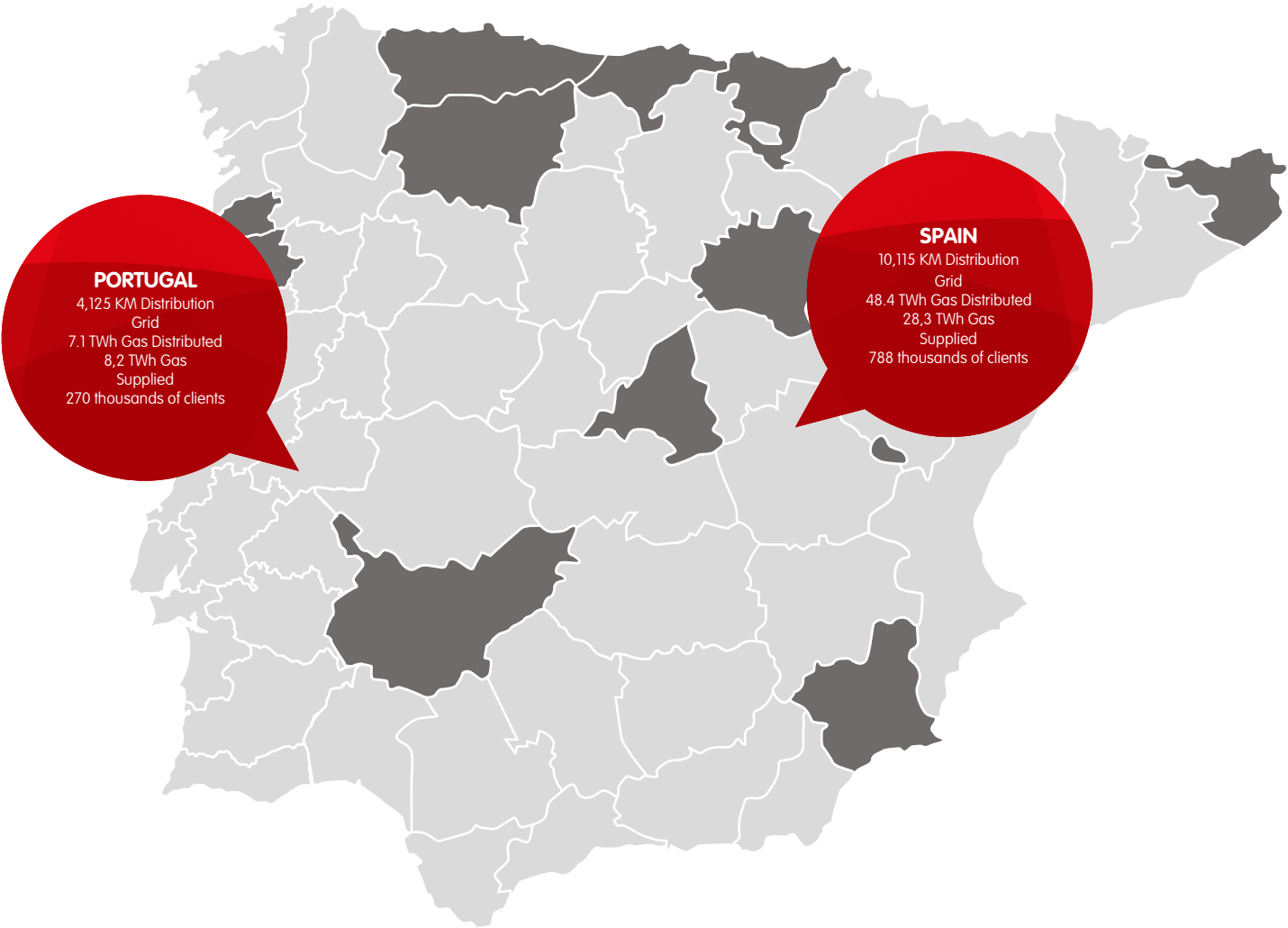




1. HC Energía Store - Gijón
2. EDP Store - Porto
3. EDP Store - Lisboa

1.2. gas business in Iberia

PRESENCE OF EDP GROUP IN GAS ACTIVITY IN THE IBERIAN PENINSULA



main events of the gas activity in the Iberia

EDP has a reference presence in the Iberian natural gas market. It is present in Portugal through Portgás (acting under the brand name of EDP Gás Distribuição and EDP Gás Serviço Universal), EDP Gás.Com and EDP Comercial (licensed trader to operate in the liberalized market) and a minority stake in Setgás. In Spain it is present in this market through Naturgas Energía.

During 2011, EDP Gas Group kept increasing in points of supply (+2.9%) and gas distributed (+5.9%), nevertheless, it had a decrease in the number of costumers (-0.9%) and supplied gas (-5.9%). The supply activity, like 2010, had an unfavourable economic year, namely regarding the competitiveness of gas from long term contracts, that represents the majority of gas portfolios in Europe and, particularly, in Iberia.

Portugal

In 2011, the Distribution activity had an increase of more than 25,500 points of supply (+10.4% vs. 2010), meeting the targeted network densification. The gas distributed also increased in 2011 (4.3%), reaching 7.1 TWh.

In the Liberalised market, EDP rose in costumers (+1.355) and in supplied gas (-0.2%).

Despite the total liberalisation of the Supply activity since January 2010, EDP Gás Serviço Universal (regulated company) had an increase in the number of costumers (+25.332 clients), which was not accompanied by the supplied gas, falling 29.3% due to the exit of most of the costumers with consumptions above 10.000 m3.

Spain

In the Transport activity stands the conclusion of the transport pipeline Siero-Villaviciosa and the inauguration of Serinyà-Figueres, and the request of administrative authorizations for the transport pipeline Moratalla Mula. Regarding Murcia region, were presented to the system's technical management and the Government new proposals of secondary transport pipelines: Yecla-Jumilla, Lorca-Puerto Lumbreras-Águilas, Ramal a Cieza and Ramal a Mazarrón. Finally, Naturgas Energía Transporte bought 50% of the Navarra gas structures, from Iberdrola, to own 100% of those structures.

In the Distribution activity, the gas distributed increased 6.1% compared with 2010 and the points of supply increased about 10.000, due to the network densification effort and the expansion investments, like La Puebla Vieja in Laredo, Solórzano, in Cantabria, Castropol, in Asturias, Berrobi in Guipúzcoa, Arrankudiaga in Vizcaya and Santillana del Mar in Cantabria. Highlight to the incorporation of Gas Energía Distribución Cantabria, S.A.U. in Naturgas Energía Distribución, S.A.U.

As in 2010, 2011 was another year of pressure on Iberian suppliers to sell their gas due to the take or pay long term contracts. As a result, the competition became harder and the prices degraded. That led to a 4.4% reduction of the number of costumers the supplied gas of 5.2%. To face that Naturgas energía made gas trading and exchange operations to avoid penalties and offered a Dual Contract (Gas and Electricity) to costumers out of the ordinary action zone.

GAS BUSINESS IN IBERIA

IBERIA	UNIT	2011	2010	2009	2008
Number of costumers (thousands)	#	1,059,436	1,069,127	1,054,806	829,282
Regulated	#	270,053	244,721	221,266	200,988
Last Resort	#	110,773	140,766	214,059	122,000
Liberalised	#	678,610	683,640	619,481	506,294
Points of Supply					
Distribution	#	1,264,717	1,229,220	1,185,225	891,020
Grid Length	Kms	14,240	13,764	12,573	9,048
Transportation Grid	Kms	425	417	362	309
Distribution Grid	Kms	13,815	13,347	12,211	8,739
Gas Volume (millions)					
Distributed	m³	4.8	4.5	2.1	2.3
Supplied	m³	3.1	3.3	2.1	2.1
Gas Volume					
Distributed	TWh	55.6	52.5	25.1	26.6
Supplied	TWh	36.4	38.7	24.6	28.9
Regulated	TWh	1.4	2.0	2.3	4.2
Last Resort	TWh	0.5	0.9	1.2	n/a
Liberalised	TWh	34.5	35.9	21.1	24.7
Number of Employees	#	537	519	537	422

PORTUGAL

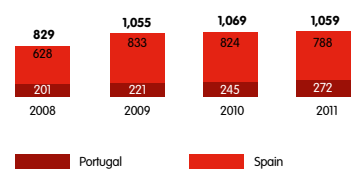
Number of costumers (thousands)	#	271,576	245,335	221,356	200,988
Regulated	#	270,053	244,721	221,266	200,988
Last Resort	#	0	0	0	0.0
Liberalised	#	1,523	614	90	0
Points of Supply					
Distribution	#	270,866	245,347	221,388	200,988
Grid Length	Kms	4,125	3,827	3,508	3,220
Transportation Grid	Kms	0	0	0	0
Distribution Grid	Kms	4,125	3,827	3,508	3,220
Gas Volume (millions)					
Distributed	m³	0.6	0.6	0.5	0.5
Supplied	m³	0.7	0.8	0.3	0.2
Gas Volume					
Distributed	TWh	7.1	6.8	6.1	6.0
Supplied	TWh	8.2	8.9	3.3	2.7
Regulated	TWh	1.4	2.0	2.3	2.7
Last Resort	TWh	0.0	0.0	0.0	0.0
Liberalised	TWh	6.8	7.0	1.0	0.0
Number of Employees	#	103	102	101	111

SPAIN

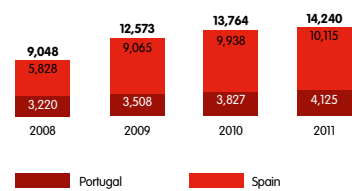
Number of costumers (thousands)	#	787,860	823,792	833,450	628,294
Regulated	#	0	0	0	0
Last Resort	#	110,773	140,766	214,059	122,000
Liberalised	#	677,087	683,026	619,391	506,294
Points of Supply					
Distribution	#	993,851	983,873	963,837	690,032
Grid Length	Kms	10,115	9,938	9,065	5,828
Transportation Grid	Kms	425	417	362	309
Distribution Grid	Kms	9,690	9,521	8,703	5,519
Gas Volume (millions)					
Distributed	m³	4.2	3.9	1.6	1.8
Supplied	m³	2.4	2.6	1.8	2.1
Gas Volume					
Distributed	TWh	48.4	45.6	19.0	20.7
Supplied	TWh	28.3	29.8	21.3	26.3
Regulated	TWh	0.0	0.0	0.0	1.5
Last Resort	TWh	0.5	0.9	1.2	n/a
Liberalised	TWh	27.7	28.9	20.1	24.7
Number of Employees	#	434	417	436	311

* In 2008 includes last resource

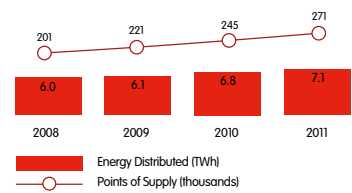
NUMBER OF CUSTOMERS (THOUSANDS)



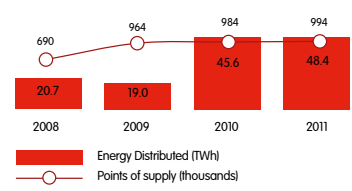
GRID LENGTH (Kms)



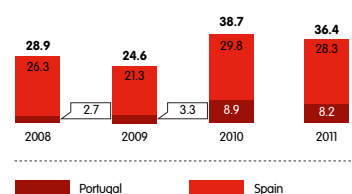
GAS IN PORTUGAL - ENERGY DISTRIBUTED AND POINTS OF SUPPLY



GAS SPAIN - ENERGY DISTRIBUTED AND POINTS OF SUPPLY



GAS SPAIN - ENERGY SUPPLIED (TWh)

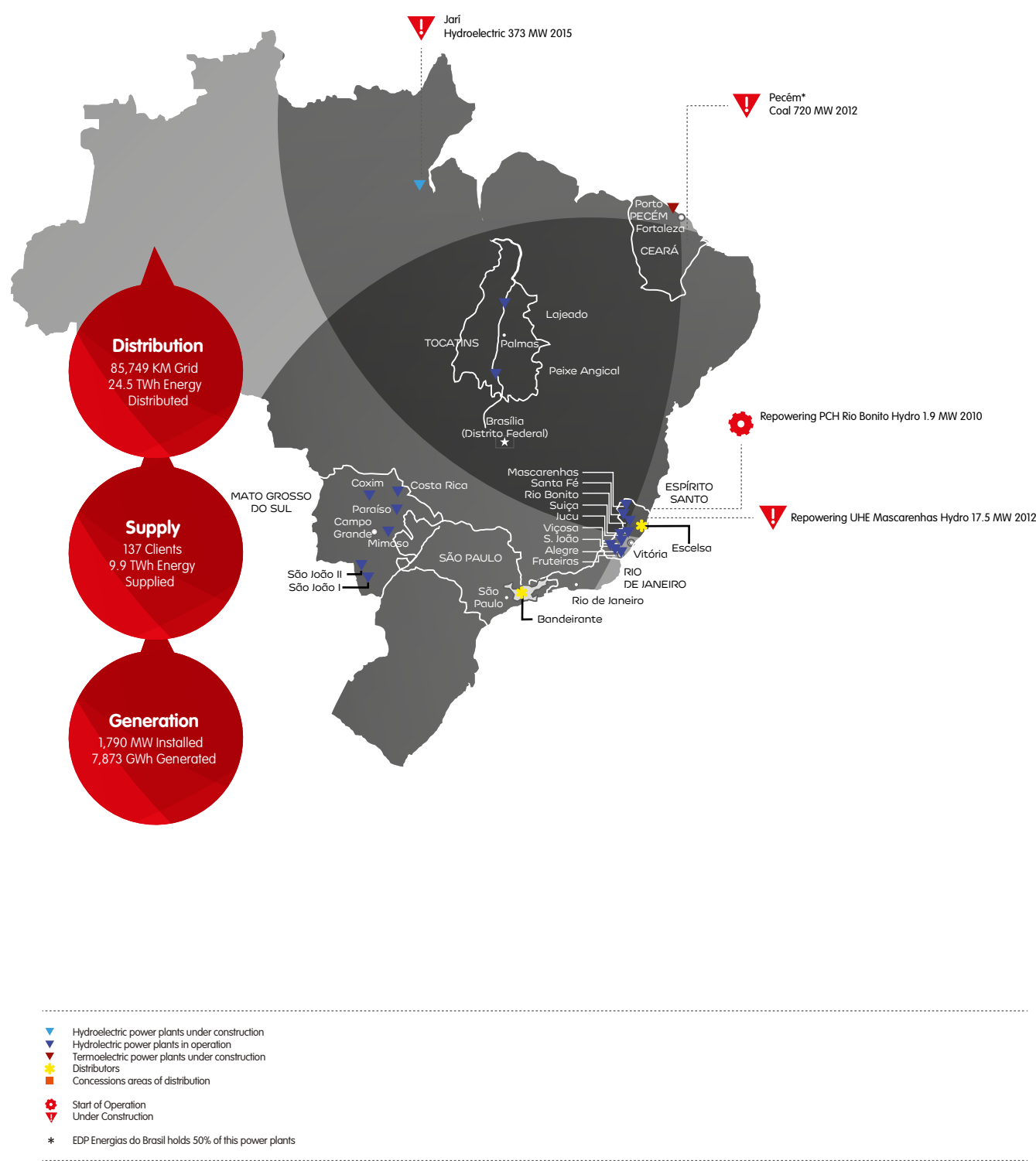




1. Serinyà-Figuera Gas Pipeline
2. Gas Pipeline construction

1.3. electricity business in Brazil

PRESENCE OF EDP GROUP IN BRAZIL



main events in the activity in Brazil

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

generation

The generation activity includes the management of hydroelectric power stations (UHE) and small hydro power stations (PCH), with a total installed capacity of 1,790 MW in December 2011.

During the year 2011, there was the repowering of UHE Mascarenhas which raised its capacity in 8.5 MW and the recognition by ANNEEL of additional installed capacity of 46.75 MW in Enerpeixe.

In 2011, it was acquired the UHE Santo Antônio do Jari project in Amapá state, with a total installed capacity of 373 MW and an average ensured of 219 MW. The construction already started and it is foreseen to enter into operation during January 2015.

The coal thermoelectric of Pecém located in Ceará State will enter into operation in 2012, with a total installed capacity of 720 MW and where EDP Brasil holds an participation 50%.

supply

In Supply, EDP Brasil is present through Enertrade which in 2011 sold 9.9TWh to costumers in the liberalized market, with a 19.7% market share.

distribution

In Distribution, EDP Brasil has full control of Bandeirante and Escelsa, serving about 2.83 millions of costumers and distributing 24.5 TWh in 2011.

Bandeirante distributed 14.7 TWh in 2011, 2.9% higher than 2010. The electricity distributed to end costumers summed 9.3 TWh, representing an increase of 3.0% over 2010. The company ended the year with 1.5 million costumers, 2.8% more than 2010. During 2011, the energy distributed by Bandeirante's system to the liberalized market and traders totalled the amount of 5.4 TWh, a 2.7% increase facing 2010.

The Escelsa distributed in 2011 9.8 TWh, more 4.0% compared to 2010. The number of costumers reached 1.29 millions, 3.9% above the previous year. In the regulated market, the Escelsa sold 5.8 TWh, an increase of 2.5% over 2010. For the liberalized market, Escelsa distributed 4.0 TWh, representing an increase of 6.4% over the year.

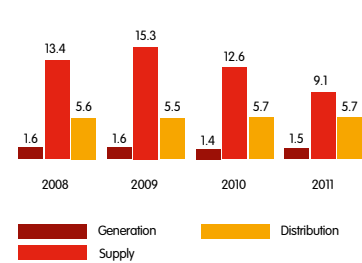
Also noteworthy was the continuation of the Program to Combat non-technical losses, which Escelsa non-technical losses reduced from 5.7% to 5.4% and Bandeirante reduced from 5.6% to 4.7% significant result in 2011.

ELECTRICITY BUSINESS IN BRAZIL

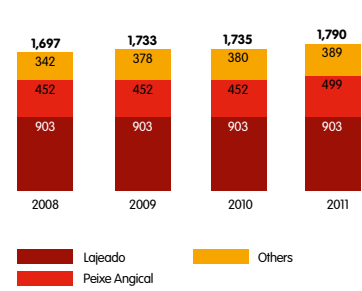
	UNIT	2011	2010	2009	2008
GENERATION					
Number of Generating Groups	#	39	39	39	37
Hydroelectric power plants	#	14	14	14	14
Small Hydroelectric power plants	#	25	25	25	23
INSTALLED CAPACITY AT 31 DECEMBER*					
Lajeado	MW	903	903	903	903
Peixe Angical	MW	499	452	452	452
Mascarenhas	MW	189	181	181	181
Suiça	MW	34	34	34	32
Mini-hydro	MW	165	165	164	130
Total Capacity	MW	1,790	1,735	1,733	1,697
NET GENERATION*					
Lajeado	GWh	3,655	3,205	3,169	1,795
Peixe Angical	GWh	2,653	2,523	2,093	2,250
Mascarenhas	GWh	705	674	846	740
Suiça	GWh	174	118	54	76
Mini-hydro	GWh	687	742	731	612
Total Generation	GWh	7,873	7,263	6,893	5,473
DISTRIBUTION					
Energy Distributed					
Bandeirante	GWh	14,726	14,310	13,292	13,554
Escelsa	GWh	9,818	9,439	8,021	8,652
Enersul	GWh	0	0	0	2,202
Total	GWh	24,544	23,749	21,313	24,408
Points of Supply	#	2,831,659	2,740,447	2,667,701	2,582,666
NUMBER OF COSTUMERS					
Regulated					
Bandeirante	#	2,831,514	2,740,345	2,667,611	2,582,572
Escelsa	#	1,545,199	1,502,815	1,482,355	1,438,651
Enersul	#	1,286,315	1,237,530	1,185,256	1,143,921
Liberalised					
Bandeirante	#	145	102	90	94
Escelsa	#	98	82	73	72
Enersul	#	47	20	17	22
Total	#	2,831,659	2,740,447	2,667,701	2,582,666
GRID STRUCTURE INDICATORS					
Extension	Kms	85,749	84,636	82,289	81,579
Substations	#	135	129	122	133
Tranformation Stations	#	193,212	188,121	180,272	168,691
SUPPLY					
Electricity supply					
Enertrade	GWh	118,627	64,414	56,249	54,345
Other	GWh	9,895	8,263	8,715	7,282
Other	GWh	108,732	56,150	47,534	47,062
Enertrade's costumers	#	137	86	120	64

* Excludes wind

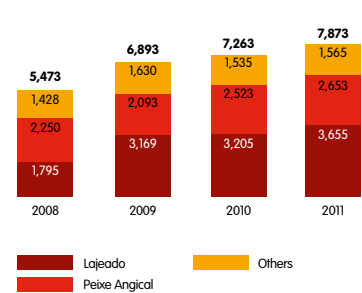
MARKET SHARE (%)



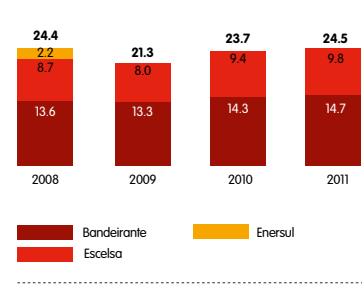
GENERATION PORTFOLIO (MWh)



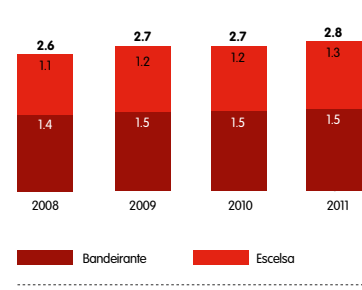
NET GENERATION (GWh)



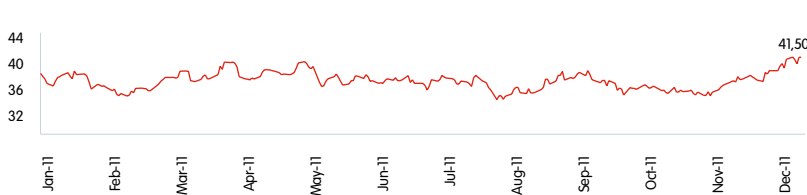
DISTRIBUTED ELECTRICITY (TWh)



NUMBER OF COSTUMERS (MILLIONS)



ENBR3 (BRL)





1. Mascarenhas (Espírito Santo) Hydroelectric Power Plant
2. Pecém (Ceará) Thermoelectric Power Plant
3. Maintenance of overhead lines

2. ethics

2.1. ethics in edp

EDP conducts a broad and diverse set of business activities in the different countries where it operates, establishing numerous interactions and relationships with different stakeholders, both internally and externally. The aim of the EDP Code of Ethics, established in 2005, and the management system related to aspects of Business Ethics, developed in the meantime, is to ensure that these interactions and relations respect a system of values and principles known and shared by all and which, even in the absence of specific legislation or regulations, guide all organisational members and constitute a permanent commitment to Responsibility and Citizenship.

Strengthening the ethical culture of the company and fostering the adoption of this system of values and principles are strategic objectives of EDP.

"(...) But we want to go further, moving beyond the stage of stating, committing to and disseminating principles and values, to explaining them and directly involve people. We want the lines of conduct that the company is committed to complying with the conduct expected of each one to be clear to all.(...) "

António Mexia

Chairman of the EDP Executive Board of Directors

Following the review of the Code of Ethics, the publication of the Rules and the appointment of the EDP Ethics Ombudsman, which occurred in 2008, an extensive training and awareness programme directed at all employees – the **éticaedp programme**, began. The programme started in Portugal in May 2009 under the slogan "we are what we do," and it has been progressively extended to other geographical areas.

According to established planning, its extension in 2011 was completed to the business units: HC Energía, Naturgás and EDP Renováveis (Europe Platform).

As expected, the implementation of the éticaedp programme in Portugal led to a "case study", published internally and externally, at [www.edp.pt/about-edp> corporate governance> ethics](http://www.edp.pt/about-edp/corporate-governance/ethics). The overall evaluation conducted, which is summarised in that document, concluded that the objectives of this programme were achieved overall, namely:

- ethics was repositioned as an important aspect of the Company;
- promoted internal dialogue and reflection on ethics;
- clarified and strengthened confidence in the ethics process;
- strengthened pride in the Company.

"The strength of this course was that it allowed open discussion and made me feel that the ethics issue is something that is not fixed. I also found the mobilisation and scope very significant; being there for all; the actual moment was fitting."

Participant of the éticaedp programme

The recommendations for the future of the éticaedp programme are intended to grow and "keep the ethics issue alive" in EDP and give answers to the questions of participants in this programme. Accordingly, the plan is to:

- Continue with the Collaboration Agreement established between EDP and the AESE in 2011, entitled the Chair of Business Ethics. The intention is to use this collaborative platform to consolidate information on this theme and provide advanced training to EDP employees on ethics.
- Support initiatives for international best practice, examples of which are the EDP Chair project or making case studies of the Éticaedp programme publicly available.
- Conduct a maturity analysis of the ethics issues management system using an international benchmark and the Ethisphere rating methods;

- Perform follow-up initiatives in this area, including initiatives to raise awareness of business ethics among employees, particularly in the Induction and Integration course for new employees and the programmes aimed at suppliers (see the "Suppliers" chapter).

2.2. work of the ethics ombudsman

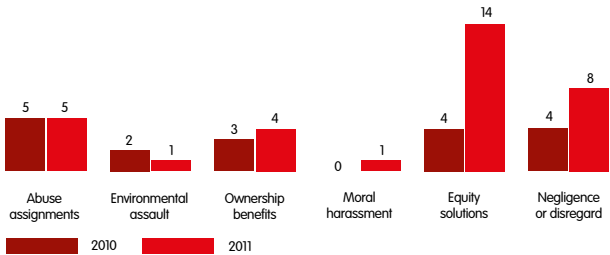
The ethics ombudsman handled ethics complaints in line with his duties and competences (see chapter Corporate Governance).

Ethical complaints are classified on the basis of the principles and values set out in EDP's Code of Ethics, such as legislation and ethics, conduct in the work environment, human rights and equal opportunities, integrity, relations with customers and suppliers and environment and sustainability. The competent bodies appraise and deal with complaints, as required by EDP's Code of Ethics.

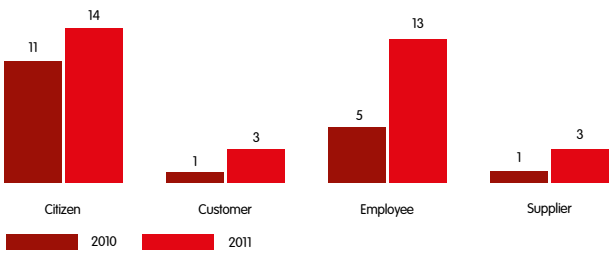
During the year, 201 complaints were processed. Nineteen of them were found not to involve ethical issues and were therefore referred in accordance with their subject matter. Of the 182 ethical complaints handled, 82% had to do with relations with customers and suppliers, 10% with conduct in the work environment, 6% with environment and sustainability and the other 2% with integrity legislation. From the 182 ethical complaints, 33 resulted in cases being opened, therefore requiring submission to EDP Ethics Committee.

distribution of complaints to the ethics committee

EVOLUTION OF THE NUMBER OF COMPLAINTS BY SUBJECT



EVOLUTION OF THE NUMBER OF COMPLAINTS BY SOURCE



Facing the previous year, there was an increasing trend in the weight of the complaints made by employees of the group (which went from 28% to 39% of the complaints presented to the Committee), this fact is attributed to the effects of ethics training actions carried out.

Regarding the incidence, the percentage of these complaints related to inequity of treatment, originating from the employees, increased in absolute and relative values, representing, in 2011, 42% of the total. Of the 33 opened cases, twelve were still pending confirmation measures or had been sent for inclusion in the committee's agenda. The other 21 were submitted to the Ethics Committee: 19 were completed with deliberation and effects, particularly through

initiatives to adjust internal procedures (4) and regularisation of complaints (15), and 2 were dismissed. There were no complaints with disciplinary purposes.

Of the total number of complaints, 71% originated in Brazil, 25% in Portugal and 4% in Spain.

Furthermore, an important part of the ethics ombudsman's work was active participation in the "Ética EDP" (EDP ethics) programme, organised by the Sustainability and Environment Department.

3. r&d and innovation

The value of innovation for companies is maximised when they tackle it in an open and integrated approach, encouraging the pursuit of innovation inside and outside of the organisation, directly contributing to the development of its business processes.

TECHNOLOGY PLATFORMS WHERE EDP IS PRESENT

- Spanish CO₂ Technology Platform: www.pteco2.es
- Spanish Energy Efficiency Technology Platform: www.ptee-ee.org
- Spanish electric vehicle forum www.foreve.es
- KIC InnoEnergy Iberia: www.kic-innoenergy.com/co-locations/cc-iberia.html
- Spanish futured networks technology platform: www.futured.es
- ENERGYN Association: www.energyn.pt
- REDES 2025 Unique Strategic Project: www.redes2025.com

EDP seeks to integrate innovation in new technologies, processes and products, in business models, to enhance competitiveness and create value for stakeholders. EDP focuses on open innovation processes that allow it to enhance its overall performance and create synergies, while also implying the establishment of alliances, partnerships and collaborative approaches to sharing resources, skills and risks.

This strategy, which cuts across the entire EDP Group, is called "Inovabilidade" [innovability] in Brazil, a concept that integrates innovation and sustainability and which aims to promote innovation and creativity, in the search for new market opportunities and the improvement of processes. Sustainable innovation is not limited to technological aspects. It takes into account economic, social and environmental assumptions, considering the scarcity of resources and the responsible maintenance of companies. This convergence is reflected in the ability to develop an intelligent adaptation to new social, environmental and market rules. To promote "Inovabilidade", the company has an Innovation Team, which is a group of executives that discusses the company's processes and garners market experience in several areas. A network of Innovation Mentors was created to spread this culture among the teams, which builds multipliers for the attraction and development of ideas.

It is to be noted that due to legislation in Brazil, electricity distribution companies must allocate 0.2% of net operating revenue to research and development (R&D) and 0.5% to energy efficiency, while generation companies have to allocate 0.4% to R&D. The results of operations are disclosed to the scientific community and to companies of the sector.

The R&D and Innovation activities of the EDP Group are in the following strategic areas: Energy Efficiency, Electric Mobility, Renewable Energy and Distributed Generation, Distribution and Smart Grids Technology and Advanced Generation Technology.

The R&D and Innovation activities of the EDP Group totalled EUR 65.5M in 2011.

3.1. energy efficiency

home energy management

In Portugal, EDP designed and developed the prototype of a complete services platform for Home Energy Management. It is a complete Energy Efficiency solution for residential customers and Small and Medium-Sized Enterprises (SMEs), with microgeneration equipment.

ENRIMA Project: energy efficiency and risk management in public buildings

HC Energía participates in this community project, which has the aim of developing an integrated management system for decision support for managers of public spaces and buildings defined as energy efficient. The system optimises the operation of those spaces, minimising costs, managing risks and complying with energy, efficiency and emission reduction requirements.

3.2. electric mobility

national electric mobility pilot - Portugal

EDP is heading this Pilot programme since 2010 (www.mobie.pt). In 2011, the SGORME - Sociedade Gestora de Operações da Rede de Mobilidade Eléctrica organisation began operating, which manages the public charging network in collaboration with all the operators of the electric vehicle charging infrastructure. The year ended with 210 users of the system and 1,026 charging points installed by EDP Mop - Operation of the Electric Mobility Charging Points.

OpenCharge project

Development of outdoor charging equipment for electric vehicles, of low cost, safe and robust. In 2011, the project moved to a version compatible with the public grid management agreement and the development of a Wallbox Opencharge began, to support the EDP electric mobility range of products, particularly in the residential segment.

electric mobility - Brazil

EDP no Brasil was the first company of this country to install a dedicated supply network for electric vehicles. The company established a partnership with São Paulo University in 2011, donating 15 electric motorcycles and installing six charging stations, two of which are hybrids, allowing the use of electricity from solar power or from the grid

LivingCar project

This project, completed in 2011, allowed HC Energía to evaluate the performance of electric vehicles in real conditions of operation, through its users and the associated infrastructure.

3.3. renewable energy and distributed generation

WINDFLOAT: DEVELOPMENT OF INNOVATIVE TECHNOLOGY FOR OFFSHORE WIND ENERGY

EDP has chosen offshore/ocean energy as one of its priorities. Offshore wind energy is beginning to gain critical mass and accelerate its development, particularly in Northern Europe, taking the form of a possible growth path in the area of renewable generation.

The WindFloat Project, led by EDP, aims to develop an innovative technology that will explore the potential for wind energy at sea, starting from depths of 40 m.

The focus on innovation of the project is the development of a floating foundation, based on experience in the oil industry, which will support the multi-MW wind turbines of the offshore facility.

The WindFloat project comprises the design and construction of a demonstration unit, which includes a turbine of 2 MW. The system was installed at the end of 2011 off the coast of northern Portugal, at Aguçadoura, and it has already injected the first MWh into the distribution grid. A pre-commercial and commercial phase are also planned, the development of which depends on the relative success of the current demonstration phase.

The WindFloat project, developed in partnership with Principle Power, A. Silva Matos, InovCapital and Vestas, has State funding (FAI - Innovation Support Fund) and is the basis for a future cluster in the oceans area of Portugal.



SunLab

The SunLab project aims to test photovoltaic modules in different climatic conditions (Portugal) and different positions in order to determine the relationship between energy generation and these variables, and subsequently develop decision support tools. A prototype to validate the solution was developed and tested during 2011.

CSP Molten Salt

The aim of this project is to test new working fluids for use in thermal solar power stations with parabolic mirrors. The use of this new fluid will reduce heat losses and the costs of heat exchangers. The preparatory work was undertaken in 2011 for the construction of the test centre, in Évora.

distributed microgeneration

In Aparecida, Brazil, the company has also installed photovoltaic panels at the EDP Bandeirante model store in São José dos Campos, São Paulo. The store includes aspects of green building, such as the reuse of rain water, biodegradable paint and recycled floor, and it also serves as a case study for solar energy use.

3.4. distribution and smart grids technology

OpenNode

This project, co-financed by the European Commission, comprises a consortium of 9 partners. The main aim is the study and development of an Open Secondary Substation Node, i.e. equipment intended for transformer stations which constitutes an open platform that is interoperable, extensible and modular, for integration in a smart and secure distribution grid.

INOVCITY - Brasil

The municipality of Aparecida do Norte, Brazil, will be the first city equipped with a smart energy grid in the state of São Paulo, thanks to this project. Inspired on the city of Évora, where the 1st pilot of EDP in Portugal is ongoing, the project will entail an investment of BRL 10 million and it will test the feasibility of metering technology and energy efficiency initiatives. Approximately 15,000 electronic meters are undergoing installation, which will give the user continuous control of consumption and the distributor a rapid response to interruptions in electricity supply. This grid also permits the start-up of microgeneration studies, with renewable energy being produced by the consumers, and also to promote energy efficiency measures, particularly public and private lighting.

ClimaGrid project - Brazil

This project, to be undertaken in partnership with the National Institute for Space Research of Brazil, aims to predict and ensure the rapid repair of occurrences in the grids due to extreme weather phenomena. Variables such as wind, rain, vegetation, lightning and temperature are now part of the georeferencing system of the Brazilian EDP Group distribution companies.

project to detect and locate grid failures

The aim is to develop specific measurement teams that enable the detection of HC Energia's faults in underground networks, through the analysis of partial discharges.

3.5. advanced generation technology

“Mejora de disponibilidad de alternadores de plantas de cogeneración” Project

This project is intended to diagnose problems not detected by vibration analysis, through the analysis of alternator currents in three HC Energía’s cogeneration power stations. The University of Oviedo developed during 2011 the acquisition system that monitors in real time the data needed for the project.

SAFEnergia project

Development of diagnostic and non-intrusive inspection technologies for use in thermal power stations in Portugal, in partnership with Instituto Soldadura e Qualidade – ISQ.

carbon capture and storage

EDP has developed a set of projects in this area, the most significant of which in 2011 were:

- Completion of the **NanoGLOWA project** – the capture of post-combustion CO₂ using nanotechnology;
- Continuation of the **DECARBit Project** - the capture of pre-combustion CO₂ at coal with gasification and at combined cycle power stations. Pilot demonstration units were developed in the laboratory facilities of technology partners, in 2011;
- Continuation of the **FLEXI BURN CFB Project** – This is aimed at developing and demonstrating oxycombustion technology on a circulating fluidised bed (CFB). Studies were conducted in 2011 to analyse and control the process in numerical simulation models and laboratory models and the first preliminary operating tests of the CIUDEN demonstration unit were undertaken;
- Continuation of the **COMET project** – a technical, economic and environmental study of the optimisation of a transport and geological storage infrastructure. The inventory of CO₂ emission sources with the potential for capture was consolidated in 2011, as well as the sites with potential for geological storage, and the analysis of possible scenarios for connecting these points to each other, by suitable and economically feasible means of transport, was undertaken.

3.6. other innovation initiatives

EDP has also continued a series of activities with a significant impact both internally and in relation to the various partners. The following are some of the main initiatives developed in 2011:

FABLAB EDP



The first Digital Fabrication Laboratory in Portugal began operations in 2011, recruiting researchers, inventors, students and academics from across the academic field, ranging from the field of neuroscience to design, architecture and the engineering fields. The training and educational perspective has been the focus with the aim of openness to the community. EDP Fablab has registered a large degree of interest, with both internal and external users (620 users). Internally, Fablab offers training courses to employees through the EDP University, as well as to family members, under the Conciliar programme.

venture capital fund - EDP VENTURES

In 2011, the relationship with the two investments in funds of the Energy Related Cleantech (USA and UK) field were consolidated and a shareholding was acquired in Feedzai - “Consultoria e Inovação Tecnológica” (7.06%) which integrated the EDP Ventures portfolio.

co-creation

An online collaborative platform launched in 2011 (www.cocreation.pt). It is a pioneering initiative of the EDP Group encouraging customers, suppliers, academics and other members of the community to participate in the process of open innovation, with collective creation in areas relevant to the energy sector. Co-Creation functions as a social network.

technology observatory

This observatory aims to monitor technological development in the energy sector with a focus on clean energy. The InovNotes website was developed to publicise this monitoring and publish the studies undertaken (<http://inovnotes.edpinovacao.com/>).

innovation exchange - Brazil

An internal market of ideas, with a format similar to that of a stock exchange, in which employees can invest in suggestions. 88 new projects were approved in 2011, 27 of which have already been implemented.

3.7. organisation and sponsorship of innovation awards

- MIT Innovation Award – Clean Energy Prize:
[www.edp.pt> sustentabilidade> I&D + Inovação> Premio MIT Clean Energy](http://www.edp.pt/sustentabilidade/I&D+Inovacao/PremioMITCleanEnergy)
- EDP 2020 Richard Branson Visão Innovation Award:
[www.edp.pt> sustentabilidade> I&D + Inovação> Premio EDP Inovação Richard Branson](http://www.edp.pt/sustentabilidade/I&D+Inovacao/PremioEDPInovacaoRichardBranson)
- EDP 2020 - Innovation and Entrepreneurship Award:
www.edpbr.com.br/energia/premio_inovacao/
- EDP University Challenge:
[www.geracaoedp.edp.pt>universitychallenge](http://www.geracaoedp.edp.pt/universitychallenge)

4. environment

	2011					2010				
ENVIRONMENT INDICATORS	GROUP	PORTUGAL	SPAIN ⁽¹⁾	BRAZIL	USA	GROUP	PORTUGAL	SPAIN ⁽¹⁾	BRAZIL	USA
PRIMARY ENERGY CONSUMPTION (TJ)	192,996	108,581	84,340	61	13	176,519	94,788	81,643	62	26
Coal	112,425	66,230	46,195	n/a	n/a	81,816	45,780	36,036	n/a	n/a
Fuel Oil	679	524	156	n/a	n/a	1,566	1,404	162	n/a	n/a
Natural Gas	64,016	38,290	25,727	n/a	n/a	78,581	44,042	34,539	n/a	n/a
Blast Furnace Gas	9,269	n/a	9,269	n/a	n/a	8,058	n/a	8,058	n/a	n/a
Coke Gas	1,353	n/a	1,353	n/a	n/a	1,353	n/a	1,353	n/a	n/a
Diesel Oil	128	11	117	n/a	n/a	205	111	94	n/a	n/a
Forest waste	3,350	3,350	n/a	n/a	n/a	3,280	3,280	n/a	n/a	n/a
Iron and Steel industry gas	1,503	n/a	1,503	n/a	n/a	1,380	n/a	1,380	n/a	n/a
Fuel for vehicle fleet	272	177	20	61	13	281	171	22	62	26
ELECTRICITY CONSUMPTION										
Generation internal consumption (MWh) ⁽²⁾	2,079,218	1,489,131	556,037	13,010	21,040	1,856,488	1,252,789	577,891	7,074	18,735
Administrative services (MWh) ⁽³⁾	41,614	21,285	3,858	14,392	2,079	44,628	23,416	7,378	12,837	997
Grid losses (%)	7.2	7.2	3.4	11.3	n/a	8.6	7.5	4.0	12.3	n/a
ENVIRONMENTAL CERTIFICATION (ISO 14001)										
Production facilities certified (no.)	165	71	90	4	0	106	55	47	4	0
Net maximum installed capacity certified (MW)	16,195	9,236	5,511	1,447	0	15,103	9,711	3,992	1,401	0
Net maximum installed capacity certified (%)	70	84	81	77	0	69	92	63	80	0
Substations certified (no.)	93	40	50 (2)	3	n/a	21	18	0	3	n/a
Installed capacity of substations certified (MVA)	5,769	1,255	4,313	201	n/a	792	617	0	175	n/a
Installed capacity of substations certified (%) ⁽⁴⁾	21	7	98	3	n/a	3	4	0	3	n/a
Gas distribution certified (%)	100	100	100	n/a	n/a	100	100	100	n/a	n/a
ATMOSPHERIC EMISSIONS										
Total Emissions (kt)										
CO ₂ ⁽⁵⁾	16,919	8,416	8,502	n/a	n/a	14,699	6,990	7,708	n/a	n/a
SO ₂	9.4	3.0	6.4	n/a	n/a	9.5	3.4	6.2	n/a	n/a
NO _x	15.1	5.8	9.3	n/a	n/a	18.3	10.8	7.4	n/a	n/a
Particles	0.7	0.4	0.3	n/a	n/a	0.6	0.3	0.3	n/a	n/a
Mercury (kg)	107	90	17	n/a	n/a	70	53	17	n/a	n/a
SF6 (kg)	279	169	33	78	0	363	256	83	24	n/a
Overall specific CO ₂ Emissions (g/kWh)	285	327	571	n/a	n/a	244	242	497	n/a	n/a
Specific emissions from thermal facilities (g/kWh)										
CO ₂	1,501	626	875	n/a	n/a	654	565	763	n/a	n/a
SO ₂	0.88	0.23	0.66	n/a	n/a	0.42	0.27	0.61	n/a	n/a
NO _x	1.39	0.43	0.95	n/a	n/a	0.81	0.88	0.74	n/a	n/a
Particles	0.06	0.03	0.03	n/a	n/a	0.02	0.02	0.03	n/a	n/a
GHG EMISSIONS ⁽⁶⁾										
Direct Emissions (scope 1) (ktCO ₂ eq)	16,957	8,435	8,515	6	1	14,744	7,015	7,722	5	2
Indirect emissions (scope 2) (ktCO ₂ eq) ⁽²⁾	1,280	1,085	131	52	13	1,132	945	83	92	13
Other indirect emissions (scope 3) (ktCO ₂ eq) ⁽⁷⁾	972	674	295	3	n/k	721	451	268	1	2
Avoid CO ₂ (kt)	18,040	7,496	2,754	1,739	6,051	18,247	9,473	1,844	1,983	4,947
WATER COLLECTED BY SOURCE (10³ x m³)										
Ocean	1,422,849	993,390	429,458	n/a	n/a	1,074,512	727,889	346,622	n/a	n/a
River or stream	21,799	13,331	8,457	10	n/a	77,592	66,548	11,035	9	n/a
Reservoir	168	168	0	0	n/a	154	154	0	n/a	n/a
Artesian well	120	96	0	23	n/a	227	0	0	n/a	n/a
Well	11	11	0	0	0	39	14	0	25	n/a
Municipal Services	3,028	2,114	846	62	6	5,078	3,101	1,877	63	37
Other private entity	4,323	3,203	1,120	0	0	n/k	n/k	n/k	n/k	n/k
USE OF WATER (10³ x m³)										
Cooling water	1,444,350	1,006,868	437,482	n/a	n/a	1,150,342	793,217	357,125	n/a	n/a
Row water	7,552	5,285	2,267	n/a	n/a	7,578	5,199	2,379	n/a	n/a
Potable water	259	164	28	62	6	302	168	15	83	35
WASTEWATER (m³)										
Wastewater from generation with treatment	3,673,065	1,139,795	2,533,270	n/a	n/a	3,705,478	1,591,911	2,113,567	n/a	n/a
Discharge into sea	1,424,502,958	994,234,339	430,268,619	n/a	n/a	1,076,223,280	728,292,687	347,930,593	n/a	n/a
Discharge into inland and estuary water	9,798,257	4,815,044	4,983,213	n/a	n/a	64,122,426	57,496,239	6,626,187	n/a	n/a
WASTE SENT TO FINAL DISPOSAL ⁽⁸⁾										
Total waste (t)	554,796	134,396	413,022	7,035	343	765,340	484,466	274,548	6,055	271
Total hazard waste (t)	22,145	20,456	675	854	160	4,741	3,896	675	58	113
Recovered waste (%)	72	49	79	99	52	92	88	99	99	58
MAIN WASTE CATEGORIES (t)										
Fly ash recovered	331,509	39,768	291,741	n/a	n/a	318,118	171,187	146,931	n/a	n/a
Used oils	698	360	152	111	76	503	284	137	9	73
PCB	115	58	58	0	0	236	79	140	17	0
Metals	2,828	691	538	1,572	26	2,463	1,379	518	494	72
Gypsum	39,185	14,022	25,162	n/a	n/a	250,533	208,585	41,947	n/a	n/a
BY-PRODUCTS (t)										
Gypsum	155,751	113,342	42,410	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Ash and Slag	220,220	194,541	25,679	n/a	n/a	n/a	n/a	n/a	n/a	n/a
DISTRIBUTION IN PROTECTED AREAS										
High voltage distribution grid in protected areas (km) ⁽⁹⁾	1,136	898	42	197	n/a	957	853	39	65	n/a
Medium voltage distribution grid in protected areas (km) ⁽⁹⁾	13,042	8,582	622	3,837	n/a	13,079	8,489	616	3,973	n/a
Substations in protected areas (no.)	39	18	9	12	n/a	40	18	11	11	n/a
ENVIRONMENTAL COSTS (EUR thousands)	72,422	45,224	15,902	11,228	5,068	98,477	65,723	20,027	10,559	2,169
Investment cost	48,187	27,446	7,717	7,964	5,060	74,943	56,193	7,394	9,231	2,124
Current	29,235	17,778	8,185	3,264	9	23,534	9,530	12,632	1,328	44
COMPLIANCE										
Environmental fines and penalties (EUR thousands)	4	0	4	0	0	36	0	36	0	0
Environmental complains (no.)	238	81	18	44	95	366	41	297	28	0

(1) Includes the results of the Rest of Europe.
(2) The results for 2010 were revised to include the backfeed power.
(3) Figure for Portugal in 2010 (15,158 MWh) was revised because it did not include a set of buildings that have changed the supplier.
(4) The Sociedad Hidrocarbónica Distribución eléctrica, S.A.U. obtained the certification of 100% of its facilities, however the results reported in this indicator include six substations owned by other companies (Electra de Llobregat, Fevasa, ERI y Solanar).
(5) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emissions.
(6) See detail in the climate change chapter.
(7) Figures for 2010 were revised in accordance with the GHG Protocol using transport emission factors that depend on the load.
(8) Since 2011 EDP reports separately waste and by-products.
(9) Figures for 2010 were revised to include overhead and underground lines.

4.1. policy and strategy

EDP's Environmental and Sustainability Operational Plan, an integral part of the environmental management, is annually established in accordance with the guidelines until 2012, referred to in Strategic Agenda.

As in previous years, environmental protection is one of the topics of greatest relevance of the materiality matrix drawn up by EDP. This result is due to the combination of increasing awareness of society of this area with the internal awareness that the minimisation of environmental impacts is one of the biggest current challenges of the electricity sector. There is a pressing need to reduce energy use by consumers, increase the effectiveness of environmental mitigation and offsetting measures and seek technological solutions and services that support the management of demand, which have contributed to the overall reduction of the impact of energy use, particularly that of electricity.

operational management

EDP undertakes in its environmental policy the continuous improvement of environmental performance, particularly the prevention of pollution and minimising 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.

The upkeep and extension of the environmental certifications of its activities, through the ISO 14001:2004 standards and the Eco-management and Auditing Scheme of the EU (EMAS) are encompassed by a system of corporate environmental management (SIGAC) certified by ISO 14001:2004, since 2008. The scope of SIGAC covers "the corporate management of environmental policies and strategic environmental plans, environmental information and the environmental performance of the EDP Group organisations".

The certification of all the distribution activity of Sociedad Hidrocarburos Distribución eléctrica, S.A.U., in Spain, as well as a significant extension of the endeavour to certify the wind generation activity was of note during 2011, with the goal being to reach 100% of installed capacity in Europe by 2012. At the end of the year, certified wind power in Europe had reached 60%.

Operational objectives and goals associated with environmental certification systems are set annually and incorporated into the Sustainability and Environment Operational Plan of the Group. These objectives and targets for all generation centres with EMAS registration can be found at [www.edp.pt/sustainability> environment> environmental management](http://www.edp.pt/sustainability/environment/environmental_management) in the respective Environmental Statements.

The effort to environmentally certify the Group activities is focused on activities in operation, with the design and construction managed according to their different specificities and controlled in accordance with the SIGAC.

managing environmental impact on the value chain

EDP, under its Environmental policy, aims to integrate the respect for the environment and the management of environmental aspects throughout the value chain, and ensure that all stakeholders, including suppliers, hold the necessary and sufficient skills for this purpose.

During 2011, EDP further developed its assessment matrix of risks throughout the value chain, as described in the Suppliers chapter.

4.2. operational activities

EDP keeps, for all Group activities, information systems for the recording and consolidation of different environmental indicators in order to strategically assess areas for improvement and areas to develop in the future.

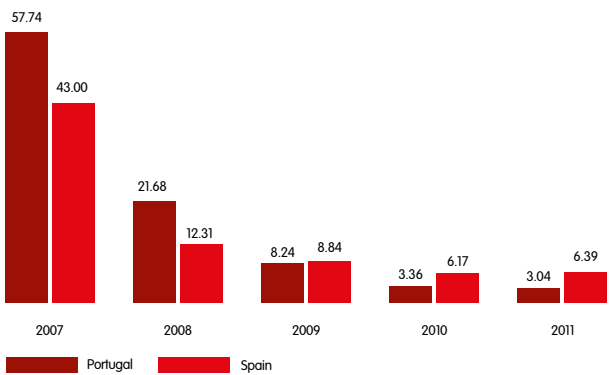
atmospheric emissions

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

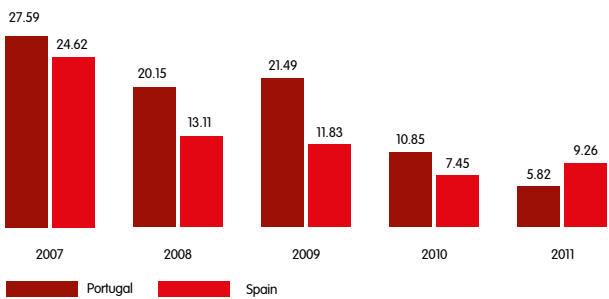
This environmental aspect is monitored periodically in order to verify compliance with the values established in legislation and the environmental permits.

Currently all EDP Group coal fired thermal power stations have desulphurisation and denitrification systems which have ensured a significant reduction in specific SO₂ and NO_x emissions respectively over the past years.

TOTAL OF SO₂ EMISSIONS (kt)



TOTAL OF NO_x EMISSIONS (kt)



water

In 2011, EDP developed a corporate strategy for water management to be published in 2012, given the importance of ensuring a systematic approach to water. As has occurred in previous years, water stress was again evaluated in regions where the company holds production assets. This assessment was based on the Global Water Tool. The analysis concluded that the main EDP facilities are not located in areas currently considered as in water stress. EDP also responded for the second time to the Water Disclosure Project survey, in 2011. It was one of the 200 companies in the world that answered the survey.

EDP continues to participate in forums devoted to the theme of water, such as the Water Working Group of the Business Council for Sustainable Development - BCSD Portugal and the European Water partnership initiative of the European Union.

The use of water for generating electricity by thermal power sources is primarily intended for use in cooling circuits (99%), and it is returned to the environment at a slightly higher temperature, which is periodically checked by the power station. The temperature of discharge water during 2011 was within the limits set out in the different environmental permits.

The quality of effluents is periodically monitored in accordance with the provisions of the environmental permits and legislation. In the specific case of Soto Ribera, the water is discharged to 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 in the recipient environment. This information can be found at www.edp.pt/sustainability/environment.

EDP has undertaken local initiatives in its generation centres with the aim of reducing consumption and increasing efficiency in the use of this resource. Of note during 2011 are:

- **Lares thermoelectric power station** implemented a new operating procedure for the auxiliary boiler, which is no longer permanently on stand-by, thus reducing the consumption of demineralised water, chemicals for conditioning the water and energy;
- At **Sines thermoelectric power station** the reuse of liquid effluents from the desulphurisation system decreased from 56% to 12% due to the quality of treated effluent at ITEL. However, the heating water from the feed pumps began to be used, which is now directed to the condensate recovery tank. This change provides an estimated annual saving of 3,200 m³ of water, given the expected number of start-ups per year of the power station.
- The **Fisigen cogeneration power station** had its cooling circuit altered, replacing the raw water from Fisipec's network for the reuse of demineralised water that re-enters the process and is not lost; this measure reduced the volume of water collected by about 2,500 m³/month.
- The **Aboño thermoelectric power station** implemented a system to optimise the quality parameters of the effluent from the treatment plant of effluents. The improvement of the parameters of the water allows its use in the desulphurisation system, permitting the reuse of a volume of water greater than 100,000 m³/year. A system to reuse water leached from the ash tray was also implemented, which provides an estimated potable water saving of 60,000 m³/year.

The Biodiversity chapter summarises the initiatives in progress to improve the quality of water resources.

waste and by-products

Within the European area, EDP separately reports on waste and by-products (gypsum, coal fly ash and coal slag in Spain) since 2011, given the regulatory changes made operational in 2010.

In the distribution activity in Portugal, the responsibility for waste management maintenance was transferred to the service providers. These ensured the collection and channelling to a licensed disposal point of 14,155 tons of waste produced through their activity, approximately 18% of which was hazardous waste. With regard to final disposal, most of it (72%) went to recovery processes.

According to the Basel Convention, EDP limits the cross-border movement of wastes. Its export is restricted to PCB waste or accidental situations, where the country where the waste is generated does not have the technical capability/facilities required for disposal. There was no record of any cross-border movement in 2011.

Equipment contaminated with PCBs at concentrations below 500 ppm shall be kept until the end of its useful life, according to legislation. EDP, though, anticipates its disposal by giving priority to this type of equipment in replacement plans. 115 tonnes containing PCBs were sent for final disposal in 2011.

prevention and emergency response

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

In 2011, there were five spillages resulting from operating activities, occurred at production facilities and without any impact on soil or water resources, namely:

- **Wind energy:** three small spills with a total volume of spilled oil of 0.63 m³;
- **Thermal energy:** one spill of about 100 m³ of lime milk from a tank, and one spill of about 23 m³ of gypsum suspension.

The thermal generation activity also registered the spill of coal from the active and passive piles, with coal spreading to the rain effluent. It was retained in the basin of the river Esteveira and no environmental impact downstream of the basin was observed.

In the distribution activity, 594 oil spills from power transformers were recorded, mostly caused by acts of vandalism and the theft of copper. It is estimated that 115 m³ of oil have been spilled. In these operations, in addition to cleaning and recovering soils, floors, walls etc., approximately 3,328 tonnes of contaminated soil were also removed.

environmental responsibility

In Portugal, a Guide to Assess an Imminent Threat and Environmental Damage was published in 2011, which will help EDP in Portugal to verify its obligations arising from application of the scheme of environmental responsibility.

In Spain, HC Energía continues the work of identifying and making an inventory of habitats and biodiversity existing in the areas of influence of the energy generation centres, in order to determine the initial state of these areas and establish management practices and minimise the risks to prevent the occurrence of situations of environmental risk. In 2011, environmental risk assessments (ERA) were performed in the following facilities of HC Energía:

- **CH La Barca**, the desk work was supplemented by a field campaign to verify the current state of the environment and describe a list of indicators on the state of the ecosystem services provided.
- **CH TANES**, the ERA was conducted in a similar manner to that of CH La Barca and based on an agreement with the Environment Advisory Entity for the Principality of Asturias, which selected CH, as it constitutes the main source of drinking water supply of Asturias. The results will be shared with the Asturias Environmental Administration and may serve as precedent for future work.
- **SINOVA**, a waste power station, and the information on its initial state is already available.

Moreover, EDP has a financial guarantee in the form of an insurance policy that allows it to take on its environmental responsibility inherent in the activities in all regions. In 2011, the value of the risk premium paid was EUR 263,549€.

electric and magnetic fields

There were no new scientific developments during 2011 that might cause EDP to review its strategy for action. Nonetheless, the completion of the project to develop a Guide to Mitigation Measures for 50 Hz Magnetic Fields at the facilities of EDP Distribuição, is to be highlighted. This Guide was developed in Portugal under the Environmental Performance Promotion Plan 2009-2011, funded by the Portuguese Energy Services Regulator (ERSE – “Entidade Reguladora dos Serviços Energéticos”).

The mitigation measures studied covered the following facilities:

- **Single overhead lines**, with analysis of the mitigation measures associated with modifying the geometry of conductors, the increase in height of the towers and distancing the towers from residential areas;
- **Double overhead lines**, with analysis of the measures associated with the exchange of phase sequence; and the change to the geometry of the conductors;
- **Underground cables**, with mitigation measures associated with the burial depth and armouring the cables;
- **Indoor transformer stations**, studying the change of layout and cable routing, and spatial distribution of the different equipment.

This measure stems from the commitment of EDP Distribuição to take action based on the principle of precaution, which, according to the WHO (World Health Organization), consists of “taking simple steps, easy to implement and low in costs, to minimise exposure, even in the absence of a demonstrable risk.

EDP Distribuição also maintained the practice of measuring electric and magnetic fields when requested and in response to concerns raised by local communities. This practice allows clarifying the doubts concerning the situation in question and it is an important risk communication tool.

4.3. climate change

EDP’s focus on a strategy of diversification of energy sources has been strengthening the reduction of its carbon footprint, given the objective of reducing the specific CO₂ emissions by 70% in 2020, compared to 2008 levels. This performance will be achieved through the increased use of renewable energy sources (wind and hydroelectric), investment in cleaner and more efficient thermal power stations, the progressive decommissioning of fuel-oil fired power stations and the promotion of energy efficiency improvements, both on supply and demand side. Initiatives promoted by EDP to improve energy efficiency at consumption are described in Customers and Products – Energy Efficiency chapter. EDP also has a set of initiatives to promote energy efficiency in the Community chapter.

EDP’s thermal power stations on the Iberian Peninsula are encompassed by EU ETS - European Trade Allowances, which is the most important market mechanism in the EU for combating climate change. In 2011, still within the so-called Kyoto period (2008-2012), about 18.5 Mton of CO₂ emission allowances were allocated to EDP power plants, with about 16.9 Mton of CO₂ being used.

CO₂ ALLOWANCES AWARDED TO THE EDP GROUP IN 2011 (kt CO₂)

Portugal			Spain		
Power plants	Licences allocated	Real emissions	Power plants	Licences allocated	Real emissions
Sines	5,833.3	6,251.6	Aboño	5,227.1	5,543.4
Setúbal	1,119.0	9.4	Soto de Ribera	1,419.4	1,217.8
Carregado	377.2	1.9	Soto 4 e 5	658.0	688.2
Tunes	4.5	0.2	Castejón	627.4	389.6
Ribatejo	1,423.1	426.6	H. Central Oviedo	27.7	23.9
Lares	731.1	1,164.9	EITO Cogeneración	20.3	19.9
Energin	226.0	198.6	Tercia	52.9	67.7
Soporgen	239.3	236.8	Intever	29.8	57.4
Fisigen	158.3	124.7	Sinova	52.9	61.8
Ródão	2.0	0.6	Biogas y Energía	28.4	36.1
Mortágua	0.6	0.3	Sidergás Energía	271.9	360.4
Figueira da Foz	4.8	0.3			
Constância	2.0	0.3			
Total	10,121.1	8,416.1		8,415.8	8,466.2

Notes: 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.
These are differences compared to the financial information, note 46

EDP reports its GHG direct emissions (scope 1) and indirect emissions (scope 2 and 3) as well as the reduction targets and performance and the mitigation strategy and adaptation to climate change, under the Carbon Disclosure Project (CDP). In the 2011 publication, referring to 2010 performance, EDP was ranked on the Carbon Leadership Index Iberia 125 with 85 points for reporting (90 in the previous year) and an A- grade for performance (B grade in the previous year).

CO_{2eq} EMISSIONS OF THE EDP GROUP (kt)

	Group	Portugal	Spain	Brazil	USA
Scope 1 (ktCO_{2eq})	16,957.2	8,435.3	8,514.6	6.3	0.9
Stationary combustion	16,918.5	8,416.1	8,502.4	-	-
SF6 Emissions	5.7	3.8	0.1	1.8	0.0
Company fleet	20.1	13.1	1.5	4.6	0.9
Natural gas consumption	2.9	0.0	2.9	-	0.0
Natural gas losses (T&D)	10.0	2.2	7.7	-	-
Scope 2 (ktCO_{2eq})	1,280.4	1,085.1	131.1	51.6	12.6
Electricity consumption in office buildings	8.2	5.5	1.2	0.4	1.1
Electricity losses (T&D)	1,066.4	905.5	110.1	50.8	-
Backfeed Power - Wind	205.8	174.1	19.9	0.4	11.5
Scope 3 (ktCO_{2eq})	972.1	674.3	295.0	2.8	0.0
Business travel	8.1	2.9	3.1	2.1	0.0
Rented vehicles	0.6	0.3	0.3	0.0	0.0
Employee Commuting	2.3	0.1	1.4	0.7	0.0
Fuel and by-product transportation	941.2	651.1	290.2	0.0	0.0
Outsourcers (construction site)	19.9	19.9	0.0	0.0	0.0

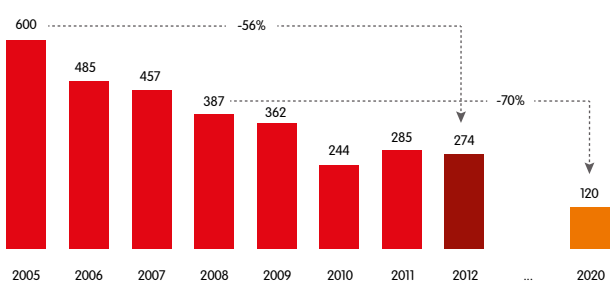
Following the processes of energy certification in EDP’s Buildings in Portugal, the internal initiatives to improve energy efficiency resulted in a reduction of consumptions of 9%, from 23,416 MWh to 21,285 MWh. It can be highlighted as well the reduction of 6% in the grid losses, in the EDP Group.

Following the recommendation of the GHG Protocol, emission values from scope 3 for 2011 were calculated using emission factors for the transport of coal, ash and gypsum, which depend on the load. Also according to the Protocol GHG 2010 data were recalculated incorporating this change.

EDP’s performance in 2011 was influenced by the following factors:

- Hydroelectric Production Index (HPI) for the Iberian Peninsula, 0.92 in Portugal and 0.82 in Spain – below the average hydrological year, and much lower than that of 2010 (around 1.3), which led to a heavy decline of hydroelectric power generation in this geography, 4 TWh less.
- Increased use of thermal power stations to meet consumption demand, with particular emphasis on coal for market reasons, as a result of the decreased water availability and despite the reduction in demand for electricity on the Iberian Peninsula (about 3%).
- Increase in installed capacity in wind farms (up 720 MW), which resulted in a 17% increase in production (+2.4 TWh).

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



Accordingly:

- Direct GHG emissions from stationary combustion in thermal power stations was 16.9 kt CO₂, i.e. an increase of 2.2 Mton (15%) compared to 2010.
- EDP's overall emission factor has slightly increased to 0.285 tCO₂/MWh (0.244 in 2010), continuing, nonetheless, the downward trend of recent years and converging on the targets set for 2012 (-56% compared to 2005) and 2020 (-70% compared to 2008).
- Under the ETS, 91% of the provided allowances were used, thus resulting in a surplus of 1.6 Mton of CO₂.
- CO₂ emissions prevented by generation of energy from renewable sources, with all geographical areas accounted for, stood at 18 Mton of CO₂, virtually the same as in 2010.
- Generation from renewable sources contributed 63.6% to total Group generation (65.2% in 2010).

The management of the CO₂ portfolio involved the use of credits purchased from CDM projects (Clean Development Mechanism) and JI projects (Joint Implementation) in which EDP participates either directly or as an offtaker, as well as the settling of the power stations' emissions balance with CMEC (Costs for Ensuring Contract Equilibrium), in Portugal.

In Brazil, the portfolio of CDM projects consists of five projects already registered with the Executive Board of the UNFCCC (United Nations Framework Convention on Climate Change). The process of validation of the Santa Fé mini-hydroelectric power station and increasing the power of machines 1, 2 and 3 of the Mascarenhas Plant power station, in Switzerland, and mini-hydroelectric power station Bonito, was interrupted in 2011. The takeover of the Santo Antônio do Jari hydroelectric power station advanced the preparation of the PDD (Project Design Document) of this facility for subsequent validation. The Executive Board of UNFCCC issued 40,426 CERs (Certified Emission Reduction) in 2011, which EDP has already contracted.

CDM PROJECTS IN BRAZIL

Project	Type	Annual reductions (tCO ₂ eq/year)	Validity	Total reductions (tCO ₂ eq/year)
Mascarenhas	Hydro	50,466	2015 (renewable)	353,262
Paraíso	Mini-hydro	30,310	2018	303,095
S.João	Mini-hydro	32,344	2015 (renewable)	226,408
Água Doce	Wind	13,704	2013 (renewable)	95,928
Horizonte	Wind	6,227	2011 (renewable)	43,587

Primary energy consumption, which is heavily dependent on fossil fuel use by the thermal power stations, was 193,001 TJ in 2011, which is an increase of around 9% from 2010. On the other hand, the less intermittent operation of the thermal power stations led to a slight increase in the overall yield of power stations.

THERMAL EFFICIENCY IN GENERATION FACILITIES (%)

	2011			2010		
	Group	Portugal	Spain	Group	Portugal	Spain
Coal and Fuel oil	35.8	37.1	34.4	35.9	37.6	34.1
CCGT	51.9	52.1	51.7	53.0	53.2	52.8
CHP and waste	73.3	81.7	63.9	77.9	81.8	73.5
Biomass	21.2	21.2	-	22.1	22.1	-

EDP also operates in the RECS - Renewable Energy Certificate System, in Portugal, with four mini-hydroelectric power stations: Ponte de Jugais (19.22 MW), Sabugueiro I (13.24 MW), Desterro (12.59MW) and Vila Cova (23.4 MW), used by EDP Comercial.

4.4. biodiversity

EDP MANAGEMENT IN PROTECTED AREAS IN 2011

		Portugal	Spain	Brazil	USA
Distribution Grids (km)					
HV	Overhead	885	41	197	n/a
	Underground	12	1	0	n/a
MV	Overhead	7,765	589	3,827	n/a
	Underground	818	34	10	n/a
No. substations		18	9	12	n/a
Generation activity (ha) ⁽¹⁾					
Area flooded by reservoirs ⁽²⁾		3.426	260	0	n/a

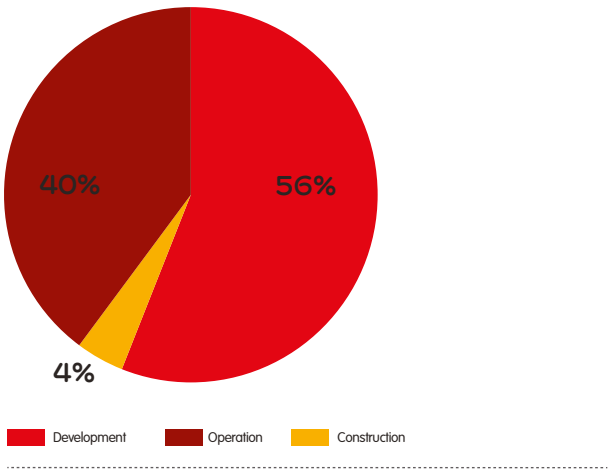
(1) The affected areas concerning the wind activity are available at: www.edprenovaveis.com> sustainability> Corporate social responsibility> wind projects.
(2) Not including Alqueva and Pedrógão

The biodiversity management practices of EDP are part of a policy that seeks to obtain an overall positive balance between the negative impacts and environmental compensations made and promoted by the company. The loss of biodiversity is a growing international concern and it is a significant issue for local communities and NGOs. EDP has been, given the importance of this issue, periodically publishing a report detailing the current initiatives and which can be viewed at www.edp.pt> sustainability> publications.

The impacts on biodiversity during 2011 remained primarily associated with new projects, particularly hydroelectric projects in Portugal and Brazil. The following projects are of note

- **Baixo Sabor hydroelectric power station**, in Portugal, the construction affects a Natura 2000 site, and it has a broad range of monitoring (12 programmes) and environmental mitigation initiatives, which include the environmental emergency plan for the collection of injured animals and environmental offsetting. These measures include, among others, the intervention in an area greater than 500 ha, comprising plantations for the recovery of holm/junipers and riparian vegetation.
- **Foz Tua hydroelectric power station**, in Portugal, which includes an area to flood of approximately 575 ha of habitats with nature protection status. The development of measures is in progress aimed at maintaining or recovering a total of 686 ha with the same classification.
- **Jari hydroelectric power station, in Brazil**, which will flood an area of 31.7 km². This project was acquired by EDP already with the fully issued environmental licensing, which includes 38 programmes to reduce impact and/or for environmental offsetting. 11 of these programmes are specific to biodiversity, such as the conservation of flora, prevention of wildlife accidents, wildlife rescue during the removal of vegetation and filling of the reservoir; monitoring of terrestrial, aquatic and semi-aquatic wildlife, and the rescue and salvage of the ichthyofauna.

ENVIRONMENTAL STUDIES IN WIND ACTIVITY



The construction of **new wind farms** is another ongoing activity with periodic monitoring measures and offsetting measures predominantly implemented through partnerships with environmental NGOs. Of particular note in 2011 are:

- The start of a 5-year partnership with Fundación Património Natural, in Spain (www.patrimonionatural.org);
- A collaboration agreement in France with Indre Nature, also for a period of 5 years (www.indrenature.net);
- The continuation of the partnership with Migres Foundation associated with the protection of the griffon vulture (*Gyps fulvus*), Montagu's harrier (*Circus pygargus*), and the lesser kestrel (*Falco naumanni*) (www.fundacionmigres.org);
- The collaboration with the Doñana biology station, in Spain, to analyse mortality data from birds associated with the wind farms in the Cadiz region. The results of the two studies indicate the compatibility of the farms with the conservation of the species, suggesting solutions for the current problems (www.ebd.csic.es);
- The partnership with the American Wind Wildlife Institute, in the USA, with the publication of a prospective selection tool for the investment decision support (www.awwi.org).

Associated with the operating activities, the environmental promotion measures highlighted during the year are associated with two major areas:

Measures to **minimise impacts on water resources**, which include the monitoring of the fish lift built at Touvêdo in order to evaluate its suitability for the movement of eels, as well as other migratory species such as sea-lamprey. Also ongoing are studies to monitor the use of navigation locks by fish species, as well as monitoring the effectiveness of other devices for fish movements, such as the fish ladders of Labruja and Penide.

In Portugal the plan to study the effectiveness of instream flows and their redefinition are still ongoing, in order to ensure the release of the defined flows.

The highlights of the **Distribution activity** in Portugal are the completion of the projects under the Environmental Performance Promotion Plan (PPDA), funded by ERSE. In the field of environmental protection, in particular Biodiversity, a manual of good practices for the management of buffer strips in areas with the status of environmental protection was published, and the work to correct power lines to reduce the impact of bird collisions and electrocution continued.

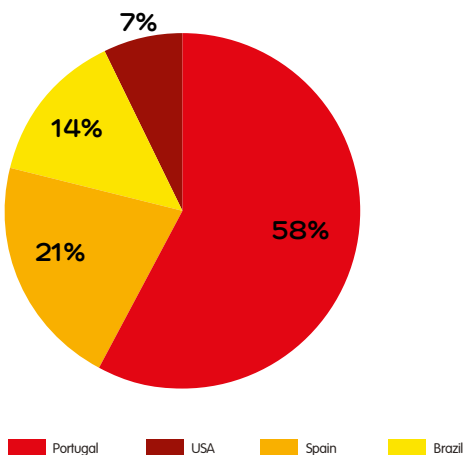
Lastly, the final application to the Biodiversity Fund was done in 2011, which was established with a total of EUR 2.5 million. The process of selection of the applications has already been completed in the first quarter of 2012.

Other initiatives in progress to promote biodiversity can be found at: www.edp.pt/sustainability/biodiversity/initiatives.

4.5. environmental costs and revenue

EDP's environmental costs in 2011 were EUR 77.4 million. This value has declined mainly because the following investments ended: investments on the construction of desulphurisation units to reduce emissions of sulfur dioxide; investments to reduce nitrogen oxides emissions; and to optimize the precipitators to reduce particulate matter. Detailed information on environmental costs can be found in the EDP financial booklet, note 53.

ENVIRONMENTAL COSTS



EDP's costs due to fines and other penalties for failure to comply with environmental regulations amounted to EUR 4,000. The environmental revenue of EUR 6.9 million is related to the sale of environmental by-products in the value of EUR 4.7 million and the sale of environmental waste in the value of EUR 2.1 million. State incentives related to environmental protection were EUR 2 million.

EDP has set up a provision of EUR 22,9 million to cover the costs of pre-decommissioning of the Trillo nuclear power station, which will result in the cessation of the plant until its transfer to the National Radioactive Waste Company (ENRESA) for its dismantling over an estimated period of 3 years.

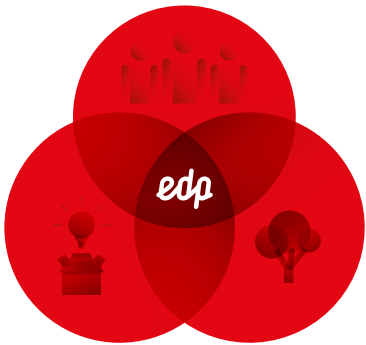
5. communication

The mission of communication in the EDP Group is to plan, develop and control the Group's communication strategy, with the goal of maximising brand value, supporting business strategies, contributing to the company's position as a leader in the various markets where it operates. It aims to bring geographical areas and cultures closer together, to reinforce the focus of people on the strategic objectives and to respond to specific information needs expressed by the different stakeholders.

5.1. the new edp brand

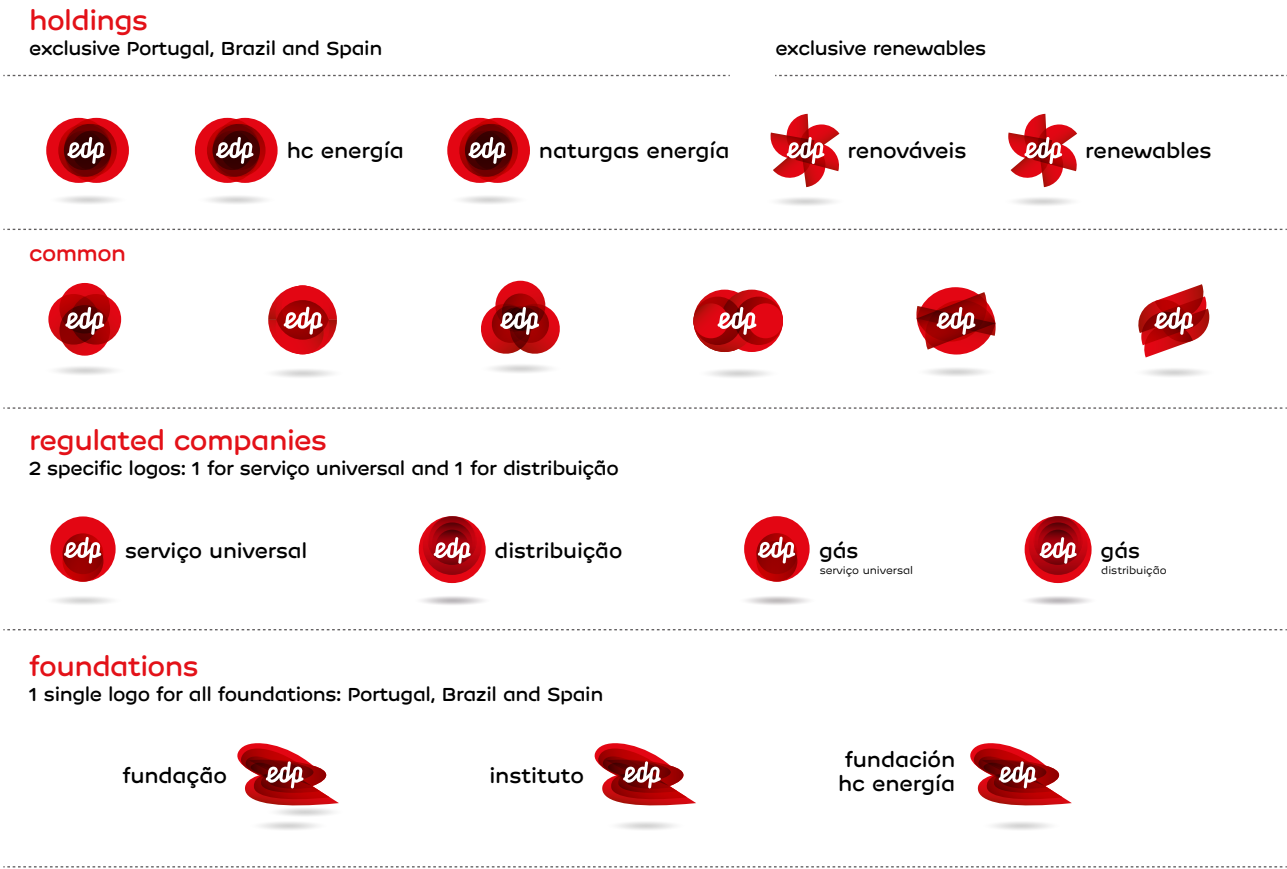
The change of the EDP brand occurred on 2011 July 1st and it is owing to a natural evolution resulting from EDP's growth in the last five years. Brands reflect the profile of companies and today the DNA of EDP is different; it has changed from a company whose business was almost exclusively based in Portugal to that of a multinational company.

The new brand has contributed to keeping EDP in the leadership and it continues to create value for the company. A global brand with a single name, a single colour and a single signature is the result of the rebranding operation that EDP undertook.



Humanisation, sustainability and innovation. These are the pillars by which EDP will continue to build its brand, which intends to be close to its stakeholders and its customers, in particular.

EDP has created 11 logos for the entire Group: 7 logos for Portugal, Spain and Brazil which must be used in a dynamic and random manner. The brand architecture is illustrated in the following figure.



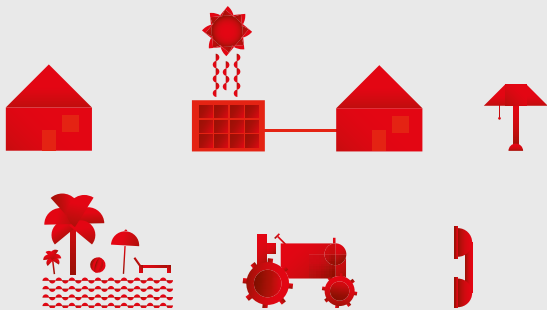
VISUAL CONCEPT OF THE NEW EDP BRAND

Flexible, open and innovative. This is the new identity of EDP which was built from four geometric shapes: the circle, square, triangle and semi-circle.



Its system is totally flexible. It can be produced in a huge variety of ways while keeping its language simple, clear and comprehensive, allowing it to be a real support of a narrative, not only in terms of its shape, but also, conceptually speaking, in its endless possibilities and conversions in an iconographic language and one of complete design. It is open and transparent due to its make-up and inclusion of gradients. It is innovative and reflects the EDP values because it can evolve over time, much like the company that is EDP.

These shapes were combined together to give a modular identity. The illustrations that were created and make up the new EDP language are very comprehensive, covering several categories: energy, education and business, agriculture, food, household objects, music, art, nature, animals, people, etc.



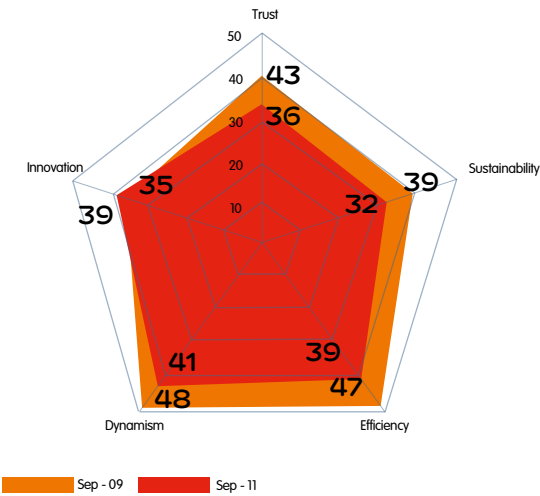
evaluation of the edp brand

The “Top Portuguese League Table” study of Brand Finance – 2011 placed EDP as the most valuable Portuguese brand with an estimated value of 2.755 billion euros, ranking it 280th of the world’s 500 largest companies. It is the only Portuguese company in that ranking.

In the RepTrak Pulse 2011 Portugal study, the EDP Renováveis brand is in 86th position of the 100 companies evaluated in Portugal. This evaluation indicates a reasonable reputation level (6th placed company of the PSI20 stock index).

Also in relation to brand studies, the MyBrand Reputation Index is an annual barometer of the reputation of companies, compiled by MyBrand and the Portuguese Institute of Corporate Governance, with the support of the Económico magazine. The barometer measures the reputation as perceived by the general public and by small investors. In the 2011 edition, 44 leading companies in Portugal were evaluated and the study received the opinion of 2,923 Portuguese. In this study, EDP Renováveis and EDP were placed in 2nd and 11th place of the ranking with scores of 69.5 and 64.0 respectively.

EDP’S VALUES ACCORDING TO ITS COSTUMERS (%)



5.2. edp in the media

The dissemination of information about the EDP Group in the media is very common throughout the year. In 2011, it was necessary to conduct a study to gauge the favourability of the news published.

According to the study of news about the EDP Group, 56,068 news items appeared in the media. 33,483 news items were analysed as part of this report. 30% of these items were positive, 63% were classified as balanced and only 7% had a negative connotation.

The generated information fostered 25,626 billion contacts (estimated audience based on the number of news items) and achieved an average favourability of 3.3 on a scale of 1 to 5, which resulted, in terms of net EVA (indicator measured according to the advertising table value of the medial), in a positive value of 49 million euros.

The issues of privatisation and renewable energy were the most widely covered by the media. In general, the positive news items during 2011 referred to the good financial results of the Group, its privatisation and the social responsibility initiatives undertaken by the company.

The negative news items referred to the thefts of copper, complaints about tariffs, power cuts and customer service.

July and December were the peak months in terms of news flow. In July, most of the information referred to the announcement regarding the Portuguese State’s alienation of it’s shareholding in EDP. The rebranding of the company and the financial results of the first half-year were also other topics addressed.

December was dominated by news about the interest of several international companies in purchasing the State’s shareholding in EDP.

During 2011, EDP initiated its presence in Facebook. However, due to a combination of circumstantial issues, the channel revealed itself ineffective, and it was decided its suspension. It is now being studied the most adequate communication model. Fundação EDP Facebook page is still online, as well as the official site of EDP on Youtube.

6. employees

HUMAN RESOURCES 2011	2011					2010				
	GROUP ⁽²⁾	PORTUGAL	SPAIN ⁽³⁾	BRAZIL ⁽²⁾	USA	GROUP	PORTUGAL	SPAIN ⁽³⁾	BRAZIL	USA
EMPLOYMENT ⁽¹⁾										
Employees (no.)	12,119	7,208	2,112 ⁽⁴⁾	2,515	284	11,989	7,191	2,077	2,395	326
Directors	587	405	104	49	29	484	356	103	5	20
Senior management	3,544	1,959	546	879	160	2,416	1,827	512	52	25
Middle management	436	205	231	0	0	648	228	223	95	102
Supervisors	757	91	661	0	5	893	109	670	103	11
Qualified and highly qualified professionals	5,554	4,412	529	556	57	5,792	4,506	528	617	141
Semi-qualified professionals	1,241	136	41	1,031	33	1,756	165	41	1,523	27
Permanent (no.)	12,039	7,144	2,103	2,508	284	11,928	7,147	2,075	2,380	326
Fixed-term contract (no.)	80	64	9	7	0	61	44	2	15	0
Part-time (no.)	27	4	23	0	0	11	4	6	0	1
Male employees (%)	78	80	75	77	62	79	81	77	76	60
Directors	82	80	92	76	76	83	83	90	60	70
Senior management	70	71	71	67	71	72	72	73	75	76
Middle management	86	88	83	0	0	83	89	83	81	70
Supervisors	80	81	79	0	80	81	80	83	71	73
Qualified and highly qualified professionals	83	83	71	95	58	80	84	73	62	60
Semi-qualified professionals	73	86	39	75	9	80	85	44	81	4
Employees with special needs (no.)	195	103	11	80	1	200	90	11	98	1
Foreign employees ⁽⁵⁾	123	18	61	16	28	115	20	63	11	21
Turnover (%)	5.8	2.8	4.9	12.6	24.9	5.8	3.9	4.5	10.8	19.4
New employees (no.)	728	184	125	369	50	695	214	122	282	77
Employees leaving (no.)	660	226	82	250	102	687	352	63	228	44
Employees' average age (years)	46	49	43	39	38	46	49	43	40	39
Average age of new admissions (years)	30	29	31	29	36	30	30	32	28	34
Average age of leaving (years)	45	52	45	39	42	47	54	46	39	40
Seniority (years)	17	30	15	11	3	30	31	14	38	3
M/F ratio of new admissions	2.14	1.88	1.16	2.88	2.33	2.13	2.19	1.77	2.03	3.27
Absenteeism rate (%)	3.35	3.19	3.36	4.04	1.60	3.52	3.54	3.05	4.12	1.97
EDP minimum wage/national minimum wage	n/a	1.39	1.88	1.44	1.66	n/a	1.54	1.88	1.37	2.44
Pay ratio by gender (M/F)	1.01	0.96	1.17	1.00	1.25	1.01	0.96	1.18	1.01	1.24
TRAINING										
Total hours of training	477,091	179,715	109,419	181,705	6,252	419,737	182,814	88,303	142,441	6,179
Environment	5,595	3,548	1,245	800	3	3,844	1,880	1,880	84	0
Sustainable development	825	464	281	80	0	610	598	4	8	0
Ethics	4,290	0	4,198	57	35	19,172	19,052	120	0	0
Quality	12,389	10,381	1,074	934	0	5,664	5,063	539	62	0
Languages	52,172	7,384	38,738	6,050	0	26,194	1,966	21,394	2,835	0
Health and Safety	75,078	15,848	12,998	45,592	640	46,798	11,979	18,463	15,910	447
Information systems	36,297	26,179	7,694	1,946	478	36,616	24,024	5,666	6,675	251
Other	290,446	115,911	43,192	126,247	5,096	280,839	118,253	40,238	116,867	5,481
Average training per employee (h/p)	39.37	24.93	51.81	72.25	22.01	35.01	25.42	42.51	59.47	18.95
Directors	45.97	49.49	50.66	26.94	12.10	44.42	46.83	44.49	13.80	8.83
Senior management	40.25	49.85	70.29	4.83	14.86	44.47	41.15	60.52	20.50	8.43
Middle management	56.18	25.27	83.62	n/a	n/a	59.93	27.06	113.85	51.12	23.69
Supervisors	28.55	12.69	30.03	n/a	121.40	14.92	23.58	15.39	0.39	36.23
Qualified and highly qualified professionals	22.49	11.78	47.76	81.21	43.56	20.81	17.75	29.44	36.71	16.50
Semi-qualified professionals	109.95	27.13	32.73	127.04	13.15	66.39	13.45	19.07	74.21	20.70
LABOUR RELATIONS										
Collective employment agreements (%)	84	84	83	94	0	87	87	85	100	0
Trade union membership (%)	53	67	21	47	0	55	69	21	49	0
Union Structures (no.)	39	26	7	6	0	37	25	7	5	0
Hours lost due to strikes (no.)	2,582	2,529	53	0	0	5,171	4,143	1,028	0	0
Staff engaged in further study (no.)	29	29	n/k	n/k	n/k	34	34	n/k	n/k	n/k
Professional Internships (no.)	285	137	0	148	0	293	121	0	172	0
Academic internships (no.)	437	164	260	0	13	413	131	259	0	23
HEALTH AND SAFETY										
Net maximum installed capacity certified by OHSAS 18 001 (MW)	13,407	8,922	3,037	1,448	0	13,198	9,724	2,571	903	0
Net maximum installed capacity certified by OHSAS 18 001 (%)	58	81	47	77	0	60	92	45	52	0
On-duty accidents (no.)	46	28	7	11	0	44	26	10	8	0
Fatal on-duty accidents (no.)	2	0	0	2	0	1	1	0	0	0
EDP frequency rate (Tf)	2.17	2.34	1.94	2.20	0.00	2.08	2.13	2.89	1.69	0.00
EDP severity rate (Tg)	180	258	61	102	0	117	165	110	14	0
Total days lost due to accidents (no.)	3,815	3,084	219	512	0	2,469	2,020	381	68	0
Occupational health rate	0.32	0	0.88	0.19	0	0.25	0.14	0.00	0.00	0.00
Fatal accidents of contracted workers (no.)	4	3	0	1	0	6	4	0	2	0
Contractors working days (no.)	4,444,208	2,504,880	653,145	1,113,402	172,781	3,738,078	2,039,255	513,543	954,496	230,784
EDP and contractors frequency rate (Tf_total)	4.65	5.19	3.85	4.46	0.98	4.92	5.36	6.08	3.72	2.38
Fatal accidents involving non-workers (no.) ⁽⁶⁾	21	12	0	9	0	24	8	0	16	0

(1) For the purposes of detailed human resources do not include the corporate bodies. The number of employees of corporate bodies in 2011 is 100.
(2) Does not include information about the Pecém Powerplant, corresponding to 83 employees, due to lack of others indicators.
(3) Includes the results of the Rest of Europe.
(4) In 2011 EDP had 123 employees in other geographies (France: 32; Belgium: 2; Italy: 15; UK: 22; Poland: 33; Romania: 19)
(5) In 2011, 123 employees, 28 are directors.
(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.

6.1. human resources policies

Arising from its human resources policies, EDP publishes an annual Social Report which details the organisational structure of Human Resources practices, human capital development and the various benefits provided to employees. The following chapters summarise the performance of EDP in 2011. Detailed information about policy and the social report can be found at [www.edp.pt> about edp> human resources](http://www.edp.pt/about-edp/human-resources).

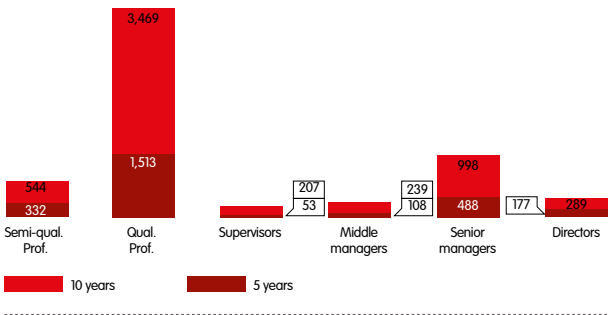
The EDP action in this area has been recognized - see Recognition. Noteworthy was the world leader in the social dimension, according to the SAM criteria ([www.edp.pt> sustainability> recognition](http://www.edp.pt/sustainability/recognition)).

EDP also continued its process aimed at certification as a Family Responsible Company by Associação Mas Família, in 2011. The companies of the EDP Group in Spain (HC, Naturgas and Renováveis) are currently certified.

6.2. edp employees

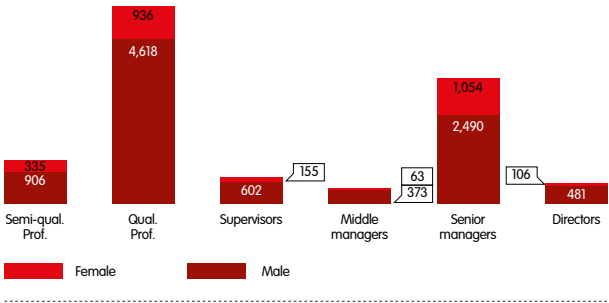
EDP has 12,119 employees of 29 nationalities and it operates in 13 countries. In 2011, there was a slight increase in the number of employees (see table) due to the rejuvenation of staff exceeding the number of employees who left due to retirement, pre-retirement and early retirement.

EMPLOYEES ELIGIBLE FOR RETIREMENT (NO.)

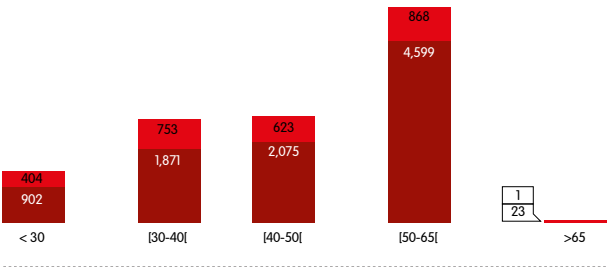


Despite this oscillation, the average age of workers remained at 46 years.

DISTRIBUTION OF EMPLOYEES BY PROFESSIONAL CATEGORY (NO.)

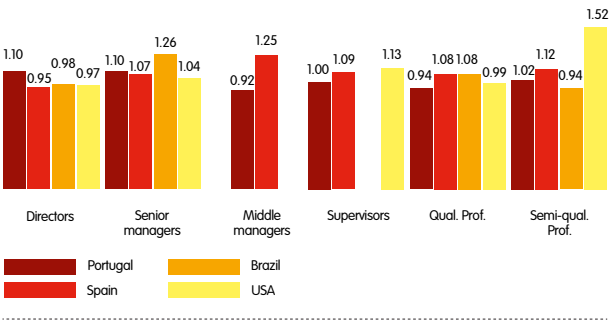


DISTRIBUTION OF EMPLOYEES BY AGE GROUP (NO.)



EDP promotes equal opportunities and it particularly guarantees salary non-discrimination between genders. In 2011, the male/female salary ratio remains at 1.01. EDP's focus on ensuring that salaries are based on the merit and competence of its employees is therefore clear.

SALARY RATIO (M/F) BY PROFESSIONAL CATEGORY



6.3. labour relations

EDP has regular contacts with official entities as well as with employee representatives, 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. In Portugal there were more than 50 meetings during the year with trade unions on an individual basis and more than 10 meetings with all the unions present and to ensure the adequacy of internal rules and regulations with legislation. There was no kind of labour dispute during 2011 for reasons arising from the EDP Group.

The Collective Labour Agreements in the various countries where EDP operates do not include a specific clause to determine the period for issuing to all employees regarding the company’s operational changes that may impact them. However, EDP has a management practice to communicate organizational changes that may impact on employees, which in some countries goes beyond the stipulated in the national labour law. In Portugal, are communicated to the Unions, Workers Committees and employees with a notice not less than 30 days. In Brazil, the first communication is made by the unions, EDP reports all changes for each stage of the negotiations, as well as a time limit for all employees to clarify their doubts. In other locations the minimum period is defined in national laws.

EDP continued to support the initiatives of employees’ organisations of a social, cultural and recreational nature, namely the EDP Personnel Club, Blood Donors Association and Retirees and Pensioners Association, which totalled EUR 1.3 million.

6.4. attract and commit

In 2011, under the rejuvenation policy, embodied in the ON TOP - EDP Recruitment Program, 728 new professionals joined the Group (33 more employees than in 2010), which corresponded to a recruitment age of 30 years for new employees. Initiatives for promotion/disclosure (jobshops and lectures/seminars), competitions (Global Management Challenge, IST Management Challenge and University Challenge, Power Tradel, knowledge sharing (Marenostrum, BEST Days on Technology and Mentoring Program) were also developed, as well as skills development (study visits, summer internships, internships and placements to give a taste of working life). EDP also has partnerships with Portuguese and international associations and communities, such as Best – Board of European Students of Technology and CEMS – Community of European Management School.

promoting internships

EDP continued to encourage internships in its companies as a means of contributing to young people’s personal and professional enrichment and “winning them over” for possible future admission. 722 internships were organised in 2011: 285 of a professional nature, 384 academic internships and 53 summer internships (314 more than in 2008).

induction and integration

EDP gives great importance to welcoming and integrating its employees. The “Induction Manual”, “Induction sessions” and “Integration meetings” are examples of the tools used in this process. The process of induction and integration was reorganised in 2011, steering the employee through several stages as if it were a journey. A journey that includes initiatives with objectives that aim to: facilitate their integration, provide fundamental knowledge about the culture and business, promote internal networking and help new employees feel +EDP. The Induction and Integration programme is now available at the Online Campus.

6.5. value and develop

EDP annually draws up a training plan that, based on a needs assessment that is illustrated during the evaluation of potential process, is presented as a guiding framework for the management of training in the Group and is aligned with EDP’s strategic challenges, vision, values and commitments.

edp university

The Group aims with the EDP University to ensure the transference of knowledge between different generations, that the best practices are disseminated to all areas of the company and the knowledge assets that are generated are made available for the use and enrichment of all. This perspective contributes to innovation and sustainability, allowing us to achieve the distinction we seek - excellence in customer service.

In 2011 we launched the Gas, Renewable Energy and Commercial schools and we started the process of consolidating and improving the operation of the other schools (Generation, Distribution, EDP and Development of guidelines). The second phase of implementation of the Online Campus – a virtual campus to support the different forms of learning, also started up.

	Participants	Courses	Training hours	Teachers
Academic year 2009/2010	686	n/k	16,636	149
Academic year 2010/2011	3,075	57	38,364	279
	↗ 348%	n/a	↗ 131%	↗ 87%

leader training and awareness

EDP has been developing a series of dynamics, instruments and tools to support leadership.

The EDP Leader Guide is a practical manual that brings together the main human resource issues that leaders have to deal with in their everyday work and information on the leader profile and the main HR processes. 31 awareness sessions, which were attended by 588 employee leaders, were held in Portugal in 2011. The process began in other countries in 2011 and it will be implemented throughout 2012.

It is also important to EDP to raise awareness among leaders in the areas of corporate social responsibility, the importance of balancing its employees’ personal and professional lives and openness to the community, particularly in relation to the Volunteering Programme of EDP, which is defined as a strategic initiative of the Group. This training programme involved 790 trainees in 2011, which is equivalent to 1,580 hours of training provided (further details in the Community chapter).

mentoring

EDP continued to focus on mentoring in 2011 as a means of identifying and developing young people capable of accompanying the growth and trends of the business, providing personal and professional growth, developing leaders and managers of teams and increasing motivation and satisfaction levels. EDP currently has 112 mentors and 150 mentorees under the Mentoring Programme and the Energizing Development Programme. This programme has proven to be very motivating for the Group of Mentors, who recognise that it is a vote of confidence in them to foster the development of young professionals.

6.6. assessment of potential and performance

The assessment of potential and performance encourages behaviour that maximises productivity, responsibility, participation and

development of employees, allocating to each person a vital role in achieving the overall goals and valuing individual contributions. All permanent employees are covered by a system of performance assessment of which 55%, and undergo a 270° assessment, 32% of employees are assessed to 180° and the remaining 13% have a 360° assessment. This variation is due to the different levels of process maturity in different countries. The performance management models have been developing with the increasing alignment of assessment cycles in all countries.

6.7. recognition of merit with fairness

It should be highlighted in relation to the recognition of merit and how this is compensated, that employees have the possibility of attaining Profit Sharing Awards, MeritAwards, as well as moments of recognition such as when celebrating 25 years of service. There are several levels of recognition in EDP, which entail monetary compensation and fringe benefits.

EDP offers all its employees healthcare systems in addition to the national health services in each country, and also additional retirement schemes and personal accident and life insurance. In relation to compensation and benefits, EDP seeks to recognise and establish the principle of internal equity and of external competitiveness (see Financial Report chapter, note 37).

6.8. balance professional, personal and family life and citizenship

The policy of personal life-work balance was published in 2011 in the EDP Human Resources Policy Manual (www.edp.pt > [about edp](#) > [principles and policies](#)); it is embodied in protocols, initiatives and sundry measures developed under the Conciliar Programme, on the initiative of the companies, business units, departments or inserted into the terms of collective and individual employment contracts, and it is organised into four major areas:

- **Health and well-being**, with particular emphasis on the agreements established with different entities that offer favourable conditions in the purchase of products and/or services;
- **Family Support**, with emphasis on initiatives especially designed for the children and grandchildren of employees;
- **Personal Life and Work**, with the possibility, for example, of working from home in cases of necessity and according to authorisation from the hierarchy;
- **Citizenship**, with the publication in 2011 of the Volunteering Policy and implementation of the EDP Volunteering Programme (PVEDP), under which EDP provides 4-8 hours per month during working days to undertake voluntary work.

6.9. generate opportunities

EDP's strategy is to encourage professional mobility, in order to increase the number and diversity of opportunities for career development and to facilitate the sharing of experiences among its various companies. EDP's mobility policy considers intra-company, inter-company and regional/international mobility. Mobility may result on the initiative of the Group or the employee. In 2011, mobility in the EDP Group involved 837 employees.

6.10. guarantee diversity and respect the value of the human being

According to the code of ethics, all practices, policies and labour procedures are directed to prevent discrimination and the differential treatment based on race, gender, age, sexual orientation, creed, marital status, disability, political ideals or opinions of any other nature, ethnic or social origin, birth or trade union association.

In all countries where EDP operates it embodies the values of diversity as specific measures, examples of which are hiring people from different nationalities and people with disabilities (195 in 2011).

In 2011, 22% of employees are women, which is an increase of 0.5% over 2010. The high percentage of men that still exists is justified by historical and cultural factors related to the business area of EDP.

6.11. innovate, motivate, engage, communicate and manage change

In-house communication plays a key role in the sharing of information on the company, business, organisation, strategy, the processes and initiatives to involve and mobilise employees. Communicating and Mobilising are priorities of the strategic plan for the near future. Communication supports the management of change and it mobilises in the sense it guarantees and implements the strategy of alignment with: the commitment to the EDP values, sharing information, ensuring the transfer of knowledge over generations, constant innovation, international focus, and the motivation to do and grow.

SOU+EDP, ON TOP AND CONCIAR IDENTITIES

The communication of the Human Resources image is supported by three entities: sou+edp, ON TOP - EDP Recruitment Programme and Conciliar, designed for in-house and external communication, respectively, with the aim of standardising, strengthening, clarifying and communicating more effectively. EDP aims, by developing specific initiatives for employees, to contribute to increasing knowledge and enhancing engagement and the sense of belonging.

Besides the annual gathering of Human Resources professionals, where people from all businesses and geographical regions of the Group meet, EDP provides other proposals. This is the case with "Rotas com Energia", which takes employees to get to know certain EDP generation and distribution facilities, the "SMS" (Learn More About) and "Boca Livre", which are informal meetings used to discuss various topics of interest to employees, or "Momentos com Energia", which are group meetings of people from different countries that are the starting point for practical work and reflections on strategic topics.



6.12. employee satisfaction

EDP performs regular climate studies in order to develop Action Plans to ensure continuous improvements in the future. These studies intend to record the opinions and reasons, as a means of proposing initiatives to keep the “psychological contracts” activated. EDP conducts this survey every two years, considering the need to evaluate the results of the action plans set out following each consultation.

In 2011 the study took place in all geographical regions and covered all employees. The overall results in 2011, both in the participation rate (87.9%) and the overall satisfaction rate (81.1 points) show that employees are motivated and like to work for EDP. This year’s results were among the best ever for Portugal. Employees have an image of the EDP Group of a reliable and innovative company that promotes energy efficiency and is concerned with the environment. These results reflect the improvements in the management of human potential, but also how each employee lives and feels the company.

6.13. occupational health and safety

The importance EDP places on this issue goes beyond compliance with legal requirements and is made explicit in EDP’s safety policy, which is geared towards the strategic objective of ‘Zero accidents, no personal injuries’ (details at www.edp.pt > about edp > principles and policies). In order to manage this strategic objective better, an Occupational Health and Safety Management System has been adopted, based on the OHSAS 18001 standard and following the directives of the International Labour Organization as set forth in ILO-OSH 2001 and Convention no. 155 on Occupational Health and Safety.

employee participation

EDP employees participate in safety management through formally constituted structures – the Safety committees and sub-committees, which all together represent the majority of company employees. These committees regularly meet (602 meetings in 2011) and their representativeness is 97.3%.

highlighted activities in 2011

emergency response preparation

Under the management of emergency situations, the EDP Group held 211 emergency drills (59 in Portugal, 92 in Spain, 33 in Brazil and 23 in the USA) in various industrial and administrative facilities and at works in progress, with the aim of testing the effectiveness of the internal emergency plans. These exercises involved external entities such as civil protection, fire and police authorities and public safety officers.

automatic external defibrillation programme

EDP in Portugal launched a programme to install automatic external defibrillators at its main facilities with the largest number of occupants, with the aim of strengthening existing measures to aid victims suffering from cardiac arrest. The main activities concerning the implementation of this programme were to identify sites for the installation of the defibrillators. The training in the operational use of the equipment covered 198 employees of EDP and External Services Providers in 2011.

health and well being of employees

EDP offers its employees health care and occupational health care. Apart from complying with the medical plans, EDP promotes awareness about health promotion and wellbeing, standing out, in 2011, in Portugal, the prevention initiatives on cardiac risk and the continuation of nutrition and smoking cessation programs.

accidents and near-misses

EDP has defined a specific procedure in its Corporate Safety Management System implemented in accordance with OHSAS 18001:2007 for the registering, analysis and correction of near-misses, as it is an essential tool for achieving the objectives and targets to reduce risk and injury in operations conducted in Group companies. In 2011, 548 cases of near-misses were recorded, and 46 occupational accidents involving an absence of one or more days. With two more accidents compared to 2010, there was an increase in severity index (Tg) due to the increased number of days lost for to sick leave.

The improvements to the OHS indicators reflect the results of actions and initiatives implemented throughout the year to strengthen and improve occupational safety, particularly in the fields of training and awareness, assessment and risk control, preventive action among service providers and increasing the audits and inspections programme.

Despite the effort made, we regret to inform of the occurrence of two fatal accidents, both electrical in nature, of EDP workers in Brazil. Service providers recorded 4 fatal accidents, 3 of which were in Portugal (1 due to a road traffic accident and 2 of an electrical nature) and 1 in Brazil, also of an electrical nature.

There also occurred 21 fatal accidents of an electrical origin, involving persons outside of the company (members of the general public). A significant part of these are related to acts of vandalism or theft occurring in facilities or with electricity grid equipment.

7. customer and product

To build a strong relationship with customers by anticipating their needs and expectations in all moments of contact, and operating under the brand values, is the vision that guides projects and initiatives to expand on the dialogue with our customers, respecting linguistic realities and different cultures.

7.1. description of customers

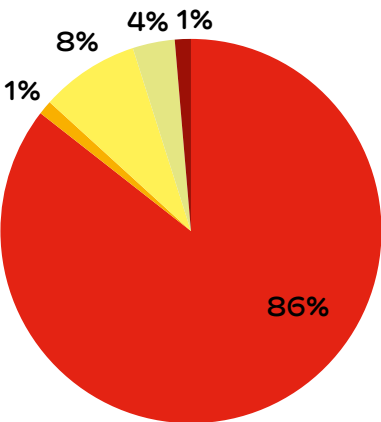
EDP currently has about 9.8 million electricity customers and more than one million gas customers, with the following distribution.

EDP CUSTOMERS BY TYPE OF MARKET (NO.)

	Portugal	Spain	Brazil ⁽¹⁾	Total
ELECTRICITY				
Last resort	5,771,900	316,728	2,831,205	8,919,833
Free Market	281,609	698,815	137	980,561
Total	6,053,509	1,015,543	2,831,342	9,900,394
GAS				
Last resort	270,053	110,773	n/a	380,826
Free Market	1,523	677,087	n/a	678,610
Total	271,576	787,860	n/a	1,059,436

(1) Excludes generation internal consumption and supplies.

CLIENTS BY TYPE OF USE



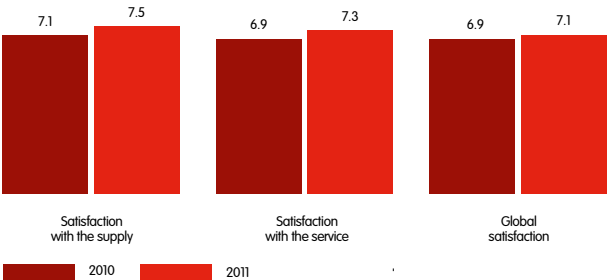
Residential Others Agricultural Industrial Commercial

Note: Corresponds to 87% of the Group's customers. Does not include Spain, or liberalized market in Portugal.

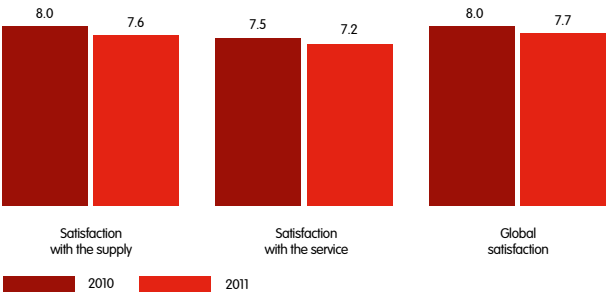
7.2. customers' voice

EDP listens to its customers, conducting customer studies in the different countries. These studies are an important source of information to find out about customers' experiences and to support initiatives and projects, in order to improve that experience. Customer experience is translated into a set of macro-indicators, which include: Overall Satisfaction, Satisfaction with Energy Supply (electricity and/or gas) and Satisfaction with the Service.

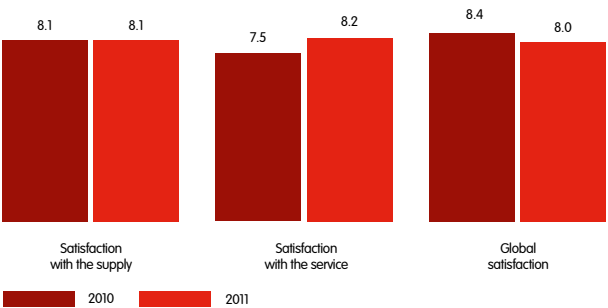
SATISFACTION INDICATORS OF ELECTRICITY DOMESTIC CUSTOMERS - PORTUGAL



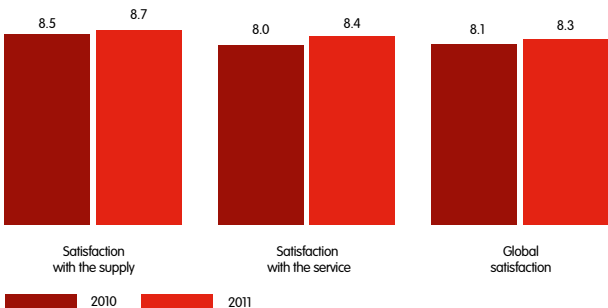
SATISFACTION OF DOMESTIC CUSTOMERS - BRASIL BANDEIRANTE



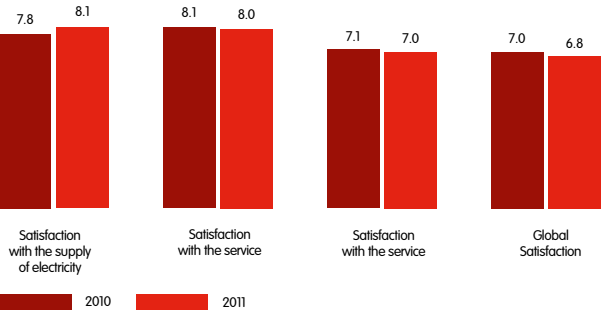
SATISFACTION OF DOMESTIC CUSTOMERS - BRASIL ESCELSA



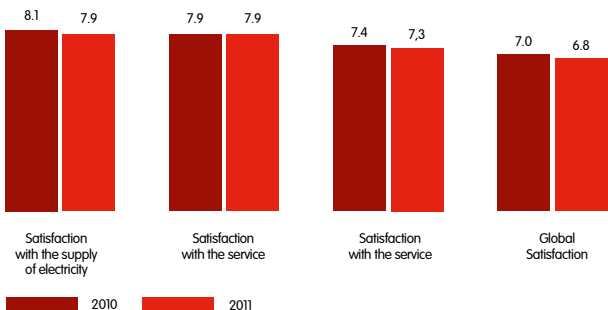
SATISFACTION INDICATORS OF NATURAL GAS DOMESTIC CUSTOMERS - PORTUGAL



SATISFACTION OF DOMESTIC CUSTOMERS IN HC ENERGÍA - SPAIN



SATISFACTION OF DOMESTIC CUSTOMERS IN NATURGAS - SPAIN



Escala: 0-10

7.3. access to electricity

improving access
to energy

In Europe, improving access to electricity and natural gas basically means constantly improving technical service quality indicators of the distribution companies and improving the quality of the commercial service from suppliers.

In Spain, HC Energia has a rural electrification plan ongoing since the 1980s, which is designed to take electricity to all remote rural areas and improve the quality of service where it is already supplied. In Portugal, EDP has been participating in the Agris Rural Development Programme, in the field of supporting electricity supply to rural areas.

In Brazil, the **“Luz para Todos”** Programme was concluded with rural coverage of the Escelsa concession area, comprising 924 connections. Around 265 million Brazilian reais have been invested and 50,546 households benefited the programme since the first contract was signed by the EDP distributors in Brazil and the Brazilian government in 2004.

protect financially vulnerable customers

SOCIAL TARIFF AND SPECIAL NEEDS CUSTOMERS (NO.)

	2011	2010	2011	2010
	Social tariff		Special Needs	
Portugal	89,795	7,221	582	497
Spain	57,910	57,559	0	0
Brazil	106,612	357,971	254	262
Total	254,317	422,751	836	759

In Portugal, the regulated tariffs for the sale of electricity and natural gas to end customers will terminate at the end of 2012 for all consumers. In 2010, the regulated tariffs for end customers of natural gas with an annual consumption greater than 10,000 m³ were ended and in January 2011, the regulated tariffs for electricity to end customers of very high, high, medium and special low voltage were also terminated. The timetable for the ending of the other regulated tariffs, by the end of 2012, is:

- **from July 1st, 2012**, for electricity consumers with a contracted power equal to or greater than 10.35 kVA and consumers of natural gas with an annual consumption exceeding 500 m³;
- **from January 1st, 2013** for electricity consumers with a contracted power up to 10.35 kVA and consumers of natural gas with an annual consumption up to 500 m³.

In Spain, the tariff of last resort to protect the most vulnerable consumers and allow a smooth transition between the regulated and non-regulated tariff has been in force since 2009, freezing prices until 2012. It covers customers with an installed power of less than 3 kW or with other socio-economic needs.

In Brazil, the social tariff for electricity covers low-income households. These tariffs provide discounts of 10%, 40% and 65% for monthly consumption brackets from 101 to 220 kWh, 31 to 100 kWh and up to 30 kWh, respectively. In order to expedite the process of application of this tariff, arrangements with the municipal governments of the respective concession areas are established.

Additional information on social tariffs in the countries in which EDP operates is provided in the companies' annual reports or sustainability reports, available at www.edp.pt/sustainability. For more details on the termination of the regulated tariffs in Portugal, see the "Regulatory Framework" chapter.

SOCIAL TARIFF IN PORTUGAL

The social tariffs for natural gas and electricity, and the Extraordinary Social Support for the Energy Consumer (ASECE) are social assistance instruments aimed at protecting financially vulnerable customers. There are three different though cumulative social benefits. Customers who meet the conditions to qualify for these benefits make an official request to their suppliers, who then check their entitlement with the Social Security institutions. The discounts in force in 2011 were:

- **Electricity:** 0.17 €/kWh for contracted power to 4.6 kWh.
- **Natural gas,** from July 1st,2011 and until June 30th, 2012, discount of 13% for an annual consumption up to 500 m³.

ASECE entered into force on October 1st, 2011 and it represents a 13.8% discount on electricity and natural gas bills, excluding VAT and other taxes, levies and charges that may apply.



DISCONTO SOCIAL PARA A ENERGIA

APOIO SOCIAL EXTRAORDINÁRIO AO CONSUMIDOR DE ENERGIA (ASECE)

TARIFA SOCIAL DE ELETRICIDADE E GÁS NATURAL


SAIBA MAIS AQUI

Se efetuar o seu pedido até 31 de dezembro de 2017, terá o seu desconto ASECE* desde 1 de outubro de 2017, desde que reúna os condições necessárias.

* A partir do 1º de outubro de 2017, os consumidores de energia elétrica e a Tarifa Social de Eletricidade e de gás natural não poderão mais beneficiar-se do desconto ASECE. Os consumidores de gás natural poderão beneficiar-se do desconto ASECE até 31 de dezembro de 2017.

Podem acumular o ASECE com a Tarifa Social de Eletricidade e a Tarifa Social de Gás Natural.

Se já é beneficiário da Tarifa Social de Eletricidade, obterá o ASECE automaticamente.

 serviço universal

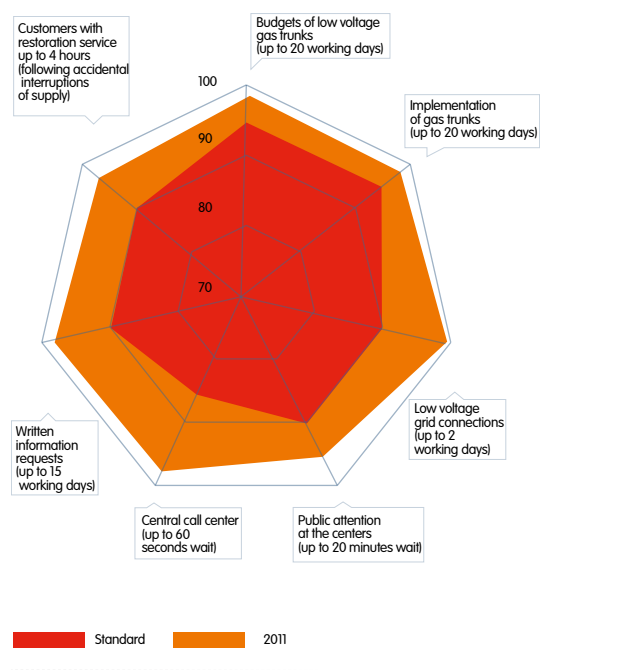
 gás segurança

7.4. service quality

technical service

In 2011, the average equivalent interruption time of installed capacity of the distribution activity on the Iberian Peninsula was 91.3 minutes, with Spain achieving 39 minutes, its lowest ever value (decreased by more than 1/3 in 4 years).

GENERAL INDICATORS OF SERVICE QUALITY
EDP DISTRIBUIÇÃO, PORTUGAL



In Brazil, the Equivalent Interruption Duration per Customer was 9.4 hours for EDP Bandeirante and 10.4 hours for EDP Escelsa. The Equivalent Interruption per Consumer decreased, compared to 2010, reaching 6.17 and 6.34 times respectively.

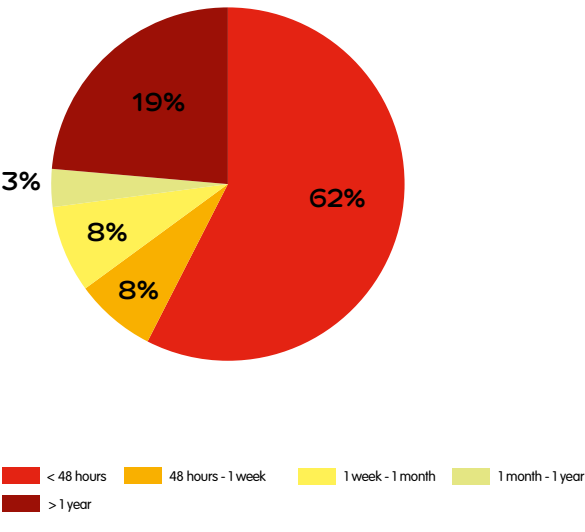
commercial service

In Portugal, high levels of quality were maintained in the service provided to customers by the distribution grid operator, as shown by the compliance with the General Standards for Supply Service Quality set forth in the Service Quality Regulations (RQS).

It should be noted, furthermore, that the total number of disconnections for non-payment in the low voltage grid were 476,624 (8% of the last resort customers) which have, in compliance with law, to be restored within 24 hours). Only 0.2% of reconnections were completed outside of the deadline.

In Spain, the Quality Policy is geared towards continuous adaptation to new customer requirements and the setting in which they operate. The annual satisfaction surveys seek to assess the evolution of knowledge of the brand, the company's positioning in relation to the competition and customer satisfaction with the channels and services provided, as shown in the Customer Experience graphs.

RECONNECTION OF CUTS FOR NON-PAYMENT, DOMESTIC CLIENTS
IN SPAIN



Also in Spain, the regulatory regime requires reconnection in 24 hours, with severe penalties if this happens after one week. During 2011, 1.4% of reconnections exceeded 24h.

In Brazil, customers disconnected due to non-payment were reconnected within 24 hours in 82% of cases (the average of the two distributors). Detailed information can be found in the EDP no Brasil Annual Sustainability Report.

7.5. product safety

Information for the safe use of energy is made available on websites, in leaflets and customer guides etc. The companies can be informed online or by telephone of hazards or the risk of accidents, such as downed lines, open switchboard cabinets, tree branches close to lines, etc.

In Brazil, the Good Energy in the Community Programme promotes lectures on safe use and the risks and dangers of improper use of electricity.

7.6. customer ombudsman

The electricity and gas customers in Portugal were able to seek assistance from the Customer Ombudsman in 2011, through the website www.provedordocliente.edp.pt.

Customers submit their requests online and may check the status of their application at any time. At the end of 2011, 1,161 requests for examination had been submitted, 92% of which related to electricity complaints. Most of these requests (74%) were regarding issues related to supply and meter readings/billing/payment. 86% of all requests submitted were answered by the end of the year. Among these, the Ombudsman concurred with the requested in 42% of cases and disagreed in 20% of the cases.

7.7. access to services and communication

In Portugal, invoices in Braille and the Customers Guide on Energy Efficiency in Braille, drafted in 2009 in partnership with "Associação dos Cegos e Amblíopes de Portugal" (Portuguese Association for

the Blind and Sight Impaired) continue to be issued. Customers in Portugal also have access to a special telephone line for services when dialling from abroad. In 2011, in the context of the creation of social tariffs for gas and electricity and the ASECE, an e-mail and dedicated phone line for information and support to customers were created.

25 new customer service points were opened in Brazil. The distributors launched a Virtual Agency, given the growing importance of the internet channel, where registered customers can view debits, issue a duplicate bill, check invoices paid and the consumption history, supply meter readings and check the progress of requests made. The “Ombudsman” service, intended to receive and respond to complaints not settled, complaints and suggestions, now has a toll-free number. Customers with hearing impairments still have a dedicated telephone channel.

In Spain, leaflets on safe energy usage have been published in Basque and Catalan. The Naturgas Energia website is bilingual, with contents in Spanish and Basque. In Portugal and Spain, the websites are accessible to persons with disabilities.

In Portugal and Brazil, employees continue to be able to intervene via the in-house “Cliente OK” channel to answer queries or solve problems submitted by friends or family. The in-house TV channel is distributed across the network of EDP stores. It is a source of information to clients, covering different markets and businesses of the EDP Group.

7.8. privacy

Customers’ personal data are protected under the general conditions for gas and electricity supply contracts in the different geographical locations and safeguarded by the best available technology, practices and procedures, in order to ensure confidentiality, integrity and the availability of the information.

For the purposes of market research and direct marketing, the customer’s authorisation is sought to record and use their personal data, as well as convey it to third parties.

7.9. energy efficiency

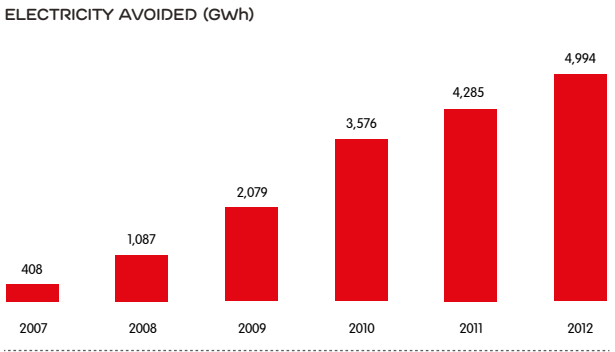
EDP has continued to foster energy efficiency in consumption in order to ensure that its customers make the best use of the product. EDP has been monitoring domestic customers’ attitudes and behaviours in Portugal since 2007, converting it into an energy efficiency index, which in 2011 was 72%. Energy saving continues to be the major motive for efficient behaviour.

According to law, the distributors in Brazil invest 0.25% of their net operating revenues in Energy Efficiency Programmes. The investments are mainly directed at low income customers (to reduce illegal connections and to make costs more affordable) and to non-profit organisations. Investment in 2011 amounted to 35.7 million reais. 57 projects were completed, with estimated energy savings of 24,172 MWh/year and 18,607 kW reduction in demand during peak periods. Some of the initiatives under way are indicated below, and the rest can be found in the EDP no Brasil Annual Sustainability Report:

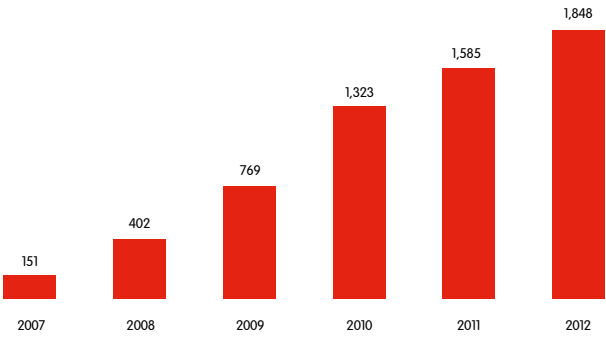
- **More efficient traffic lights:** EDP Bandeirante was the first distributor in Brazil to replace the entire pool of traffic lights of its concession area for LED lamps – 21.1 thousand lamps replaced in the 15 beneficiary municipalities. In the four years of development of this project, there was a reduction of energy expenditure by up to 90%.
- **Good Solar Energy:** EDP Bandeirante in partnership with the Urban Housing Development Company of the State of São Paulo (CDHU) is replacing incandescent bulbs for compact fluorescent lamps and installing solar water heaters to replace the electric showers.

- **Public buildings:** EDP Escelsa in partnership with government bodies is aiming to improve the efficiency of consumer units of the government of Espirito Santo, such as Anchieta Palace, Fonte Grande Palace and the official residence of the government, in Vila Velha. Improvements are in lighting and water heating by solar energy.
- In Spain, HC and Naturgás encourage energy efficiency through the website <http://eficiencia.hcenergia.com>, describing the activities undertaken by the group and detailing the products and services by segments and technology.
- The EDP ECO Programme in Portugal, under the motto “more efficient energy”, continued its investment in promoting energy efficiency among consumers (www.eco.edp.pt).
- In 2011, some of the actions under the PPEC 2011-2012 (an ERSE contest) - Plan for Promoting Efficiency in the Consumption of Electricity - to improve efficiency in companies, were initiated. This plan promotes the replacement of lighting, of motors of a low efficiency electrical class or the installation of electronic variable speed drives. Some initiatives have also been directed at the younger audience, and will continue until the end of 2012:
- **CityOn:** an online game whose main goal is to transmit concepts such as energy efficiency, electric mobility, smart cities and renewable energy, in a visionary and futuristic perspective of what a sustainable world will be like. Available at www.cityon.pt;
 - **YOUR ENERGY:** a roadshow that toured 14 municipalities of mainland Portugal, giving lectures to pupils of the 1st cycle of basic education on Environment and Energy Efficiency, using the characters Professor Energy and Professor Sparks;
 - **TWIST Project:** the 2nd edition of a project aimed at secondary school students, with the goal of raising the awareness of these agents of change to the topic of energy efficiency and climate change. About 200 schools accepted the challenge and are now competing for a total prize of EUR 100,000 intended for the implementation of energy efficiency measures in their premises;
 - **ECO CHALLENGE Project:** a project that provides an in-school electricity monitoring system. 36 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;
 - **EnergyBus:** a project that has existed since 2007 and has now been amended to continue to communicate the importance of energy efficiency through interactive media and experiments, aimed at different audiences: children, young people and adults.

Since the beggining of PPEC in 2007, the set of tangible measures developed by EDP have resulted in accumulated reductions of consumption of about 5 TWh, thus preventing the emission of 1.85 Mton of CO₂.



AVOIDED CO₂ EMISSIONS (kt)



7.10. value-added products and services

As a result of the reorganisation of EDP Serviços at the end of 2010, in 2011 it assumed a leadership position in the business of Distributed Generation. It has achieved overall growth of income exceeding 450%, which demonstrates high vitality in adverse market conditions.

Innovative models for the contracting of integrated energy efficiency services (SIEE) were developed, which minimise the costs of Measurement & Verification and increase the potential for adoption by the market, and formalised in the industry's first contracts according to the ESCO model ("Energy Service Company").

It is expected to continue sustained double-digit growth in 2012, consolidating its leadership position in the Portuguese market, with emphasis on:

- The implementation of distributed generation projects on a large European scale;
- The launch of a set of mechanisms to facilitate the access of integrated energy efficiency solutions to the corporate market;
- The launch of innovative and differentiating products on an international scale, for the private market.

In Spain, HC Energía and Naturgás have had a new common department since 2010, Energy Efficiency Services. The aim is to develop and coordinate the necessary mechanisms to achieve an appropriate positioning for the energy services business making it possible to increase the Group's commercial range of products. Today, the following products and services are offered for the different segments:

- **Residential customers** - with a focus on diagnostic services for residential consumptions, HVAC, distributed production (solar photovoltaic and thermal panels) and the replacement of household appliances;
- **Companies** - The portfolio of permanent services includes: energy audit services; implementation of consumption management systems; optimisation of power and reactive power correction; management of electric vehicles recharging; monitoring the quality of supply; projects for new energy efficient equipment and the maintenance of energetic infrastructures;
- **Buildings** - includes the energy management of buildings; the installation of equipment for thermal power generation, heat supply; the installation of equipment for distributed generation. At the end of 2011 more than 50% of microgeneration installations in Spain as a whole were with HC Energía;
- **Public Administration** - Energy management projects for public administration buildings. It is expected that in 2012 these projects will be reactivated, allowing the experience and positioning acquired by EDP to place the company as a reference in the sector.

The savings made in 2011 due to energy efficiency services to all customers represent savings of about 14.8 GWh.

In 2011, as part of the activity of selling electricity supply activity of the different Group companies, services were also developed to improve quality of service and efficiency in the use of resources:

- **Electronic Invoice** - During 2011 there were about 170,000 net subscriptions to the Electronic Invoice in Portugal and Spain, with the penetration rate growing from 9.7% to 12%. At the end of the year there were 930,000 customers with Electronic Invoice;
- **HC Powerhome** - This is an innovative device offered by HC Energía allowing customers to reduce their contracted power to the minimum level required. This device pinpoints a number of priority domestic appliances and keeps them running, while managing the others better at times when the prices are lower, especially for customers with dual-tariff plans. 80 premises had this device installed at the end of 2011;
- **Meter replacement plan** - The implementation of a telemetry system allows the meter to be remotely read, providing greater detail of consumption and facilitating the change of contracted power, thus promoting energy efficiency and supply security. HC Energía has already started in June 2011 a campaign to replace meters and it has exceeded the targets set, installing 47,471 meters. By 2018, the grid will be fully covered by telemetry;
- **Car-e** - A solution for charging electric vehicles, with the installation of a charging point in single family homes. This initiative is complemented by the PARK-e programme for fleets and for parking lots;
- **Mobile Application** - In 2011, the first version of a mobile application for EDP Customers was developed for iPhone and Android. This version currently has two features: send readings of one or more consumption sites and a virtual assistant - "I have no electricity" - that seeks to help the customer in traditional screening when there is no electricity at the facility. In 2011, the development of a second version was further specified and initiated. It will be a more complete version integrated with the edpOnline central offices.
- **Green Electricity** - In 2011, EDP reached 424,387 customers, twice the number it had in 2009, who used a total of 14,476 GWh of green electricity, with the largest consumption in the United States, 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 5,070 GWh as Guarantees of Source. Of this amount, 4,595 GWh were used to certify renewable consumption ("green" consumption) of 312,845 supply points, thus ensuring that the power consumption of all residential customers and small businesses was 100% renewable. The Guarantees of Source available in 2012 to certify consumption of 2011 are not known until the Spanish regulator publishes the results, which is expected to be in April 2012.

8. suppliers

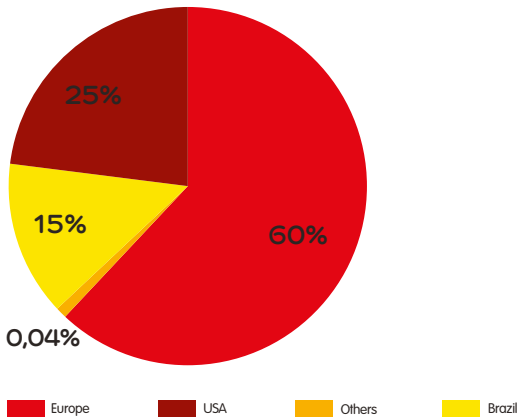
The performance of suppliers is crucial to the success of EDP Group. The relationship with suppliers based on trust, collaboration and the creation of shared value results in the joint capacity to innovate, strengthen Corporate Social Responsibility policies and improve the quality of service provided to customers, significantly contributing to

EDP keeping the leadership in its areas of operation and inducing factor competitiveness in the markets in which it operates.

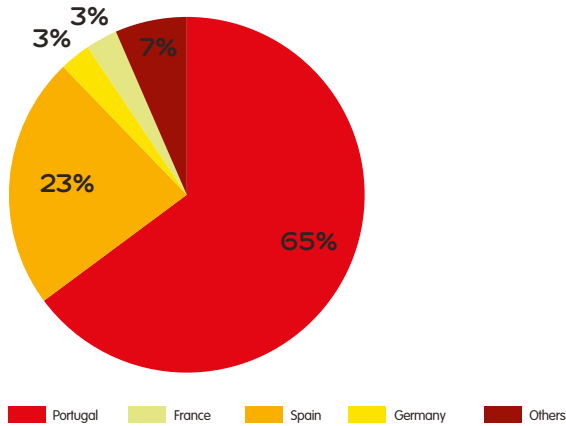
In 2011, EDP Group's procurement (except fuel) totalled EUR 2,749 million, excluding the purchase of fuel representing 12% of total turnover.

GEOGRAPHICAL DISTRIBUTION OF PROCUREMENT (EXCEPT FUEL)

GLOBAL



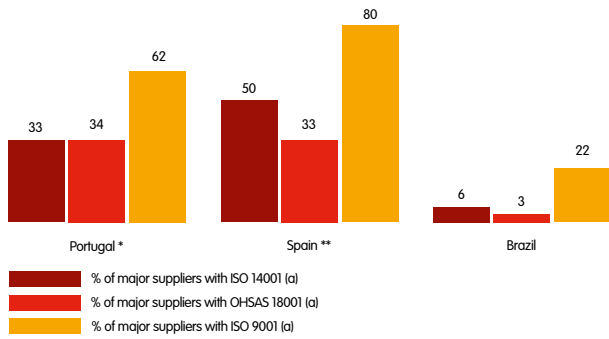
EUROPE



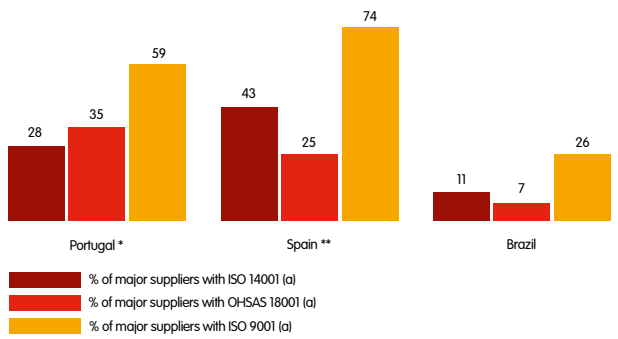
Due to the size, nature and recurrence of many of EDP Group's acquisitions, there is a very positive influence on the local economy by promoting the quality and competitiveness of economic agents in the regions where it operates. Hence, procurement from foreign suppliers only accounts for around 7% of total procurement.

	2011			2010		
	Turnover (EUR million)	Local (%)	Foreign (%)	Turnover (EUR million)	Local (%)	Foreign (%)
Portugal	1,093	97	3	961	92	8
Spain	566	77	23	988	77	23
Brazil	417	99	1	467	97	3
USA	673	99	1	892	80	20

CERTIFIED SUPPLIERS (%)
2011



2010



Notes: (a) Number of Suppliers registered with the Corporate Supplier Registration System of the EDP Group.
* Values referring to EDP and EDP Gás.
** Values referring to HC, NGE and EDPR.

In 2011, 58% of our suppliers in Portugal, Spain and Brazil supplying goods and services worth more than 75,000 euros were registered in the Suppliers Registration System (see Good practices). Of these, 55% have quality management systems that have been certified by independent bodies. For environmental management and safety systems, 30% and 24% of the companies are certified, respectively.

8.1. management and dialogue

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

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

EDP is implementing in this area a risk analysis programme for strategic suppliers (see Good practices) so that it can identify critical or rupture situations in time and ensure the continuity of contracted supplies.

The EDP website is also a privileged channel for relations, containing an area solely for suppliers with active dialogue tools and the sharing of knowledge and good practices: www.edp.pt> suppliers.

suppliers' meeting

EDP, as in previous years, promoted **Supplier's Day** in Portugal, which gathered together 120 suppliers for the sharing of views, strategies, challenges and the EDP Group Investment Plan, thus allowing these companies to anticipate and prepare new business opportunities arising from that investment plan. In order to help it better respond to its partners' expectations, EDP asked the suppliers for their opinion on the meeting, and 83% of the participants stated they were very satisfied. This meeting will include in 2012 the distribution of new **EDPartners awards** (see Good practices).

In Brazil, two meetings were held with suppliers under the **EDP Responsible Supplier Programme**, focusing on the themes of Quality and Innovation and Sustainability.

8.2. good practices information on corporate social responsibility practices

EDP has a system for the search, selection and segmentation of Suppliers – the EDP Group Supplier Registration System (SRF), which allows it to act in a clear, transparent and efficient manner, enhancing partnership relationships in which both sides are winners.

The registered suppliers, regardless of their country of origin, appear in a single database, shared not only by all companies of the EDP Group but also by member companies of the energy (Utilities) sector, at a worldwide level.

The SRF is based on a philosophy of centralisation and sharing of information in the suppliers database, which is checked, managed and maintained centrally, and it is accessible to the members of the community (more information at <http://achilles.com/pt/Portugal/Sectores/Utilities/RePro/Solicite-o-registo/>).

The registered company also obtains a number of advantages, which include:

- Equal opportunities for equivalent/different business areas;
- Increased business opportunities;
- The guarantee that its clients have access to information quickly and reliably;
- A single register with visibility for various companies;
- Not being necessary to submit various documentation for any candidacy or qualification request.

There were 16,580 suppliers registered in the EDP Group in 2011, which represents a 22% growth from 2010.

In order to better tailor the register system to the knowledge needs and management of the supply chain, EDP led a working group 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 gives improved management information and performance of suppliers, allowing EDP to conduct screening/ verification of the information reported by suppliers.

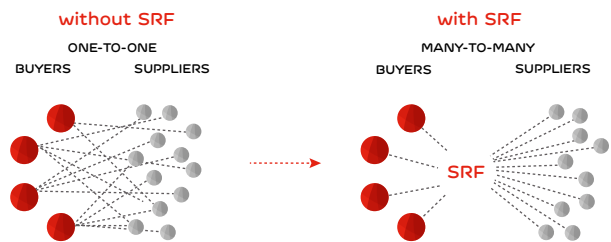
It is expected that the new features will come online in the first quarter of 2012 and a campaign is planned to request the updating of records, which are expected to be totally completed by the end of 2012.

risk management

EDP developed, in 2011, a new feature in its support system to the processes of consultation and negotiation, Sinergie. The tool now has an indicator associated with each company involved in procurement processes – a traffic light (green, yellow or red) – visible to all negotiators at different stages of the process. This traffic light reflects the status of each company and thus seeks to indicate the suitability of a particular company to be an EDP supplier. Several factors influence the colour of the traffic light, such as: the situation with the Tax Administration and Social Security, Insurance, Performance Evaluation, Certification, insolvency proceedings, legal actions and Trading Risk.

These solutions and practices result in greater speed, efficiency and transparency of processes and a considerable reduction in environmental costs and administrative work.

Continuing the work begun last year of identifying the risks to sustainable development present in the supply chain, EDP examined the impact of different risks in the different supply categories of relevance to the group and assessed their significance as well as the adequacy of the current monitoring/mitigation practices.



RISKS IN THE SUPPLY CHAIN

RISK TO SUSTAINABLE DEVELOPMENT

RELEVANT SUPPLY CATEGORIES

WORK CONDITIONS Employing illegal workers or those without documents Not complying with working hours legislation Unfair/illegal salary practices Not punctually paying wages Employing minors Not acknowledging the right to join a trade union Refusing collective agreements Discrimination Unfit housing	<ul style="list-style-type: none">Construction, civil engineering and related services;Services related to power lines and underground cables;Services related to substations, switching stations and transformer stations.
OCCUPATIONAL HEALTH AND SAFETY Falls from height Electrocution Inhalation of toxic substances Burns Deafness Muscle-bone diseases Silicosis	<ul style="list-style-type: none">Electrical networks;Transformers, electric motors, alternators and switchgear;Transport, warehousing and related services;Construction, civil engineering and related services;Services related to substations, switching stations and transformer stations;Services related to power lines and underground cables;Other maintenance and inspection services.
ENVIRONMENT Deterioration of energy and material resources Emission of greenhouse gases Other atmospheric emissions Operations in Water Stress areas Emission of polluting liquid effluents Production, storage, transport and final disposal of hazardous solid wastes Spillage of hazardous substances Loss of biodiversity	<ul style="list-style-type: none">Energy, coal, oils, gases and refined oil products;Construction, civil engineering and related services;Services related to power lines and underground cables;Services related to substations, switching stations and transformer stations.
INTEGRITY AND ETHICS Breaching contractual confidentiality Practices of economic, social and environmental dumping	<ul style="list-style-type: none">Energy, coal, oils, gases and refined oil products;Construction, civil engineering and related services;Services related to power lines and underground cables;Services related to substations, switching stations and transformer stations.

The set of supply categories shown in the table above were identified as a priority, from the point of view of the risks involved. More information can be found at www.edp.pt> suppliers.

It is found from the analysis conducted that the management systems in place, particularly in terms of internal control, environment and health and safety, enable appropriate monitoring and minimisation of the risks involved. Opportunities for improvement include the positive influence on the supply chain and the support for building the capacities and developing the skills of the suppliers, which shall be the object of development in 2012.

EDP is in partnership with the Catholic University of Porto in organising these awards, which ensures scientific rigour in the analysis/screening of applications, and a media partner (TSF) which will ensure the broadcast of the candidates and awards at the various stages. See www.edpartners.edp.pt.

recognition of excellence

EDP created the EDPartners Awards for its suppliers in 2011. These awards aim to encourage competitiveness and the adoption of good corporate social responsibility practices among its suppliers, distinguishing the projects most closely aligned with the strategic objectives of the Group, in the following categories:

- Customer Relations award
- Sharing Good Practices award
- Innovation award
- Corporate Social Responsibility award
- Excellence award for supplier of the year

PROMOTION OF GOOD ENVIRONMENTAL PRACTICES IN THE SUPPLY CHAIN

EDP Produção, with the support of EDP Valor, defined the objective for Portugal in 2010 of encouraging the reduction of environmental impacts caused by the supply of the limestone required to operate the desulphurisation facility of the Sines thermal power station as well as the sale of gypsum as a by-product of the process. The compliance with this goal required the effective engagement of its service providers. The process began with the inclusion of environmental criteria in tenders to be submitted, as well as to encourage the search for optimised transport solutions. The challenge was accepted by the company Gyptec, which went on to win an Excellence award from the Portuguese Business Association for its “Practices of Environmental, Energy Efficiency and Energy Saving Excellence”. This recognition arose from the model adopted for the service delivery, in response to the criteria defined by EDP.

“We believe that the implementation of this Good Practice, now publicly recognised, was made possible by the policy of internally adopting the good environmental practices conducted by EDP, and which, in this particular case, resulted in drawing up a contract specification for limestone supply and transport with a weighting of 20% for environmental gains that are obtained.”
“Hence, we thank and congratulate EDP for encouraging environmental, economic and social sustainability in its supply chain, as these are values we share and which strengthen our partnership towards sustainable development.”

The Management of Gyptec

skills development in the supply chain

The 2nd edition of the GANTSCh project (Global Action Network for Transparency in the Supply Chain) was concluded, which EDP, as an Organizational Stakeholder, has been developing since 2009 in partnership with the GRI Global Reporting Initiative. This edition covered five suppliers in Portugal who published this year, for the first time, their sustainability reports (more information at www.edp.pt/sustainability/dialog/suppliers)

It also began, still with the objective of improving the performance of the supply chain, and in partnership with our supplier Siemens, a programme of pilot initiatives - “More Sustainability in the Supply Chain” - to be implemented in 2012 in the fields of health and safety and the prevention of corrupt practices and bribery, in two business units of the EDP Group, in Portugal and Brazil. This is a joint action programme between customer and strategic level one supplier, to minimise the risks identified as being of particular relevance and to develop new skills and methodologies of influence in the supply chain in both companies.

8.3. monitoring contracts

The use of third-party companies necessarily involves strict controls on service quality at every stage, as part of a strategy based on the following principles:

- Integration of 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;
- Application of new prevention and control instruments, in particular the requirement for basic safety training for all employees;
- Monitoring and evaluation of environmental and safety performance during work, by means of scheduled audits;
- Supplier questionnaires and assessments and an annual bonus for those who perform exceptionally well and contribute to safety in the workplace.

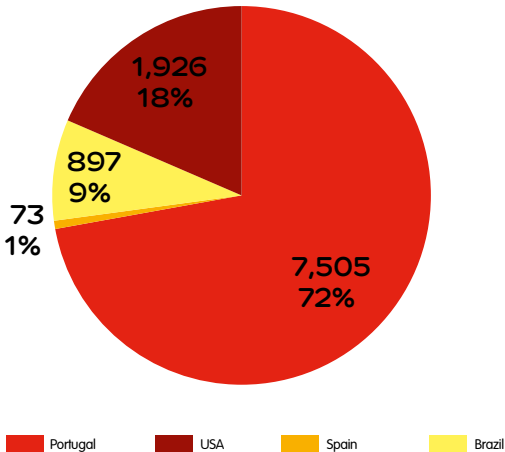
health and safety

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

Where qualification programmes and specifications were concerned, we introduced criteria that also oblige subcontracted companies

to make commitments, such as not using illegal labour, having quality assurance systems and the commitment to implementing environmental protection policies. Excessive subcontracting is still used as a penalty criterion for the contract award purposes.

OCCUPATIONAL SAFETY AND HEALTH TRAINING



In 2011, during the training of external service providers’ teams in live work and safety, EDP consolidated the process of defining requirements and recognising training organisations for the purpose of qualification of contractors’ and subcontractors. 10,401 training actions were conducted, involving 59,424 employees of service providers for 135,274 hours.

The aim of this project was to ensure the improvement and standardisation of the training given to contractors’ and subcontractors’ employees.

In the field, in Portugal, EDP continues to audit contractors and subcontractors, assessing environmental practices, prevention and safety, quality of execution and practices related to human rights. 256 audits were conducted, covering 249 contractors and subcontractors.

In HC, the performance of document-based audits of the most important suppliers of its value chain are performed by outsourcing, through the company that manages the Suppliers Registration System Database. Almost 20 audits focusing on the most significant suppliers were performed in 2011.

Field audits of the main work are carried out, to assess the areas of quality and performance time, safety and the environment, incidents in the workplace and deviations vs. awarded value. Around 100 audits of the main suppliers were conducted. The results influence the valuation of the bids and contract awards.

9. community

The EDP social action model is governed by EDP's Sustainable Development Principles and, in particular, by a corporate policy of patronage and sponsorship. This model combines the activities of the business plan with the expectations and needs of the community, and it is complemented by all the ongoing programmes to offset and minimise the environmental and social impact of the company's infrastructure.

The preferred actors in the voluntary engagement with the Community are: Fundação EDP in Portugal, Fundação Hidrocontábrico in Spain and Instituto EDP in Brazil.

EDP's voluntary investment has been reported according to the LBG method (London Benchmarking Group) since 2008. Visit www.edp.pt/sustainability/society/evaluate-contributions, for more details.


MEASURING IMPACT ON THE COMMUNITY - LBG METHOD

One of EDP's sustainability commitments is to implement the LBG method in the management of the EDP projects' social return. In Portugal, a system for collecting structured information according to the LBG methodology was implemented at the start of 2012. The Fundação EDP applied the SROI (Social Return on Investment) technique to the activities of the organisations that had been previous winners of the EDP Solidária Barragens programme:

"Learning by doing": A project implemented by APPACDM of Mirandela to support people with mental disabilities through learning and the development of motor skills through the introduction of new handicrafts-related activities. The calculated SROI was 22 cents for each one euro invested;

"Mobility and Health": A project developed by the Cerejais Parish and Social Centre (CSPC) to support the elderly through the provision of equipment that provides easier access to healthcare and physiotherapy services. The calculated SROI was EUR 1.47 for every one euro invested;

"CSS Certification - Arlampar": A project conducted by Associação EcoGerminar in the area of regional development, training farmers so as to give them CSS certification (Fair and Sustainable Trade). The SROI calculation estimated for a period of five years was EUR 2.69 for every one euro invested.



The investment value in 2011 was about EUR 21 million, representing 0.91% of EBIT, and the total amount leveraged by the projects undertaken was EUR 1.2 million.

CONTRIBUTIONS ^(a) TO THE COMMUNITY ^(b) (€)		2011	2010	2009
Category	Nonstrategic Investment	1,677,376	2,263,399	1,625,551
	Strategic Investment	14,220,185	13,942,765	12,393,356
	Commercial initiative	4,493,958	3,456,009	3,088,798
	Not applicable	5,720		
Nature	Education	3,335,096	3,104,213	2,623,431
	Health	723,878	465,709	353,650
	Economic development	2,909,176	895,514	329,332
	Environment	1,877,078	2,435,853	982,160
	Art and culture	5,526,203	5,288,359	6,489,601
	Social welfare	1,602,737	1,806,032	2,236,195
	Emergency response	65,300	215,054	
	Others	4,357,773	5,451,440	4,093,337
Cash contributions	Value	18,889,685	18,152,182	15,226,586
Volunteer staff	Employees involved in volunteer work during working hours (no.)	984	379	248
	Volunteer work during working hours (hours)	7,423	10,886	5,817
	Value of volunteer time	177,239	442,172	149,762
Contributions in kind	Value of contributions in kind	1,330,315	1,067,820	1,731,357
Management costs		306,851	121,064	50,538
Total value of contributions (including management costs)		20,704,090	19,783,237	17,158,242

(a) Values of 2011: not yet validated by Corporate Citizenship

(b) Excluding management costs

VOLUNTEERING PROGRAMME



The EDP Volunteering Programme (PVEDP) was created to promote citizenship among employees. EDP gives each of its employees the ability to perform voluntary actions during working hours, providing four to eight hours per month for this purpose. This potential is managed according to a concept of an “hour pool.” The major news for 2011 relate to the launch of:

- the www.voluntariado.edp.pt site, through a pro bono partnership with Microsoft and Accenture,
- raising the awareness of 790 managers in Portugal, Spain and Brazil to the PVEDP,
- the development (in Portugal) of the “Parte de Nós” campaigns (Hospitals and Christmas).

In 2011, these initiatives enjoyed two major moments, one in September with “Parte de Nós Hospitais” and the other in December with “Parte de Nós Natal”.

9.1. NGO

Non-Governmental Organisations (NGOs) of a social nature have a specialised channel of communication through Fundação EDP. Environmental NGOs favour direct contact with the environmental areas of the Group. There are several diverse ongoing projects, particularly those arising from EDP’s Biodiversity Fund and the construction of new hydroelectric power stations. We periodically undertake a consultation with the stakeholders, as a means of remaining always attentive to their expectations and improving our response. The results of these consultations can be seen on Annexes – Reporting Principles.

9.2. local communities

The performance of EDP is focused on the search for new solutions and accepting new challenges as a response to emerging social, economic and environmental issues in the regions where the company operates, covering different programmes aimed at:

- the access to energy in developing countries, based on renewable energy solutions;
- holding workshops and awareness campaigns on safe energy use, energy sources, etc.;
- the creation of opportunities for the development of the regions where the generation centres are located;
- the development of voluntary work;
- cultural promotion;
- educational development and the access to science and health;
- fighting social exclusion;
- supporting the participation in sports.

The following table indicates some social investment projects developed by EDP for the different geographical areas:

INVESTMENT AREAS	TYPE	PROJECTS	RESULTS
SOCIAL INNOVATION	EDP Solidária	"Ecobase Ilha das Caeiras". A total of EUR 30.4 thousand is allocated to strengthen the group of local drivers of ecotourism, supporting the management of community engagement in the training process (BR).	39 young people benefitting from the project.
	Volunteering	"Campanha Parte de Nós Hospitais": EUR 971.6 thousand for the humanization and renovation of hospital spaces from North to South Portugal (PT).	787 EDP volunteers contributing to the humanisation and renovation of 12 hospitals all over Portugal, in particular the mother-infant wards.
	Fighting social exclusion	"Para ti se não faltares": EUR 170 thousand to help combat truancy, school dropout and school failure in children and youth at risk (PT).	695 children and 1,943 sessions at national level; 25 computers and 1,497 sports kits distributed 19,000 meals served.
	Energy for development	"Portable light": EUR 174 thousand to develop portable lighting technology powered by solar energy for the distribution of lighting kits in isolated communities without access to electricity (BR).	More education and local development and more skills for the labour market (including some as EDP employees), increased consumption, less clandestine, greater awareness and citizen action.
		"Extensão Luz Bin": Promotes access to education for children and adults, particularly women, through night-school literacy programmes, and through the lighting of school buildings in rural areas of Bafatá (PT).	Supply of 15 solar energy kits for lighting 15 classrooms, 40 solar lamps for students through the fee-for-service system for recharging, 20 solar ovens and 20 solar water purifiers.
CULTURAL ENHANCEMENT	Patronage	"OPART- National Ballet Company (CNB) and São Carlos National Theatre (TNSC)": EUR 600 thousand to support culture, namely music, opera and ballet and contribution to its decentralisation and attraction of new audience groups (PT).	TNSC: 78 shows; 37,956 spectators (including 2 tours throughout the country); CNB: 66 shows; 30,205 spectators (15 shows on tours); Festival ao Largo: 19 shows; around 28,500 spectators.
	Culture	"Ritos de Rios e Ruas": EUR 84.8 thousand to enhance the culture and oral histories of communities between the rivers and streams of the Alto Tietê region (BR).	4 art workshops, mini-tour of a street theatre comprising 30 performances, production of a medium-length documentary film with 750 copies sent to schools and institutions of the region.
ENERGY, SCIENCE AND EDUCATION	Education	"EDP nas Escolas" EUR 249.5 thousand in total (BR).	54 schools and 8,245 students as beneficiaries.
		"Green Education Program": EUR 123.6 thousand to support children and youth from underprivileged families in Spain, Portugal, Romania and Poland to ensure their completion of compulsory schooling and university (EDPR).	84 children have been awarded study grants.
	Energy	"Programa escolar Viva nuestra Energía": EUR 285.9 thousand to promote training in sustainability through the development of educational materials about the origin of energy, energy efficiency recommendations and advice on the safe use of energy (ES).	Primary education training in energy and sustainable development of 7,500 children and 64 schools.
	Science	"Mostra Nacional de Ciência": EUR 43.5 thousand on a competition to promote ideas for cooperation and exchange between young scientists and researchers and to stimulate the emergence of new talent in the science, technology, research and innovation fields (PT).	It encompassed students of primary, secondary and the first year of higher education, aged between 15 and 20 years. http://www.fjuventude.pt/cientistas2012 .
	Environment	"Projecto Águia Pesqueira": EUR 145.6 thousand to bring 10 birds to Portugal, in order to allow the breeding recovery of this species (PT).	10 fish eagles (5 from Sweden and 5 from Finland) for the nature area close to Alqueva.
HYDROPOWER PROJECTS	Community Engagement	"Ayuntamiento de Ribera de Arriba": EUR 84.2 thousand to support local populations around the Soto Ribera combined cycle power station (ES).	Several benefits for 2,000 inhabitants of Asturias where HC Energia has thermal generation facilities.
		"Programa Energia na Comunidade" (Pecém Hydropower) EUR 2.6M€ in order to maintain a dialogue with the communities involved, especially in regions of São Gonçalo do Amarante, and nearby districts, through mobile units of service, technical meetings, distribution of printed information material and displaying explanatory videos (BR).	Three collective visits were made, visited 153 homes, conducted 44 guided tours to the facility, attended 1,604 calls and made 124 radio programs, a school was built, which benefited 2,300 children and was purchased equipment for the Hospital Geral de São Gonçalo which benefited 13,000 people. There were made 5 thematic campaigns, one of which dedicated to the Tree, which was attended by 8,021 students from public and private schools of São Gonçalo do Amarante.
	Entrepreneurship projects	"Programa de Sustentabilidade Rural": EUR 77.5 thousand for the training and enhancement of the endogenous agricultural production of the Sabor and Ribeiradio regions (PT).	Support for over 200 local farmers involving training and technical assistance in order to exploit the potential of local products and find new markets and distribution channels.
OTHER PROJECTS	Sport	"Futebol de Rua pela Educação": EUR 76.1 thousand intended for sports, educational and leisure activities in State schools, helping to reduce school failure and to promote integration between the school and community through football schools (BR).	Results available in 2012.

9.3. impact of new projects

EDP also envisages investments through the programmes to minimise the impact of new projects on communities. This involves the survey and consultation of local populations and the establishment of close relations with them.

The principal projects in progress are:

- **Pecém Thermoelectric Power Plan**, in Brazil, where investment in the “Energy in the Community” programme totalled EUR 2.6 million, with the aim of maintaining dialogue with the communities involved, especially in the region of São Gonçalo do Amarante and neighbouring districts through mobile customer service units, technical meetings, the distribution of printed information material and broadcasting of explanatory videos. A school was also built, which benefitted 2,300 children and equipment acquired for the São Gonçalo General Hospital benefitted 13,000 people. For more information go to www.energiapecem.com.br/.
- **Jari Hydroelectric Power Plant**, in Brazil, the construction of which will lead to the displacement of 22 households, 18 of which are of the town of São Francisco do Itatapuru and 4 from individual properties on the banks of the Jari River. At the request of the community, all 40 houses in the town of São Francisco do Itatapuru will be rebuilt in a new location, following the same construction pattern.
- **Baixo Sabor Hydroelectric Power Plant**, in Portugal, has been under construction since 2008. This project has an ongoing series of measures to minimise the social impact, including the translocation of the Santo Antão da Barca Sanctuary and São Lourenço Chapel.
- **Foz Tua Hydroelectric Plant**, in Portugal, where the best solutions to minimise the current impacts of the submergence of part of the Tua railway line are being assessed, which comprises 3 halts, 1 station, 1 bridge, 4 tunnels and 1 viaduct. EDP has already presented a mobility plan that will not only re-establish the daily transportation needs of people but also offer a mobility solution that is attractive to the tourism sector.
- **Fridão Hydroelectric Plant**, in Portugal, where solving the socio-economic impact will be a more complex task. 48 homes will be affected besides hundreds of buildings of various types, which include six bridges (one of heritage interest) and a chapel. EDP has promoted an extensive programme of engagement and consultation of local communities, as well as public consultation of the different bodies of local government or entities connected to the management of the affected structures. We are currently preparing segmented proposals, with the relevant offsetting measures.
- **Ribeiradio – Ermida Hydroelectric Plant**, where 2 persons (a couple) will be directly affected. The friendly contract of expropriation has already been concluded, and the physical transfer of this couple is planned for the dam filling phase. The process of expropriation will be associated with social monitoring.

9.4. social investment

EDP supports low income customers, through annual initiatives arising from the investment of 0.25% of the profit of the distribution companies in Brazil, so that they may have access to electricity at a reasonable cost, training on the rational use of energy and have equipment replaced for more efficient equipment or those using renewable energy sources. The Portable Light is one such initiative that will benefit low-income and/or isolated communities in the state of Pará. Further details can be found in Client and Product chapter and in the Sustainability Annual Report of EDP no Brasil.

9.5. other support

To expand its range of action, EDP provides economic and social support to a very wide range of projects and institutions of different dimensions, the details of which can be found at:

www.edp.pt> [sustainability](#)> [society](#)> [other support](#).

corporate governance report

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- 119 specific edp committee (functional structures)
- 123 costumer ombudsman
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130 shareholder structure and exercise of shareholder positions

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- 131 qualifying holdings
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- 132 general meeting of shareholders and participation in the general meeting
- 132 votes and exercising of voting rights
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134 remuneration

- 134 remuneration of corporate bodies
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- 136 agreements regarding termination of management or employment contracts
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- 136 stock option/ stock purchase options plans
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137 the edp share and dividend policy

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1. statement of compliance

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

Pursuant to number 1 of article 1 of CMVM Regulation 1/2010, regarding the governance of listed companies, EDP follows the recommendations included in the “Corporate Governance Code” (Código de Governo das Sociedades), approved by CMVM on January 2010, having decided not to follow a different set of recommendations on such matter.

EDP follows the recommendations included in said “Corporate Governance Code” where applicable to it, except for Recommendations I.3.3 and I.6.1 of the referred Code, for the reasons expressed bellow.

The following table lists the CMVM recommendations in the Corporate Governance Code and indicates whether they were fully adopted or not by EDP, as well as the section of this report that contains more detailed information on the adoption of each specific recommendation.

For a wider reflexion on the recommendations included in EDP’s “Corporate Governance Code”, we suggest the consultation of “EDP’s Corporate Governance Manual” (Manual de Governo Societário da EDP), which is available to EDP shareholders and to the public at www.edp.pt.

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
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		2.3.1
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		5.2
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		4.7
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		4.7
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		4.9
I.3.2 The statutory antecedence deadline for receiving postal vote declarations shall not exceed three working days.	Adopted		4.9
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.	4.8

STATEMENT OF COMPLIANCE

RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
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I.4 QUORUM AND DECISIONS

I.4.1 Companies shall not establish a quorum for deliberation greater than that laid down by law.	Adopted		4.10
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I.5 MINUTES AND INFORMATION ON DECISIONS

I.5.1 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		4.11
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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.	Not adopted	<p>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.</p> <p>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.</p>	4.12
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		4.12

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		2.1
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	Adopted		3.6

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
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.			
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		3.6.
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		3.6.2
II.1.1.5 Management and supervisory bodies shall have their own regulations, which shall be posted on the company's website.	Adopted		2.3.2
			2.3.3
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 The evaluation of the independence of their non-executive directors by the management body shall take into account the legal rules and regulations in force on the requirements of independence and the regime of incompatibilities applicable to the members of other social bodies, assuring coherency systematically and throughout time in the application of independence criteria to the entire company. The director which, in other corporate body, would not be able to assume that quality under the applicable rules, shall not be considered independent.	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		2.3.8.1
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.	
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		2.3.8.1
II.1.4.2 The general lines of this policy shall be disclosed in the Corporate Governance Report.	Adopted		2.3.8.1
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	Adopted		5.3

STATEMENT OF COMPLIANCE

RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
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.			
(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.			
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		5.3 5.4
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 248th-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.	Adopted		5.5
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 248th 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.	Not applicable	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, who benefit from a financial product similar to a pension saving plan which is an effective complement to the pension, corresponding to 10% of the amount of their annual income (or its fixed component, in what concerns the members of the Executive Board of Directors). 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.	5.7
II.1.5.6 At least one representative from the Remuneration Committee shall attend the Annual General Meetings.	Adopted		2.3.5 2.3.8.2
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		5.3 5.4
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.	

STATEMENT OF COMPLIANCE			
RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
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.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.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.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	<p>This recommendation is not applicable, given the corporate governance model adopted by EDP.</p> <p>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).</p>	
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		2.3.3
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.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		2.3.3
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		2.3.2
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		2.3.2 2.3.8.1
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		2.3.2 2.3.8.1
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		2.3.2
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.	Adoptada		2.3.2 2.3.8.1
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.	Adoptada		3.6.1

STATEMENT OF COMPLIANCE

RECOMMENDATION	ADOPTION STATUS	COMMENTS	DESCRIPTION IN THE REPORT
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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.	Adoptada		2.3.8
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.	Adoptada		2.3.8.2
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 Remunerations 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.	Adoptada		2.3.8.2
II.5.4 All the committees must keep minutes of their meetings.	Adoptada		2.3.8

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.	Adoptada		7.1 7.2 7.3
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	Adoptada		7.4
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.	Adoptada		2.7
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.	Adoptada		2.7
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.	Adoptada		2.7

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.	Adoptada		2.4
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.	Adoptada		2.4

1.1. statutory framework in respect of independence and incompatibilities

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

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

EDP's articles of association are in line with what is set forth by number 5 of article 414 of the Portuguese Companies Code. Pursuant to number 1 of article 9 of EDP's articles of association, independence shall be construed as "the absence of direct or indirect relations with the company or its managing body and the absence of circumstances which may affect an unbiased analysis or decision, notably as a consequence of the relevant persons holding, or acting on behalf of the holders, of a qualified stake not lower than 2% of the company's share capital, or having been designated for more than two terms of office, continuously or alternately.

Taking into consideration the necessity to clarify the interpretation of the abovementioned number 5 of article 414 of the Portuguese Companies Code, as a consequence of the existence of differing doctrinal statements, the Association of Issuers of Listed Securities (Associação de Emitentes de Valores Cotados em Mercado) requested an opinion to the CMVM, who declared that there is no decrease of independence in case "by virtue of a criterion based on the number of terms of office, analysis or decision, the members of the supervisory bodies of limited companies by shares, having been designated for a first term of Office and, continuously or alternately, for a second and third terms of Office, are designated for a fourth term of Office.

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

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

- The status of a legal person that is a competitor of EDP or a company in a control or group relation with EDP;
- The quality of natural or legal person associated with a legal person that is a competitor of EDP;
- Holding any office or performing any tasks of any kind or designation – namely through appointment to a corporate office, a work contract or a service contract – in a legal person competing with EDP or in a legal person associated with an EDP competing company;
- Appointment, even if only de facto, as a member of a corporate body by a rival legal person competing with EDP or by a natural or legal person associated with a legal person that is a competitor of EDP.

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

- A legal person that carries out, directly or indirectly, a business activity that competes with that pursued by EDP or by a company in which EDP has a stake of at least 50% (fifty per cent) of the respective

capital or voting rights in Portugal or abroad, provided that, in the latter case, it is a market in which EDP, or the company it controls, carries out the activity through a fixed establishment.

- A person associated with an EDP competing legal person is:
 - (i) a person whose voting rights are attributable to the latter in accordance with Article 20 of the Securities Code or any provision that modifies or substitutes it; (ii) a person that, directly or indirectly, holds, in a EDP competing legal person, or in a company in a control or group relationship with it, as defined in Article 21 of the Securities Code, or in a company dependent, either directly or indirectly, on such a company, a stake of at least 10% (ten per cent) or more of the voting rights corresponding to a shareholding in that company.
- A person that indirectly carries out a business activity in competition with EDP is the one that, directly or indirectly, holds a share, or of at least 10% (ten per cent) in the capital or voting rights of a company that carries out some of the same business activities as EDP or an EDP subsidiary.
- It's no consider a legal person that is a competitor of EDP, the shareholder that individually holds at least 20% of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favourable opinion of the General and Supervisory Board shall not be deemed to be a legal person that is a competitor of EDP.

Incompatibility for office in any body of EDP is not applicable:

- To EDP competing legal persons in which EDP holds 50% (fifty per cent) or more of the respective share capital or voting rights, nor to natural persons that hold office of any kind or designation or are nominated, even if only de facto, in such competing legal persons when the appointment to the corporate office in the competing legal person or the contract with the competing legal person were made on the basis of an indication by EDP or an EDP subsidiary.
- To the holding of offices such as member of the General and Supervisory Board, where permitted by law, through prior authorisation approved by a two-thirds majority of votes issued in the General Meeting at which the appointment is confirmed. The competition relationship must be expressly referred to and identified in precise terms in the appointment proposal and the decision on authorisation may be made subject to conditions, namely the holding of a shareholding in EDP representing no more than 10% (ten per cent) of its share capital.

1.2. statements regarding the independence and incompatibilities

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

The members of the Executive Board of Directors also undertakes

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

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

- The acceptance of the appointment as General and Supervisory Board member occurs with a written statement in which the member specifically declares: (i); (ii) the absence of any incompatibility situation under the law or EDP's Articles of Association with the exercise of the office; (iii) the fulfilment of the independence requirements set out in the Internal Regulation, if elected as a General and Supervisory Board independent member; and (iv) the duty to inform the Chairman of the General and Supervisory Board or, in case of the Chairman, the Board itself directly, of the subsequent occurrence of any circumstance that may constitute a situation of incompatibility or loss of independence status.
- The members of the General and Supervisory Board must confirm annually in writing the absence of incompatibility and compliance with the requirements of independence, if applicable.
- Also annually, the General and Supervisory Board conducts a general assessment on the fulfilment of the incompatibilities and independence requirements by its members.

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

- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of a qualified holding of 2% or more of the voting rights in EDP, or the same percentage in a company that it controls.
- They hold, administer, have a contractual tie with or act in the name or on behalf of holders of, a qualified holding of 2% or more of the share capital or voting rights in a company that is a competitor of EDP.
- They gain any remuneration, albeit suspended, from EDP or a subsidiary company or from non-profit institutions economically dependent on them, except for compensation for their duties as a member of the General and Supervisory Board.

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

- The body must be composed of a majority of independent members (Article 434(4) of the Companies Code and Article 21(4) of the Articles of Association).
- The Committee for Financial Matters and the Remuneration Committee of the General and Supervisory Board must be composed of a majority of independent members (Article 444(6) of the Companies Code and Article 27(1) of the Articles of Association).

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

At the beginning of 2012, the members of the General and Supervisory Board outgoing renewed their declarations regarding incompatibilities and independence, and on 21 February 2012 the General and Supervisory Board assessed the application to the members elected on the General Meeting held on 20 February 2012 of the rules on incompatibilities and independence.

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

The statements, above mentioned, are publicly available on the website of EDP in www.edp.pt.

For further information on application of the incompatibility and independence regime for members of the General and Supervisory Board, see section 2.1.1 of the Annual Report issued by that body.

2. corporate governance structure

2.1. corporate governance model

The two-tier corporate governance model in force in EDP allows an effective separation between the exercise of supervisory and managing duties in line with the interests of EDP, its shareholders, employees and other stakeholders, thus contributing for the achievement of a degree of confidence and transparency necessary for its adequate functioning and optimization.

The EDP management and supervision structure is made up of four bodies: the General Meeting, the Executive Board of Directors, the General and Supervisory Board and the Statutory Auditor.

The EDP General Meeting of Shareholders appoints and dismisses the members of the Executive Board of Directors and the General and Supervisory Board as well as the Statutory Auditor, the latter upon proposal by the General and Supervisory Board (or by the Committee on Financial Matters/Audit Committee on its behalf). The General Meeting also appoints the members of the Environment and Sustainability Board and the Remuneration Committee, responsible for fixing the remuneration of members of the corporate bodies (with the exception of the members of the Executive Board of Directors, whose remuneration is fixed by the Remuneration Committee appointed by the General and Supervisory Board).

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

For a better understanding of how EDP works in terms of corporate governance, the company maintains its Articles of Association updated in both Portuguese and English for its shareholders on its website (www.edp.pt), as well as the internal regulations for the Executive Board of Directors, the General and Supervisory Board and their respective committees.

Additionally, the General and Supervisory Board and the Executive Board of Directors approved the "Guidelines on Corporate Governance of EDP" (Manual), which is available to shareholders and the general public in the website (www.edp.pt). The primary

goal of the Manual is to record and share an understanding of the two bodies with respect to recommendations of good corporate governance practices applicable to the EDP, as well as guidelines which are deemed appropriate before adopting them.

Given the requirement of EDP and ambition in terms of quality of its corporate governance practices, we tried to go beyond legal requirements and regulations in this area, particularly regarding the reporting of information. Thus, the realization of that fundamental objective, the elaboration of the Manual sought to meet the following purposes:

- Reflect critically on the recommendations of best practices defined in the Code of Corporate Governance of CMVM, to contribute actively to the improvement of the practices of EDP.
- Select the recommendations are deemed appropriate to governance model of EDP, highlighting and pointing out potential measures to implement measures towards the full adoption of best practices.
- Identify recommendations that are deemed appropriate to the interests of EDP, the reasons justifying this position, as well as pointing to other practices to achieve differently the same objectives of the recommendations of the Government Code of CMVM.
- Support the recommendations addressed in their discussions on the best governance practices to be adopted in EDP.
- Formalize a document that can assist compliance with the reporting requirements on corporate governance practices, including the annual report required by law.
- Give information about the governance practices of EDP that although not reflected in the Code of Corporate Governance, materialize the goal, shared by the General and Supervisory Board and the Executive Board of Directors, to develop and deepen the quality of governance processes in EDP.

With regard to the evaluation of the corporate governance model, the Executive Board of Directors considers that, in view of its experience, the governing organization currently in force in EDP allows for the pursuit of the company's managing objectives, without jeopardizing the necessary separation of tasks between the managing and supervisory bodies of the company. On the other hand, the application of such model allows a permanent monitoring of the activity of the EDP Group by the supervisory board, which is operationally demanding, although provided with the appropriate communication and information mechanisms in order to allow each governing body to exercise its respective functions without any interferences or constraints.

Given its competences on corporate governance issues, the General and Supervisory Board registered in its Annual Report the main conclusions on the discussion about the adequacy of the governance model in force in EDP, highlighting the following topics:

- Allows a healthy division of powers between the different corporate bodies: management, supervision and auditing.
- Possesses an adequate level of flexibility, allowing synergies from the division of powers to be optimised.
- Is suited to the corporate organisation of EDP's activity, primarily because it ensures a fair balance between the broad and flexible powers required by management, and the effectiveness of both general corporate supervision and specific supervision in genuinely sensitive areas.
- Reveals how the functional relationship between the General and Supervisory Board and the Executive Board of Directors was highly positive and effective in the choice of issues addressed, and efficient in how matters were pursued and dealt with, even considering that there is room for improvement.
- Shows how the institutional coordination between the General and

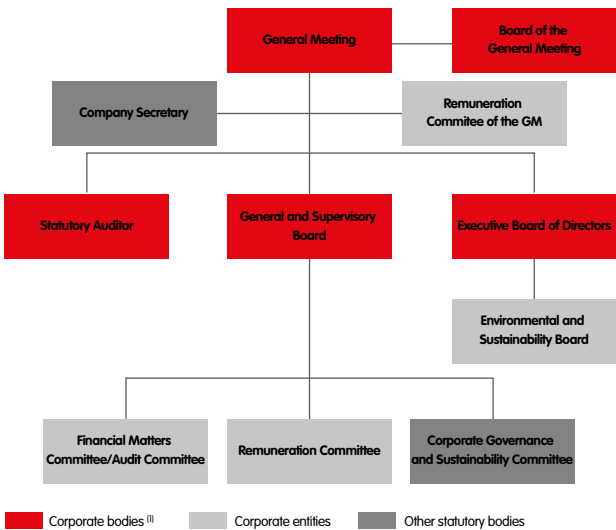
Supervisory Board and the Executive Board of Directors, as well as the dedication and effective engagement of members of the General and Supervisory Board, in the most complex subjects handled by the General and Supervisory Board, necessary to promote high quality governance practices and to enable the governance model to be optimised in terms of:

- The mechanisms allowing the General and Supervisory Board access to information.
- Widening the scope of functions the General and Supervisory Board performs with regard to subsidiaries.
- Involvement of the General and Supervisory Board in the preparation of the strategic business plans.

For more information on this topic please see section 1 of the Annual Report of the General and Supervisory Board.

2.2. organic corporate structure

ORGANIC CORPORATE STRUCTURE



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

2.3. corporate bodies

The members of the Corporate Bodies in office until December 31, 2011 were elected at the General Meeting of Shareholders held on April 15, 2009, for a term of 3 years (triennial 2009/2011).

In the General Meeting held on February 20, 2012, shareholders elected the members of the General and Supervisory Board and Executive Board of Directors for a further term of 3 years (triennial 2012/2014).

The members of the other corporate bodies, namely the Board of the General Meeting, Remunerations Committee, Statutory Auditor and Environment and Sustainability Board should be elected at the Annual General Meeting for a term of 3 years (triennial 2012/2014).

2.3.1. general meeting of shareholders

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

- Assessing the annual reports of the Executive Board of Directors,

discussing and voting on the balance sheet, accounts and opinion of the Statutory Auditor and the opinions of the General and Supervisory Board and Committee on Financial Matters/Audit Committee and voting on proposals for the allocation of profits;

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

board of the general meeting

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

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

BOARD OF GENERAL MEETING

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

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

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 Secretary and Legal Department, the Investors 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.

2.3.2. general and supervisory board

In the exercise of its functions, the General and Supervisory Board is especially responsible for assuring permanently the advice, monitorization and supervision of the activity of EDP's management body, in cooperation with the Executive Board of Directors and the remaining governing bodies in the pursuit of the company's interests, as determined by law and by EDP's articles of association.

The General and Supervisory Board, in office until February 20, 2012, was composed of 17 members, mostly independent.

Currently, the General and Supervisory Board is composed of 23 members, the majority of whom are independent, who meet the requirements in terms of education and competence provided for in the Articles of Association and legislation applicable to EDP. The work of the General and Supervisory Board is governed by an internal regulation, available on the EDP website (www.edp.pt).

The professional qualifications of the members of the General and Supervisory Board can be consulted in the Corporate Bodies chapter herein.

The competencies of the General and Supervisory Board, namely, are to:

- Permanently monitor the management of the company and the subsidiaries, providing advice and assistance to the Executive Board of Directors, namely with respect to strategy, meeting targets and objectives and complying the applicable legislation;
- Issue an opinion on the annual report and accounts;
- Oversee, on a permanent basis, the work of the statutory auditor and the external auditor and, with regard to the former, issue pronouncement on the respective election or appointment, removal from office, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluates internal procedures for accounting and auditing, as well as the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors;
- Monitor the definition of the necessary or appropriate criteria and responsibilities for the internal structures and bodies of the company or group and their impact, in addition to drawing up succession plans
- Provide, in accordance with the law, for the replacement of members of the Executive Board of Directors in the event of absence or temporary impediment;
- Issue, on its own initiative or upon request by the Chairman of the Executive Board of Directors, an opinion on the annual vote of confidence in the company management as referred to in Article 455 of the Companies Code;
- Monitor and assess matters pertaining to corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes, systems for appraising and solving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;
- Procure the resources, financial or otherwise, which it reasonably considers necessary for its work and request the Executive Board of Directors to adopt the measures or corrections it deems appropriate, being authorised to contract the necessary resources to obtain independent advice, if required;
- Receive regular information from the Executive Board of Directors on significant commercial relations between the company or subsidiaries and shareholders with a qualified shareholding and related persons;
- Appoint the Remuneration Committee and Committee on Financial Matters/Audit Committee;
- Represent the company in its relations with the directors;
- Oversee the work of the Executive Board of Directors;
- Supervise observance of the law and the Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for the engagement or dismissal of the same;

- Monitor, when and how it deems appropriate, the regularity of bookkeeping, accounts and supporting documents, as well as the status of any assets or securities held by the company;
- Oversee the drawing up and disclosure of financial information;
- Convene the General Meeting when it deems appropriate;
- Approve its internal regulation, which includes rules on relations with the other corporate bodies;
- Exercise any other powers that may be conferred upon it by law or by the General Meeting.

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

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Contracting financing operations of significant value;
- The opening and closure of establishments, or important parts thereof, and important extensions or limitations of the company activity;
- Other transactions or operations of significant economic or strategic value;
- The commencement or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for divisions, mergers or transformations;
- Amendments to the Articles of Association, including changes of registered office and capital increases when these are of the initiative of the Executive Board of Directors;
- Share capital increase on the Executive Board of Directors' initiative, up to the maximum limit of 10% of the current share capital;
- Conclusion of strategic partnership agreements for corporate cooperation, in the medium or long term, regarding the activities of generation, distribution and supply of electricity or natural gas.

EDP's articles of association further establish that the General and Supervisory Board shall provide parameters for the economic or strategic value assessment of the operations which shall be subject to its opinion, as well as establish prompt mechanisms for the issuing of an opinion in urgent cases or whenever it is justified by the nature of the matter and situations where the exemption of such opinion is allowed (number 7 of article 21).

The rules in force that apply to the issue and waiving of prior opinion of the General and Supervisory Board were approved on 7 May 2009, as well as the procedures for reporting and providing clarification between that Body and the Executive Board of Directors.

In that capacity during the year 2011, a total of twelve transactions were submitted for prior opinion to the General and Supervisory Board, with an average value of EUR 198 million and maximum value of EUR 321 million. In relation to the waiving of prior opinion, a total of thirteen transactions were submitted to the General and Supervisory Board, with an average value of EUR 321 million and maximum value of EUR 663 million.

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

- Convening and chairing meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and supervising the correct functioning of its committees;

- Provide timely availability to members of the General and Supervisory Board of the information necessary for the complete fulfillment of their duties;
- Requesting and receiving information from the Executive Board of Directors on the activities of the company and subsidiaries;
- Promote the necessary arrangements for proper monitoring of social activity by the General and Supervisory Board;
- Control the implementation of the budget of the General and Supervisory Board and manage the human and material resources allocated to this body;
- Ensuring correct implementation of the General and Supervisory Board decisions.

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

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

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, either on its own initiative or at the request of any member, of the Executive Board of Directors or of its respective Chairman. In 2011, the General and Supervisory Board met 10 times. Minutes of all meetings were drawn up.

The General and Supervisory Board draws up an annual report on its activity and functioning, including any constraints it may have encountered in the carrying out of its duties. The report is available on the EDP website (www.edp.pt) together with the management report and accounts.

Supported in the work developed by the Corporate Governance and Sustainability Committee, the General and Supervisory Board carries out, each year:

- The self-assessment of its activity and performance, as well as that of the Committees, the conclusions of the evaluation to be included in the General and Supervisory Board Annual Report.
- The independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of the assessment process to be included in the General and Supervisory Board Annual Report as an appendix.

Following a General and Supervisory Board initiative, EDP remains as one of the few national and international companies that has adopted a formal and objective assessment process concerning the activity developed by the General and Supervisory Board and the Executive Board of Directors. The experience gathered by the General and Supervisory Board during the last two years has allowed the improvement of the efficacy and efficiency of the process. The adopted methodology involves the following steps:

- After the end of the year, the Chairman of the General and Supervisory Board sends to the members of the board the assessment questionnaires, which have an individual and confidential nature.
- The General and Supervisory Board Support Office collects and prepares the statistical data based on the questionnaires received in order to allow its discussion at a General and Supervisory Board meeting.
- At the meeting, the General and Supervisory Board resolves on the assessment opinions, which are included in its Annual Report.
- At the General Shareholders' Meeting, concerning the topic related to Executive Board of Directors assessment, the Chairman of the General and Supervisory Board presents the opinion.

For more information on the activity of the General and Supervisory Board during the financial year please see section 3 of its Annual Report.

Until February 20, 2012, the General and Supervisory Board had the following composition:

GENERAL AND SUPERVISORY BOARD

	INDEPENDENT MEMBERS	DATE OF FIRST APPOINTMENT
CHAIRMAN		
António de Almeida ⁽¹⁾		30-03-2006
VICE-CHAIRMAN		
Alberto João Coraceiro de Castro ⁽¹⁾	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 ⁽¹⁾	Independent	30-03-2006
Eduardo de Almeida Catroga ⁽¹⁾	Independent	30-03-2006
Farid Boukhalfa		04-02-2010
(em representação da Sonatrach)		
Fernando Manuel Barbosa Faria de Oliveira		10-04-2008
José Maria Brandão de Brito		02-06-2008
(em representação da Cajastur Inversiones, S.A.)		
José Maria Espírito Santo Silva Riccardi ⁽¹⁾		30-03-2006
José Manuel dos Santos Fernandes	Independent	15-04-2009
Manuel Fernando de Macedo Alves Monteiro ⁽¹⁾	Independent	30-03-2006
Mohamed Ali Ismaeil Ali Al Fahim		
(em representação da Senfora SARL)		16-04-2010
Ricardo José Minatti da Cruz Filipe	Independent	15-04-2009
Rui Eduardo Ferreira Rodrigues Pena	Independent	12-04-2007
Vitor Fernando da Conceição Gonçalves ⁽¹⁾	Independent	30-03-2006

⁽¹⁾ 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 two-tier corporate governance model.

On March 11, 2011, Manuel Barbosa Fernando Faria de Oliveira submitted his resignation as member of the General and Supervisory Board due to the significant reduction in the participation of Caixa Geral de Depósitos, S.A. in the share capital of EDP. On 26 and 28 April, members of the General and Supervisory José de Mello Energia, S.A. and Parpública – Participações Públicas, (SGPS), S.A., elected at the Annual General Shareholders Meeting of April 14, 2011, appointed Luis Filipe da Conceição Pereira and José Joaquim de Oliveira Reis, respectively, as their representative to exercise the office.

After the General Shareholders Meeting of February 20, 2012, in which the members of the General and Supervisory Board were elected for the term corresponding to the three-year period 2012/2014, the General and Supervisory Board has the following composition:

GENERAL AND SUPERVISORY BOARD

	INDEPENDENT MEMBERS	DATE OF FIRST APPOINTMENT
CHAIRMAN		
Eduardo de Almeida Catroga	Independent	30-03-2006
VICE-CHAIRMAN		
China Three Gorges Corporation	Independent	20-02-2012
China International Water & Electric Corp.		20-02-2012
China Three Gorges New Energy Co., Ltd.		20-02-2012
China Three Gorges International (Europe), S.A.		20-02-2012
Parpública – Participações Públicas (SGPS), S.A.		14-04-2011
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 Ismaeil Ali Al Fahim (as representative of Senfora SARL)		16-04-2010
Carlos Jorge Ramalho Santos Ferreira		10-04-2008
Sonatrach		04-02-2010
José Maria Espírito Santo Silva Riccardi	Independent	30-03-2006
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
Ilidio 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	30-03-2006

The members China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and China Three Gorges International (Europe), S.A. will only take office after the agreement of strategic partnership celebrated on December 30, 2011 enters in force.

For more information regarding changes to the composition of the General and Supervisory Board please see section 2.1. of its Annual Report.

2.3.3. executive board of directors

The Executive Board of Directors is the body responsible for the management of the company's business activities and for representing the Company, in accordance with the Companies Code and EDP Articles of Association. Its members are elected by the shareholders at the General Meeting. The Executive Board of Directors currently is comprised of 7 members. In the General Shareholders Meeting of February 20, 2012 were re-elected five members who held office until that date and elected two new members for the term of the triennial 2012/2014.

The professional qualifications of the members of the Executive Board of Directors can be consulted in the Corporate Bodies section.

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

The Executive Board of Directors works in a collegial manner. Individual directors 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 work of the Executive Board of Directors is governed by an internal regulation, available on the EDP website (www.edp.pt).

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

- Establishing the objectives and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the remit of other corporate bodies;
- Representing the company actively and passively in and out of court, with the power to concede, acquiesce and plead in any legal proceedings, as well as to sign arbitration agreements;
- Buying, selling or by any other means disposing of, or encumbering, rights or immovable assets;
- Incorporating companies and subscribing, acquiring, encumbering and transferring shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, observing the annual quantity limits fixed by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of its internal operation, particularly in relation to personnel and their remuneration;
- Establishing proxies with such powers as it may deem fit, including the power to delegate;
- Appointing the general secretary and his/her alternate;
- Contracting and dismissing the External Auditor upon instruction of the General and Supervisory Board;
- Exercising any other powers invested in it by law or by the General Meeting; and
- Establishing its regulation setting out rules applicable to its internal functioning.

The Executive Board of Directors provides, if requested by other corporate bodies in a timely and appropriately to the request, all information required by them.

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

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

- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring the correct execution of the decisions of the Executive Board of Directors.

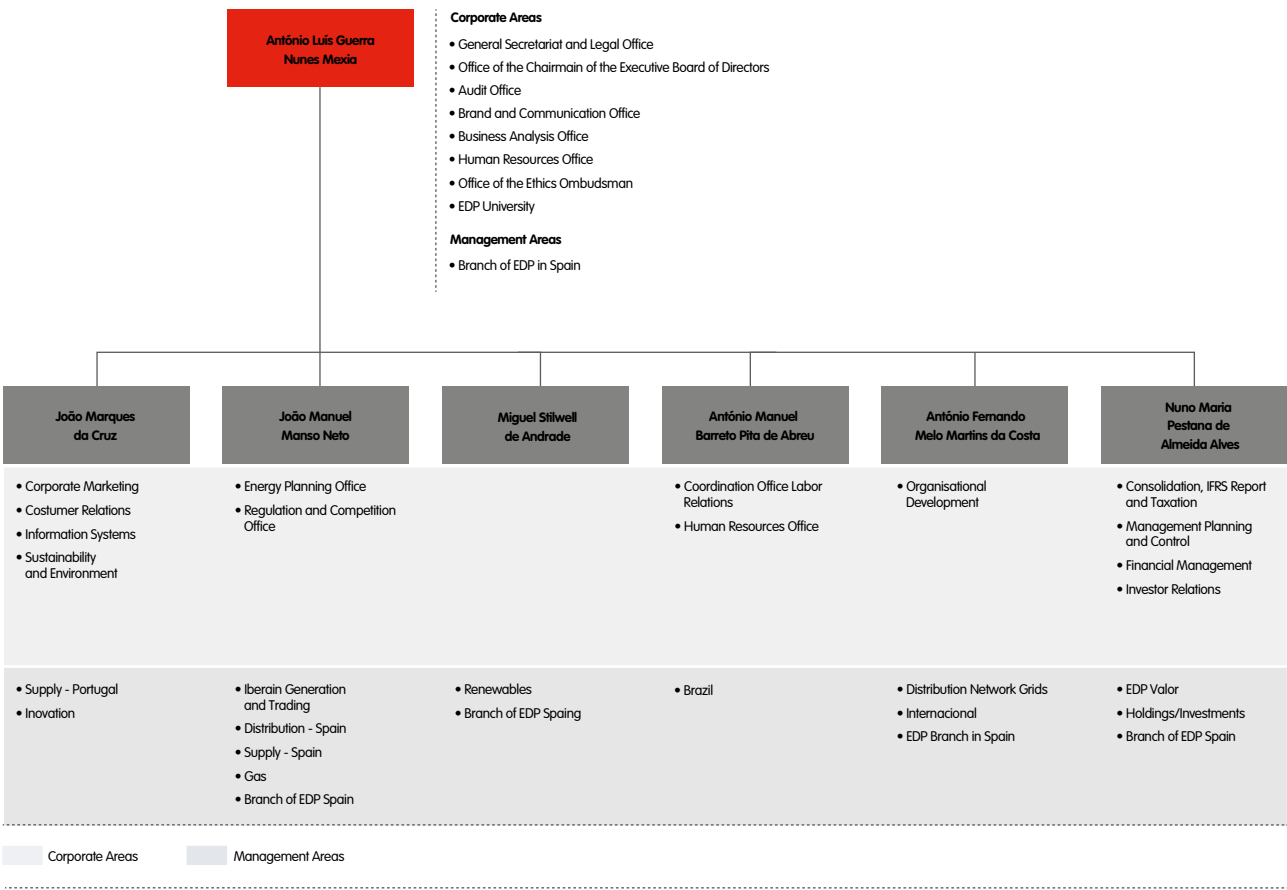
The Chairman of the Executive Board of Directors has the right to attend meetings of the General and Supervisory Board whenever he/she deems appropriate, except when the meetings deal with decisions on the supervision of the work of the Executive Board of Directors and, in general, in any situations which involve a conflict of interests. The Chairman of the Executive Board of Directors forwards to the Chairman of the General and Supervisory Board invitations to meetings and the respective minutes and, whenever requested, timely provides the information requested from him/her in the appropriate form, such information being accessible to all members of the General and Supervisory Board and of the Financial Matters Committee/Audit Committee.

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

The Executive Board of Directors met 58 times in 2011. Minutes of all meetings were drawn up.

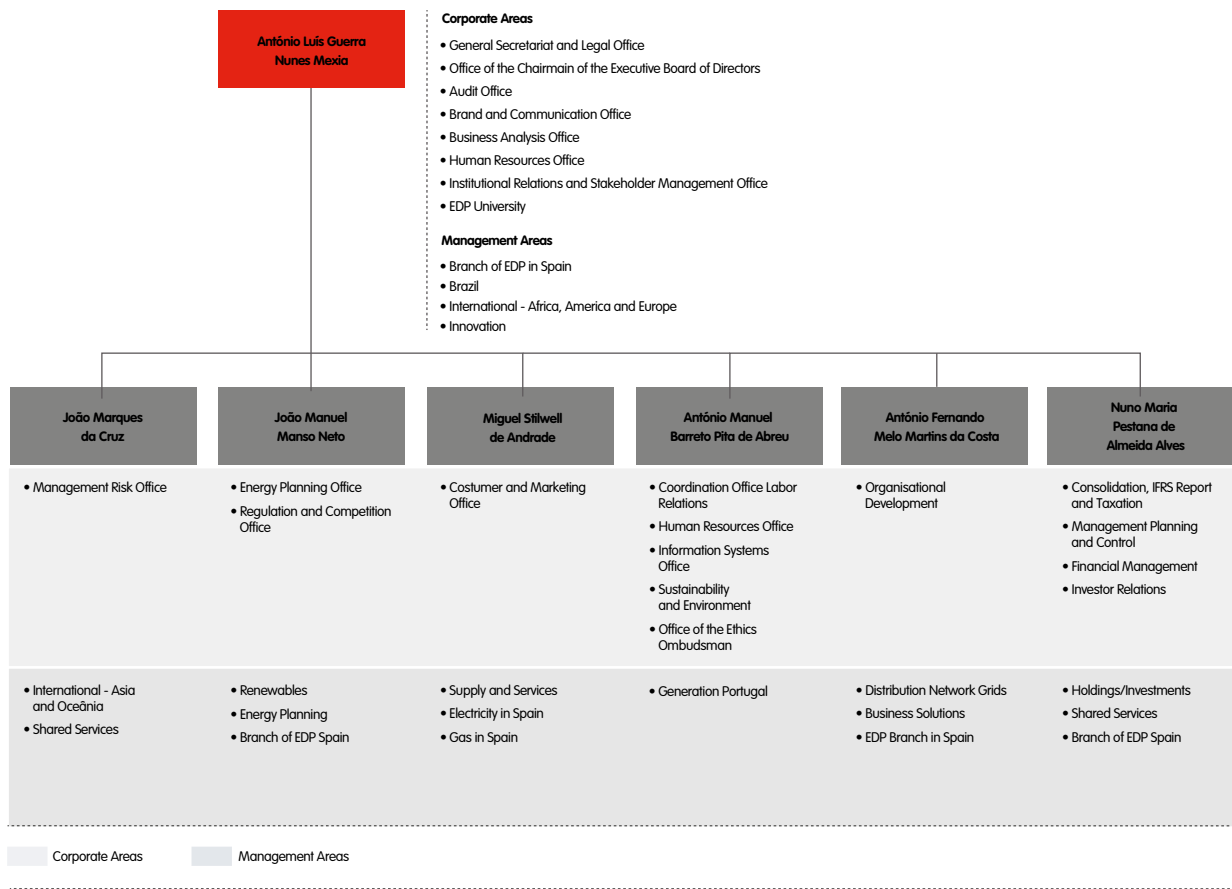
Until February 20, 2012, the Executive Board of Directors was organised in accordance with the following management and corporate areas:

EXECUTIVE BOARD OF DIRECTORS



After February 22, 2012, the Executive Board of Directors began to be organized according to the following management and corporate areas:

EXECUTIVE BOARD OF DIRECTORS



Until February 20, 2012, the offices held by members of the Executive Board of Directors in other Group companies are as follows:

OFFICES HELD BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

	António Mexia	Ana Maria Fernandes	António Martins da Costa	António Pita de Abreu	João Manso Neto	Jorge Cruz Morais	Nuno Almeida Alves
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	-	M	M
EDP - Ásia Soluções Energéticas Limitada	-	-	CBD	-	-	-	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	PR	PR	PR	-	PR	-	PR
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 Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-
EDP Energia Ibérica S.A.	-	-	-	-	D	CBD	-
EDP Energias do Brasil, S.A.	CBD	D	-	VP/CD	-	-	D
EDP Finance BV	R	R	R	R	R	R	R
EDP Gás II, SGPS, S.A.	-	-	-	-	CBD	-	-
EDP Gás III, SGPS, S.A.	-	-	-	-	CBD	-	-
EDP Gás, SGPS, S.A.	-	-	-	-	CBD	D	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	-	-	D	CBD	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	-	-	CBD
EDP Internacional, S.A.	-	-	CBD	-	-	-	-
EDP Investimentos, SGPS, S.A.	-	-	-	-	CBD	-	-
EDP Projectos, SGPS, S.A.	-	-	D	-	D	CBD	-
EDP Renewables Europe SL	-	CBD	-	-	-	-	-
EDP Renováveis Brasil, S.A.	-	CBD	-	VP	-	-	-
EDP Renováveis, S.A.	CBD	VP	D	-	D	-	D
EDP Serviner - Serviços de Energia, S.A.	-	-	-	D	-	CBD	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBD
Eléctrica de La Ribera de Ebro, S.L.	-	-	-	-	CBD	-	-
Electricidade de Portugal Finance Company Ireland Lt.	-	-	-	-	-	-	D
Empresa Hidroeléctrica do Guadiana, SA	-	-	-	-	CBD	-	-
ENEOP - Eólicas de Portugal, S.A.	-	CBD	-	-	-	-	-
Energia RE, S.A.	-	-	-	-	-	-	CBD
Hidrocantábrico Energía, S.A.U.	-	-	-	-	CBD	-	-
Hidrocantábrico Gestión de Energía, S.A.U.	-	-	-	-	SD	-	-
Hidroeléctrica del Cantábrico, S.A.	-	D	D	-	VP/CD	D	D
Naturgás Energía Grupo, S.A.	-	-	-	-	VP	D	-
Sávida - Medicina Apoiada, S.A.	-	-	-	-	-	-	CBD
SCS - Serviços Complementares de Saúde, S.A.	-	-	-	-	-	-	CBD
<div>CBD - Chairman of the Board of Directors</div> <div>M - Manager</div> <div>CEBD - Chairman of the Executive Board of Directors</div> <div>VPBD - Vice-President of the Board of Directors</div> <div>DC - Director-Chairman of the Board (Executive Board)</div> <div>R - Representative</div> <div>SD - Sole Director</div> <div>D - Director</div> <div>VP/CD - Vice-President and Counselor-Delegate</div> <div>PR - Permanent Representative</div>							

After the General Shareholder Meeting of February 20, 2012, in which they were elected new members of the Executive Board of Directors for the term of 3 years of 2012/2014, this body has the following composition:

EXECUTIVE BOARD OF DIRECTORS

CHAIRMAN
António Luís Guerra Nunes Mexia
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

2.3.4. statutory auditor

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

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

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

The Statutory Auditor and its alternate are as follows:

STATUTORY AUDITOR

PERMANENT
KPMG & Associados, SROC, S.A. representada por Jean-éric Gaign, ROC
ALTERNATE
Vitor Manuel da Cunha Ribeirinho, ROC

2.3.5. remuneration committee - general meeting

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

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

The current members of the Remuneration Committee – General Meeting are as follows:

REMUNERATION COMMITTEE - GENERAL MEETING

CHAIRMAN
José Manuel Archer Galvão Teles
Carlos Alberto Veiga Anjos
Parpública - Participações Públicas, (SGPS), SA

In accordance with Law 28/2009, of 19 June, and EDP's By-Laws, the Remuneration Committee – General Meeting submitted to the Annual General Shareholders Meeting held on April 14, 2011, the remuneration policy applicable to the corporate bodies of EDP, with the exception of the Executive Board, the proposal was approved by shareholders.

This General Meeting was attended by the members of the Remuneration Committee – General Meeting.

2.3.6. environment and sustainability board

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

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

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

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

ENVIRONMENTAL AND SUSTAINABILITY BOARD

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

2.3.7. company secretary

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

The current Company Secretary and alternate are:

COMPANY SECRETARY

SECRETARY
Maria Teresa Isabel Pereira
ALTERNATE
Ana Rita Pontifice Ferreira de Almeida Côte-Real

2.3.8. specialised committees of the general and supervisory board

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

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

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

The specialised committees of the General and Supervisory Board, in office until February 20, 2012, were set up at the meeting of 7 May 2009.

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

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

2.3.8.1. committee on financial matters/audit committee

composition, powers and functioning

The Committee on Financial Matters/Audit Committee is made up of three independent members with the appropriate qualifications and experience, including at least one member with a higher education degree in the area of the committee's functions and with specific knowledge of auditing and accounting, as confirmed by the curriculum vitae of the Chairman, which can be consulted in the chapter on corporate bodies.

The Committee on Financial Matters/Audit Committee, in office until February 20th, 2012 comprise the following members:

FINANCIAL MATTERS COMMITTEE/ AUDIT COMMITTEE

CHAIRMAN	DATE OF FIRST APPOINTMENT
Vitor Fernando da Conceição Gonçalves	13-07-2006
António Sarmento Gomes Mota	07-05-2009
Manuel Fernando de Macedo Alves Monteiro	13-07-2006

On February 21st, 2012 the General and Supervisory Board designated the members of the Committee for the term of 3 years 2011/2014:

FINANCIAL MATTERS COMMITTEE/ AUDIT COMMITTEE

CHAIRMAN	DATE OF FIRST APPOINTMENT
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

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

- To issue an opinion on the annual report and accounts

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

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

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

In 2011, the Committee on Financial Matters/Audit Committee met 18 times. Minutes of all meetings were drawn up. No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activity, containing a description of its supervisory activities and any constraints that has been encountered, is disclosed in the EDP website integrated with the General and Supervisory Board Annual Report.

whistle-blowing policy

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

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

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

- Guaranteeing conditions that allow workers to freely report any concerns they may have in these areas to the Committee on Financial Matters/Audit Committee;
- Facilitating the early detection of irregular situations which, if practised, might cause serious damage to the EDP Group, its workers, customers and shareholders.

The Committee on Financial Matters/Audit Committee can be contacted by e-mail, fax and regular mail, and access to the information received in this context is restricted. Only the members of the Committee are entitled to receive these communications.

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

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

On October 27, 2011 the General and Supervisory Board has approved a new regulation, which was registered at the Portuguese Data Protection Authority, pending the decision of the referred authority.

On January 3, 2012 the Committee on Financial Matters/Audit Committee informed the General and Supervisory Board about the work it developed regarding irregularity communications mechanism on 2011 exercise and concluded that, with respect to the seven complains received, there were no complains with impact on accountability, finances, internal control and audit matters, having been terminated by the Committee upon the analyses of the replies received from the competent EDP departments.

2.3.8.2. remuneration committee

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

In accordance with the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit to the annual General Meeting for consultation a statement on the remuneration policy for the members of the Executive Board of Directors which it has adopted, at least in years during which such policy is implemented or altered. Taking into account the publication of Law 28/2009 of 19 June, the work of the Remuneration Committee shall abide by the applicable legal rules.

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

In 2011, the committee met 4 times. Minutes of all meetings were drawn up.

The Remuneration Committee is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, the majority of whom are independent of the members of the Executive Board of Directors. A member of this committee is always present at the Annual General meetings.

The Remuneration Committee, in office until February 20, 2012 as well as the Committee that began the office for the term of 3 years 2012/2014, comprised the following members:

REMUNERATION COMMITTEE OF THE GSB

CHAIRMAN	DATE OF FIRST APPOINTMENT
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 Board and Supervisory Board appointed on January 27, 2011, Jose Maria Espírito Santo Silva Ricciardi a member of the Remuneration Committee.

In accordance with Law nº 28/2009, of June 19 and EDP's By-Laws, the Chairman of this Committee submitted, in the Annual General Meeting held on April 14,2011 for approval a statement on the remuneration policy of the members of the Executive Board of Directors, for the three-year period term (2009/2011), which was approved by shareholders.

No natural or legal person that provides or has provided services in the last three years to anybody answering to the Board of Directors, or services directly to the Board of Directors proper or that has a current relationship as a company consultant, was hired in 2011 to assist the Remuneration Committee in its duties. This statement is extensible to any natural or legal person who is related through employment or services' provision contract.

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activities is published on the EDP website as an integrated component of the Annual Report of the General and Supervisory Board.

2.3.8.3. corporate governance and sustainability committee

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

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

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

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

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

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

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

In 2011, the Committee met 2 times. Minutes of all meetings were drawn up.

The committee currently consists of the following members:

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

CHAIRMAN	DATE OF FIRST APPOINTMENT
António de Almeida	27-06-2006
Alberto João Coraceiro de Castro	27-06-2006
António Sarmento 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 Alilsmail Ali Al Fahim	06-05-2010
Ricardo José Minotti da Cruz Filipe	07-05-2009

No significant constraints were reported that may have disturbed the performance of this Committee's duties.

The annual report of the Committee's activities is published on the EDP website as an integrated component of the Annual Report of the General and Supervisory Board.

2.4. business operations between the company and the members of the corporate management and supervision bodies with qualifying holdings and companies in a group or control relationship with edp

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

In this context, in accordance with article 246/3 of the Securities Code, it is noted that, during the year 2011, EDP did not enter into the relevant transactions between related parties that have materially affected its financial position or performance.

The detailed analysis of this subject matter, in 2008, led to the General and Supervisory Board approving a set of objective and transparent rules for the identification, prevention and resolution of relevant corporate conflicts of interest, called the "Framework for handling conflicts of interest". That framework was revised in late 2009.

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

It is noted, in the context of the qualitative improvement of governance practices, that the General and Supervisory Board approved the "Reference Framework for the Conflicts of Interests and business conflicts between related parties of EDP", on 29 July 2010, which is available for consultation at the EDP website (www.edp.pt). This reference framework replaces 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 corresponding to CMVM Regulation no. 1/2010.

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

The General and Supervisory Board noted that, with respect to the cases it analysed and the information provided by the Executive Board of Directors regarding 2011, there was no evidence that potential conflicts of interests in the business operations had been resolved in a way that was contrary to the interests of the company.

For further information on this matter, please see section 3.5.1 of the Annual Report of the General and Supervisory Board.

2.5. edp shares held by members of the corporate bodies

The table below shows the shares held by the members of the corporate bodies, as well as any alterations in these between the financial years 2010 and 2011, in compliance with Article 447 5) of the Companies Code.

SHARES HELD BY THE MEMBERS OF THE CORPORATE BODIES

	EDP - Energias de Portugal			EDP Renováveis		EDP Brasil	
	Nº SHARES 31-12-2011	Nº SHARES 31-12-2010	Nº BONDS 31-12-2011	Nº SHARES 31-12-2011	Nº SHARES 31-12-2010	Nº SHARES 31-12-2011	Nº SHARES 31-12-2010
GENERAL AND SUPERVISORY BOARD							
António de Almeida	100	0	0	1,200	1,200	0	0
Alberto João Coraceiro de Castro ⁽¹⁾	4,578	4,578	5	2,460	1,580	0	0
António Sarmento Gomes Mota	0	0	0	0	0	0	0
Cajastur Inversiones, S.A.	183,257,513	183,257,513	0	0	0	0	0
José Maria Brandão de Brito (representing Cajastur Inversiones, S.A.)	0	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira ⁽²⁾	40,000	40,000	0	0	0	0	0
Diogo Campos Barradas de Lacerda Machado	260	260	0	0	0	0	0
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0	0
Fernando Manuel Barbosa Faria de Oliveira ⁽³⁾	-	0	0	-	0	-	0
José de Mello Energia, S.A.	176,322,036	-	0	0	-	0	-
Luís Filipe da Conceição Pereira (representing José de Mello Energia) ⁽⁴⁾	19,739	-	50	1,200	-	0	-
José dos Santos Fernandes	0	0	0	600	600	0	0
José Maria Espírito Santo Silva Ricciardi ⁽⁵⁾	0	0	0	2,320	2,320	0	0
Manuel Fernando de Macedo Alves Monteiro	0	0	60	0	0	0	0
PARPÚBLICA - Participações Públicas (SGPS) S.A.	915,977,598	-	0	0	-	0	-
Joaquim José de Oliveira Reis (representing Parpública)	0	-	0	0	-	0	-
Ricardo José Minotti da Cruz Filipe	6,622	6,622	5	500	500	0	0
Rui Eduardo Ferreira Rodrigues Pena	1,445	1,445	35	380	380	0	0
Sonatrach	81,713,076	81,713,076	0	0	0	0	0
Farid Boukhalfa (representing Sonatrach)	0	0	0	0	0	0	0
Vitor Fernando da Conceição Gonçalves	3,465	3,465	0	680	680	0	0
Senfora SARL	148,431,999	148,431,999	0	0	0	0	0
Mohamed Al Fahim (representing Senfora SARL)	0	0	0	0	0	0	0
EXECUTIVE BOARD OF DIRECTORS							
António Luís Guerra Nunes Mexia	41,000	31,000	0	4,200	4,200	1	1
Ana Maria Machado Fernandes	0	0	0	1,510	1,510	1	1
António Fernando Melo Martins da Costa ⁽⁶⁾	13,299	13,299	50	1,480	1,480	0	0
António Manuel Barreto Pita de Abreu ⁽⁷⁾	34,549	34,549	0	1,810	1,810	41	41
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0
Jorge Manuel Pragana da Cruz Morais ⁽⁸⁾	100,000	62,497	0	1,990	1,990	0	0
Nuno Maria Pestana de Almeida Alves	100,000	80,000	25	5,000	5,000	1	1

Notes:
1) The shares of EDP Renováveis includes 380 shares held by his wife Ana Maria Ferreira Lopes which, mistakenly, had not been communicated and 500 shares that were indentified following the process of division of the inheritance of his mother, Maria Odete Coraceiro.
2) Carlos Jorge Ramalho Santos Ferreira is the Chairman of the Executive Board of Directors Banco Comercial Português, S.A. which had, on December 31, 2011, a qualified shareholding in EDP share capital (Please see chapter IX.1.1.).
3) Fernando Manuel Barbosa Faria de Oliveira has presented his resignation on March 11, 2011.
4) 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.
5) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.
6) The shares of EDP Renováveis includes 150 held by his wife, Anna Malgorzata Starzenska Martins da Costa;
7) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu;
8) The shares of EDP Renováveis includes 380 shares held by his wife, Ana Maria Ferreira de Oliveira Barreto;

During 2011, the following members of the Corporate Bodies performed the following trade operations of EDP shares:

CORPORATE BODY	COMPANY	SECURITY	DATE	QUANTITY	OPERATION	AVG. PURCHASE PRICE (EUROS)
EXECUTIVE BOARD OF DIRECTORS						
António Luís Guerra Nunes Mexia	EDP - Energias de Portugal	Shares	19-05-2011	10,000	Acquisition	2.60
Jorge Manuel Pragana da Cruz Morais	EDP - Energias de Portugal	Shares	03-06-2011	37,503	Aquisition	2.569
		Shares	17-05-2011	10,000	Aquisition	2.60
Nuno Maria Pestana de Almeida Alves	EDP - Energias de Portugal	Shares	07-06-2011	10,000	Aquisition	2.55
		Bonds	07-12-2011	25	Aquisition	1,000
António Fernando Melo Martins da Costa	EDP - Energias de Portugal	Bonds	07-12-2011	50	Aquisition	1,000
GENERAL AND SUPERVISORY BOARD						
António de Almeida	EDP - Energias de Portugal	Ações	16-03-2011	100	Aquisition	2,707
Alberto João Coraceiro de Castro	EDP - Energias de Portugal	Bonds	07-12-2011	5	Aquisition	1,000
Luís Filipe da Conceição Pereira	EDP - Energias de Portugal	Bonds	03-11-2011	50	Aquisition	984
Manuel Fernando de Macedo Alves Monteiro	EDP - Energias de Portugal	Bonds	07-12-2011	60	Aquisition	1,000
Ricardo José Minotti da Cruz Filipe	EDP - Energias de Portugal	Bonds	07-12-2011	5	Aquisition	1,000
Rui Eduardo Ferreira Rodrigues Pena	EDP - Energias de Portugal	Bonds	07-12-2011	35	Aquisition	1,000

2.6 other managers

Attending to the provisions set forth in Article 248º-B 3) of the Securities Code, EDP does not have other managers than the members of the corporate bodies. Indeed, apart from those members, there is no other manager with regular access to inside information or that participates in the management and strategic decisions of the company.

2.7 external auditor

The external auditor of EDP is KPMG 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, and considering the scope of services provided by audit firms, EDP adopts specific measures aimed at safeguarding the independence of the external auditor.

The duties of the External Auditor include checking compliance with remuneration policies and systems, 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 has reviewed the internal rules relating to the commissioning of additional audit services regulation, with the approval of the “EDP Regulations on Services Provided by the Statutory Auditor and External Auditor”, available on the website of EDP (www.edp.pt). One major change was the implementation 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 established in the Recommendation, it was determined that the Financial Committee/Audit Committee has the obligation to refuse any authorization to additional audit services when:

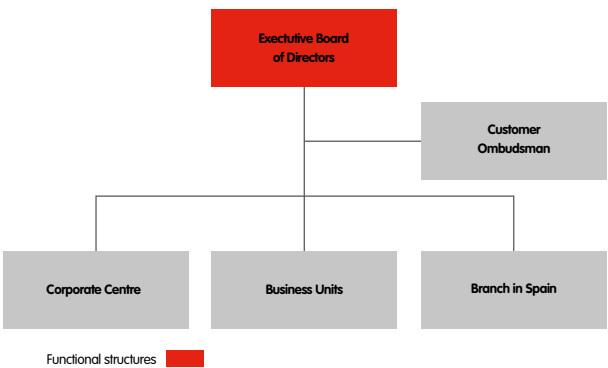
- It concerns a forbidden additional service;
- In accordance with an objective, reasonable and informed third-party standard, the service possibly threatens the independence of the SA or EA, particularly by not fostering the likelihood of self-review or promoting self-interest.

The Financial Committee/Audit Committee annually presents to the General and Supervisory Board a proposal of evaluation of the independence of the External Auditor/Statutory Auditor, which is disclosed in the Annual Report of the General and Supervisory Board. The result of this evaluation appears in the opinion of the General and Supervisory Board on the annual report annexed to the Annual Report of the General and Supervisory Board.

3. functional structure of edp

3.1. the group organisational model

THE GROUP ORGANISATIONAL MODEL



It is the responsibility of the Executive Board of Directors to define the organisational model of the Group and how tasks are distributed amongst the various business units, the Group’s shared services company – EDP Valor – and the central structure. The latter consists of a Corporate Centre that plays an instrumental role of support to the Executive Board of Directors in defining and controlling implementation of the strategies, policies and goals for 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 of the company management.

3.2. corporate centre

The organisation of the central support structure for decision-making processes during the year 2011 was as follows:

CORPORATE CENTRE - BUSINESS UNITS

DEPARTMENTS	
SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal Office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors and Institutional Relations	Duarte Castro Bello
Audit Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	Carlos Alberto Loureiro
STRATEGIC AREA	
Energy Planning Department	Pedro Neves Ferreira
Business Analysis Department	Pedro Pires João
Risk Management Department	José Allen Lima
University of EDP	Nuno Manuel Brito
FINANCIAL AREA	
Investor Relations	Miguel Henriques Viana
Consolidation, IFRS Report and Taxation Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Nuno Miguel Chung
Financial Management Department	Paula Cristina Guerra
MARKETING AND COMMUNICATION AREA	
Corporate Marketing Department	Maria Inês Lima
Brand and Communication Department	Paulo Campos Costa
Customer Relations Department	Paula Pinto da Fonseca
SYSTEMS AND ORGANISATIONAL AREA	
Information Systems Department	Vergílio Domingos da Rocha
Organisational Development Department	Rui Ferin Cunha
HUMAN RESOURCES AREA	
HR Department	Maria João Martins
Coordination Office for Labor Relations	Eugénio Purificação Carvalho
SUSTAINABILITY AND REGULATION AREA	
Regulation and Competition Department	Maria Joana Simões
Sustainability and Environmental Department	António Neves de Carvalho
COORDINATION AREA FOR STAKEHOLDERS RELATIONS	
Office of the Chairman of the Executive Board of Directors and Institutional Relations	Paulo Campos Costa
Corporate Marketing Department	
Brand and Communication Department	
Sustainability and Environmental Department	
Customer Relations Department	
BUSINESS UNITS	
Energy Management Business Unit	Carlos Alves Pereira

On February 22, 2012, the Executive Board of Directors decided the amendment of the central support structure that comprised the following changes: i) extinction of the Customer Relations Department ii) restructuring and redenomination of the Corporate Marketing Department, which has been redenominated Customer Relations and Marketing Department; iii) constitution of the Institutional Relations and Stakeholder Management Department e iv) constitution of the Coordination Area of the Global Brand and Communication.

The functions and responsibilities of the current Departments are as follows:

The **General Secretariat and Legal Office** supports the Executive Board of Directors in administrative and logistical matters, thus ensuring the smooth functioning of the Corporate Centre, and provides legal assistance to the Group with the aim of guaranteeing observance of the applicable legislation. It also provides administrative support to the meetings of the Executive Board of Directors, including dissemination of the decisions reached.

The **Office of the Chairman of the Executive Board of Directors and Institutional Relations** supports the Chairman of the Executive Board of Directors in all matters determined by the latter, guarantees representation of the Group at the institutional level and participates, on behalf of the Chairman, in internal projects and initiatives. It also coordinates the management of the agenda and the support work for the office and represents the Chairman at events and meetings whenever necessary.

The main function of the **Audit Department (DAI)** is the systematic and independent assessment of the Group activities with the aim of ensuring effectiveness of the management systems and processes and the internal control system. The DAI's main responsibilities are to establish and manage the systematic planning of the internal audits at the Group level in the areas of finance, information, operations and management and to monitor the definition and implementation of corrective measures and improvements resulting from audits performed. It is also responsible for monitoring the implementation and maintenance of the Internal Control System, providing methodological support and guaranteeing its consistency and internal coherence, as well as reporting on its performance.

In accordance with the EDP Code of Ethics, the **Office of the Ethics Ombudsman (GPE)** is responsible for receiving, retaining and processing reports and complaints received by EDP on alleged infractions of the provisions of the code in matters of compliance with laws and ethics, conduct in the workplace, human rights, equal opportunities, integrity, relations with customers and suppliers, the environment and sustainability. The GPE must accompany each of the infraction proceedings it initiates to its conclusion, making contact with the reporter of the complaint wherever necessary and appropriate. For information about the Ombudsman's activity, see Performance section, chapter Ethics

The **Energy Planning Department (DPE)** supports the Executive Board of Directors in processes for altering the Group's energy portfolio, contributing to an integrated vision of the portfolio and to the planning of its development in the various regions in which the Group operates. The DPE thus constitutes an organisational platform that links the Group's various electricity and gas business areas, helping to form the required integrated vision of the market and operation of the EDP Group.

The mission of the **Business Analysis Department (DAN)** is to contribute to defining and developing the Group business strategy by promoting and carrying out the analysis, study and realisation of new business opportunities and optimising the EDP business portfolio. Its main areas of work are the assessment of projects, identification of business opportunities, the analysis and execution of merger operations, the purchase and sale of assets and strategic alliance options, as well as providing analyses and studies for the Group's strategic planning processes.

The mission of the **Risk Management Department (DGR)** is to support the Executive Board of Directors in modelling and monitoring identification of the Group's risks with a view to risk minimisation and control. The use of the Integrated Risk Management System provides comparative advantages to EDP by enabling the risk factor to be included in the Group's strategic and operational decisions. There are always uncertainties associated with the business opportunities that are constantly presented to a group the size of EDP and the fact that these can be quantified by determining the corresponding risks is a decisive contribution towards correct decision-making.

The **University EDP's** mission is to develop knowledge and talent of the EDP Group employees, reinforcing the corporate culture as a competitive advantage of the Group for the excellence in customer service, enhancing innovation and sustainability in the environment where it is located.

The **Investor Relations Department (DRI)** main function is to act as a liaison between the Executive Board of Directors of EDP and investors, analysts and financial markets in general. It is also responsible for the press releases disclosed by the company, including financial statements (see section 7.2).

The **Consolidation, IFRS Repot and Tax Department (DCF)** is structured into two areas of operation: (i) Consolidation, which is responsible for consolidating the Group's accounts and preparing accounting reports and (ii) Taxation. Its mission is to ensure the rendering and reporting of EDP's accounts, provide consultancy services and ensure tax compliance for the Group. It defines,

implements, monitors and coordinates rules, guidelines, policies and procedures in all the Group's geographical locations for accounting, taxation, consolidation and reporting purposes on a local basis and at IFRS-IAS level.

The main tasks of the **Management Planning and Control Department (DCG)** are to support the Executive Board of Directors in the Group's corporate planning and to challenge the business units in their performance, guaranteeing their alignment with the Group's strategic objectives. It is responsible for coordinating the EDP Group's business plan and budget and for the corporate management control process.

The mission of the **Financial Management Department (DFN)** is to optimise the consolidated financial operations of the Group and control the financial liabilities in accordance with the approved policies. The DFN proposes the financial management policy of the Group and pursues implementation thereof. Its main responsibilities are: i) negotiating, managing and controlling financing, credit lines and banking and financial products and services; ii) optimising the Group's cash management; iii) proposing financial risk management policies, particularly in relation to interest and exchange rates, and applying the policies in the market; iv) liaisons with the debt capital and banking markets and the rating agencies; and v) monitor the management of the EDP Pension Fund.

The **Corporate Marketing Department (DMK)** is responsible for planning, developing and controlling the Group's marketing strategy with the aim of achieving a competitive market positioning and maximising the commercial outcome of the business operations. The Executive Board of Directors deliberated, on February 22, 2012, the restructuring and the redenomination of this department to Customer Relations and Marketing Department (DCMK).

The **Brand and Communication Department (DMC)** works in the planning, implementation and control of the Group's communication strategy with the aim of maximising brand value, creating goodwill in relation to all stakeholders and furthering internal communication.

The mission of the **Customer Relations Department (DRE)** is to plan, implement and control the customer relations strategy, consolidate knowledge and promote a market-oriented culture, with the aim of improving customer satisfaction and loyalty levels. The Executive Board of Directors decided to extinguish this department.

The mission of the **Regulation and Competition Department (DRC)** is to support the Executive Board of Directors in decision-making processes in the areas of regulation and competition and in the relations with the various regulatory entities in the sector. The DRC monitors the development and implementation of new European directives on the internal market and on competition pertaining to the electricity and natural gas markets and studies the impacts of implementation of the Iberian Electricity Market (MIBEL). It also monitors alterations to the energy sectors at the legislative, regulatory and organisational levels that have implications for the profitability of the EDP companies, namely by developing economic/financial models and carrying out tariff studies.

The **Information Systems Department (DSI)** is responsible for aligning the Group's information systems with the business strategy, creating value by providing solutions that further effectiveness, efficiency and innovation within the Group. The DSI also proposes the Group strategy in matters of information systems and is responsible for their medium and long-term planning, including regular revisions and for studying and proposing the Group's information systems' architecture for an adequate support to its businesses.

The **Organisational Development Department (DDO)** is responsible for defining and implementing an organisational structure in permanent alignment with the Group strategy, supported by adequate business process management practices, and for coordinating transformation projects that aim to guarantee performance excellence for the Corporate Centre and the businesses.

The mission of the **Human Resources Department (DRH)** is to support the Executive Board of Directors in defining and implementing a Human Resources strategy that promotes the personal and professional development of all employees, responds to the strategic and operational needs of the Business Units and contributes to the corporate values of the EDP Group, by supporting a series of Centres of Competence to put the Human Resources value chain into practice, as follows: Change Communication and Management; Management of Potential; Career Management, Mobility and Succession; Training Management; Performance Management; Selection and Integration; Remuneration and Benefits; and Information and Technology to support HR Management.

The **Coordination Office for Labour Relations (GCRL)** negotiates (or monitors negotiation when outside Portugal) of the Collective Employment Agreements, manages relations with the Ministry of Labour and Social Solidarity and the official entities dependent on it, Works Council, Trade Unions, Workers' Association, Pensioners' Association and other similar institutions for workers, former workers and pensioners. The office's main responsibilities are: i) to draw up and propose the instruments of collective regulation for the Group and carry out the respective negotiation in Portugal; ii) to guarantee complete understanding of the labour-related legislation in all the countries in which the Group operates and ensure compliance with said legislation; iii) to propose and implement strategies for relations with the social partners; iv) to monitor the management of the EDP Pension Fund in the HR perspective, in particular the actuarial responsibilities; and v) to develop the EDP Flex Plan and monitor management thereof.

The main responsibilities of the **Sustainability and Environment Department (DSA)** are to support the Executive Board of Directors in defining the sustainability and environmental policy and objectives and to cooperate with the businesses with a view to boosting complementarities and synergies in these areas and, in particular, to contribute to the operationalisation of the policies and initiatives in the area of the Group's environmental management.

The **Stakeholder Relations Coordination Area** is an organisational area which coordinates relations with the EDP Group's main stakeholders in a structured and coherent manner, mainly employees, customers, the media, NGOs, the government, local authorities, the European Community, opinion formers and others. This area ensure a constant coordination of dialogue with all the stakeholders involved, as well as with the EDP Group's network of Foundations;

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.

The **Institutional Relations and Stakeholder Management Department (DRISM)** has the assignment and is responsible for assuring a narrative integrated and consistent for the group, in line with the vision and strategy adopted, in order to maximize the potential of the Communication of the Group, regarding its stakeholders within the different geographies where operates.

The **Global Coordination of the Trademark and Communication Area** has the assignment and is responsible for assuring a consistent management of EDP trademark, by the different business units within all geographies, as well as assures an integrated vision, on a global level, in what concerns the relation with the different stakeholders.

3.3. specific edp committee (functional structures)

With a view to achieving more effective and efficient support of the management of the company, the following specific committees were set up:

ethics committee

EDP has always carried out 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 the shareholders, in the Vision, Commitments and Culture and in the Principles of Sustainable Development defined by the Executive Board of Directors.

Following the approval of the EDP Group Code of Ethics, a specialised committee was set up to work together with the General and Supervisory Board's Corporate Governance and Sustainability Committee with the aim of:

- Supporting the definition of EDP Group policy regarding the code of conduct, the adoption of good practices and compliance with the highest standards of ethics;
- Establishing guidelines for regulating the matters for which it is responsible; and,
- Ensuring the proper regulation of ethical matters within the Group companies.

In 2011, this committee met once.

ETHICS COMMITTEE

Chairman of the Executive Board of Directors
Chairman of the Board of Directors of EDP Distribuição
Member of the Board of EDP Produção
Human Resources Department
Sustainability and Environmental Department

innovation committee

- To define strategic areas for innovation within the EDP Group, to be submitted to the approval of the Executive Board of Directors;
- To identify the projects to be carried out in the field of innovation and to submit them to the Executive Board of Directors; To monitor EDP Group initiatives and projects in the area of innovation that are in progress and to propose corrective measures wherever necessary;
- To analyse the conclusions from technology watch actions;
- To support the Energy Planning Committee in the analysis of new technological options;
- To prepare the meetings of the Innovation Board.

The committee didn't met in 2011.

INNOVATION COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors
Chairman of The Board of Directors of EDP Distribuição
Chairman of The Board of Directors of EDP Inovação
Member of the Board of EDP Inovação (5 Members)
Member of the Board of EDP Gás
Member of the Board of EDP Produção
Member of the Board of EDP Energias do Brasil
Member of the Board of Foundation EDP
Member of the Management Team EDP Renováveis
Business Analysis Department
Human Resources Department
Brand and Communication Department
Corporate Marketing Department
Energy Planning Department
Information Systems Department
Officer of HC Energia
Representative of EDP – Energias do Brasil

disclosure of information control and procedures committee

The Disclosure of Information Control and Procedures Committee (CDI) has three main functions:

- To identify and analyse the information that should regularly be made public by the company;
- To assist in the review of the information periodically disclosed by EDP in the context of preparing reports and other communications to the market;
- To make quarterly assessments of the control and disclosure of information mechanisms of EDP.

This committee is the organisational structure responsible for monitoring and assessing the control mechanisms and procedures for the disclosure of information. It is an integral part of the EDP Group's Information Certification Project, which also includes a project work group, led by the Internal Auditing Department working in close cooperation with the Executive Board of Directors, and teams from the business areas responsible for the control procedures in their respective areas of activity. In 2011, this committee met twice.

In 2011, this committee met twice.

DISCLOSURE OF INFORMATION AND PROCEDURES COMMITTEE

Member of the Executive Board of Directors (CFO)
Audit Department
Consolidation, Accounting Control and Taxation Department
Management Planning and Control Department
Brand and Communication Department
Investor Relations Department
General Secretariat and Legal office
Representative of EDP - Energias do Brasil
Representative of EDP Renováveis
Representative of the Investor Relations Department

risk committee

The Risk Committee has the following responsibilities:

- To monitor significant risks and the EDP Group's risk profile;
- To approve the periodical reporting model proposed by the business units or the Risk Management Department, as well as other mechanisms for reporting and monitoring EDP risks;
- To approve or define recommendations on the Group's significant risks and on extraordinary situations in terms of risk, for analysis by the Executive Board of Directors;
- To approve or define recommendations on risk policies, procedures and limits for the EDP Group to be analysed and approved by the Executive Board of Directors.

Non-standing members participate in this committee's meetings when invited to do so depending on the respective items on the agenda. It also meets whenever an unexpected risk situation requires it.

This committee met once in 2011.

RISK COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (6 Members)
Member of the Board of EDP Gás
Member of the Board of EDP Inovação
Financial Management Department
Risk Management Department
Management Planning and Control Department
Energy Planning Department
Director of Energy Management Business Unit
Representative of EDP - Energias do Brasil
Representative of EDP Renováveis

accident prevention and safety committee

- The Accident Prevention and Safety Committee has the following main responsibilities:
- To support the Executive Board of Directors in drawing up proposals for defining the EDP Group's strategic objectives with regard to accident prevention and safety at work, appraising the degree of application and effectiveness thereof and reporting on progress;
 - To provide a critical analysis of the Annual Report and to give an opinion on the EDP Accident Prevention and Safety Action Plan;
 - To monitor the evolution of the main work safety indicators and draw up proposals for improvement actions; and,
 - To appraise and approve regulatory documents on the safety management system that apply within the EDP Group in general or apply across several areas of activity.
- This Committee met twice in 2011.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

Member of Executive Board of Directors
Member of the Board of EDP Valor (Responsible by Office Safety and Health)
Member of the Board of EDP Distribuição (I-HR)
Member of the Board of EDP Produção (I-HR)
Member of the Board of EDP Valor (I-HR)
Responsible Office Safety and Health EDP Valor
Responsible of Occupational Medicine (Office Safety and Health EDP Valor)
Representative of HC Energia
Representative of EDP – Energias do Brasil
Representative of EDP Renováveis

energy planning committee

- The main tasks of the Energy Planning Committee are:
- To plan and project the structural development of the market on a 5-year horizon;
 - To define a baseline scenario for the purpose of the Business Plan;
 - To identify the generation portfolio to adopt on a 5-year horizon;
 - To provide an integrated vision of the Group's portfolio of quantities, covering generation, gas and the retail market;
 - To identify gas and CO₂ needs for the next 5 years;
 - To analyse priorities for action in new technologies/innovation, in liaison with the Innovation Committee; and,
 - To identify attractive business opportunities throughout the value chain and in the different geographical locations.
- This committee met twice in 2011.

ENERGY PLANNING COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (Generation, Gas, HC Energia)
Member of Executive Board of Directors (Renewables)
Member of the Executive Board of Directors (Supply)
Member of Executive Board of Directors (Brazil)
Member of the Board of EDP Comercial
Member of the Board of EDP Gás
Member of the Board of EDP Produção
Director Corp. HC Energia
Director Energy Planning Department - Energias do Brasil
Representative of da EDP Renováveis (2 members)
Business Analysis Department
Management Planning and Control Department
Investor Relations Department
Energy Planning Department
Risk Management Department
Regulation and Competition Department
Responsible for the Energy Management Business Unit

investments committee

- The Investments Committee is responsible for the following:
- Analysing, challenging, filtering and issuing opinions on organic growth investment projects, which either form part of the budget or entail changes to it, according to the amounts and profitability involved.
- In 2011, the investments committee held sixteen meetings.

INVESTMENTS COMMITTEE

Member of Executive Board of Directors (CFO)
Business Analysis Department
Management Planning and Control Department
Energy Planning Department
Member of the Board of EDP Distribuição
Member of the Board of EDP Gás
Member of the Board of EDP Internacional
Representative of EDP Produção
Director of HC Energia
Member of the Board of EDP - Energias do Brasil
Member of the Management Team EDP Renováveis

careers, mobility and training committee

- The Careers, Mobility and Training Committee has the following main areas of responsibility:
- Approving measures designed to further evolution and/or mobility of the workforce, in particular with reference to Macrostructure workers, high-potential managerial staff and performers with potential;
 - Guaranteeing the implementation of Succession Plans for key positions in the EDP Group;
 - Monitoring the development of careers in the Macrostructure workforce, high-potential managerial staff and performers with potential and analysing expectations and possible hindrances; and,
 - Approving the EDP Group's Training Plan and monitoring its implementation.
- This committee met 4 times in 2011.

CARRERS, MOBILITY AND TRAINING COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (6 Members)
Member of the Board of EDP Comercial (I-HR)
Member of the Board of EDP Distribuição (I-HR)
Member of the Board of EDP Produção (I-HR)
Member of the Board of EDP Soluções Comerciais
Member of the Board of EDP Valor (I-HR)
Human Resources Department
Representative of HC Energia
Representative of EDP – Energias do Brasil
Representative of EDP Renováveis

remuneration committee

- The Remuneration Committee is responsible for the following:
- Approving the remuneration model (fixed, variable and incentives) for all employees in the EDP Group, under proposal of the HR Strategic Management Department;
 - Approving the benchmarks for the Key Performance Indicators (management by objectives) for Macrostructure workers, high-potential managerial staff and performers with potential, as well as the corresponding annual performance calculation;
 - Regularly fostering development and comparative analysis (benchmarks) at the national and international levels with a view to defining adequate (fixed and variable) remuneration levels and fringe benefits for all Macrostructure workers, high-potential managerial staff and performers with potential, in particular the Macrostructure "payment package", and align the strategy for compensation for all workers; and,
 - Reporting on the remuneration policies to all stakeholders.

This committee held three meetings in 2011.

REMUNERATION COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (6 Members)
Human Resources Department

information technology committee

- The Information Technologies Committee is responsible for the following:
- Developing guidelines for the strategic planning of information systems;
 - Approving the annual plan and budget for information systems (application and infrastructure projects), to be submitted to the Executive Board of Directors for approval;
 - Allocating funds and resources for large-scale initiatives;
 - Defining priorities with respect to strategic projects;
 - Projecting budget allocations for unplanned projects; and,
 - Resolving issues such as the distribution of limited resources and those involving with unplanned requirements for strategic projects.

This committee met once in 2011.

INFORMATION TECHNOLOGY COMMITTEE

Member of Executive Board of Directors (Information Systems)
Member of the Board of EDP Distribuição (Information Systems)
Member of the Board of EDP Produção (Information Systems)
Member of the Board of EDP Soluções Comerciais (Information Systems)
Member of the Board of EDP Valor (Information Systems)
General Manager of EDP (Information Systems)
Organisational Development Department
Corporate Marketing Department
Information Systems Department
Officer of EDP Gás (Information Systems)
Representative of HC Energia
Representative of EDP – Energias do Brasil
Representative of EDP Renováveis

regulation committee

- The main responsibilities of the Regulation Committee are:
- Monitoring the development of European Commission’s energy strategy and policy and the implementation of new European internal market and competition directives for the electricity and natural gas sectors and to study their impact on the Iberian Market;
 - Monitoring alterations in terms of policies, legislation, regulations and organisation to the energy sectors in Portugal and Spain (namely in the scope of the Iberian Market), anticipating the structural implications thereof for the sectors in terms of energy prices and tariffs, company profitability and possible needs or obligations for alterations at the organisational level, namely through identification and monitoring of the most relevant regulatory risks;
 - Supporting the Executive Board of Directors in drawing up proposals defining the positions to be defended by the EDP Group in the context of the Iberian and European Markets in terms of regulation and competition;
 - Fostering the exchange of experiences on regulatory practices in Europe and the Iberian peninsula as well as those applicable in Brazil;
 - Monitoring the trends in prices and the implications of the tariff policies and decisions (per se and on a comparative basis) in the regulated activities.

This committee met nine times in 2011.

REGULATION COMMITTEE

Member of Executive Board of Directors (Regulation)
Member of Executive Board of Directors (Distribution)
Member of Executive Board of Directors (Costumer Relations)
Member of the Board of EDP Gás
Regulation and Competition Department
Officer HC Energia EDP Gás
Officer of HC Energia (Regulation)
Officer of Naturgas (Regulation)
Officer of EDP - Energias do Brasil (Regulation)
Representative of Naturgás (Regulation)
Representative of EDP Renováveis

environment and sustainability committee

- The Environment and Sustainability Committee has the following responsibilities:
- Preparing and annually updating the medium/long-term Strategic Sustainability and Environment Plan for the EDP Group to be submitted to the Executive Board of Directors for approval;
 - Proposing the annual action plans and defining the objectives and goals to be met by the Group to be submitted to the Executive Board of Directors for approval;
 - Monitoring the progress of approved plans of action; and,
 - Monitoring the activities of the sustainability and environmental management structures of the Group companies.

Given the specific responsibilities of this committee, the Chairman of the Executive Board of Directors monitors its work and attends its meetings whenever he/she deems fitting. This Committee held two meeting in 2011.

ENVIRONMENTAL AND SUSTAINABILITY COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (Sustainability)
Chairman of The Board of Directors of EDP Inovação
Member of the Board of EDP Comercial
Member of the Board of EDP Distribuição (Sust. and Env.)
Member of the Board of EDP Gás
Member of the Board of EDP Produção (Sust. and Env.)
Member of the Board of EDP Soluções Comerciais (Sust. and Env.)
Member of the Board of EDP Valor (Sust. and Env.)
Member of the Board of EDP Energias do Brasil
Member of the Board of Foundation EDP
Risk Management Department
Brand and Communication Department
Investor Relations Department
Human Resources Department
Sustainability and Environment Department
Officer of HC (Environmental)
Representative of EDP – Energias do Brasil
Representative of EDP Renováveis

procurement committee

- The main responsibilities of the Procurement Committee are:
- To support the Executive Board of Directors in the strategic coordination of the Group’s procurement policies;
 - To ensure top-level articulation between the various businesses with regard to procurement;
 - To dynamise and continuously analyse the performance of the structures involved in procurement;
 - To monitor the main group procurement indicators, particularly in terms of volumes purchased and savings obtained; and,
 - To follow in detail the most important procurement negotiations carried out by the Group’s procurement structures.

In 2011, this committee held 1 meeting.

PROCUREMENT COMMITTEE

Member of Executive Board of Directors (Finance)
Member of the Board of EDP Valor (Procurement)
Member of the Board of EDP – Energias do Brasil (Procurement)
Member of the Management Team EDP Renováveis (Procurement)
Officer of EDP Valor (Procurement Platform)
Representative of EDP Gás (Procurement)

prices and volumes committee

The main purpose of the Prices and Volumes Committee is to guarantee that the Group has access to the best information and perspective on market evolution at any given moment. Accordingly, the committee is responsible for:

- Sharing relevant and up-to-date market information;
- Deciding on what should be considered relevant information on the evolution of key variables to be made available to the Group;
- Defining the forward curve that represents Group estimates in terms of market evolution;
- Providing an up-to-date database containing historical data and estimates for key market variables;
- Guaranteeing harmonisation amongst business areas with regard to shared information; and,
- Establishing itself as a forum for ongoing discussion and for sharing and aligning market perspectives and information.

In 2011, the Prices and Volumes Committee held 4 meetings

PRICES AND VOLUMES COMMITTEE

Member of Executive Board of Directors (Energy Planning and Gas)
Member of Executive Board of Directors (Renováveis)
Member of Executive Board of Directors (Customer Relations)
Member of the Board of EDP Comercial
Member of the Board of EDP Gás (2 Members)
Member of the Board of EDP Produção (2 Members)
General Manager of HC Energia
Risk Management Department
Management Planning and Control Department
Energy Planning Department
Regulation and Competition Department
Officer of HC Energia (Planeamento)
Officer of UNGE
Officer of EDP Produção (Planning and Control)
Representative of Naturgás
Representative of EDP Renováveis

generation committee

The main responsibility of the Generation Committee is to coordinate, Iberia wide, the management of the generation business, ensuring articulation and standardisation between the activities of EDP Produção and HC Energía (Generation), with specific reference to:

- Exchange of information on the development of the business in each geographical area, including the respective regulatory environments;
- Dissemination of best practices, particularly in the context of operation of power generation infrastructures, with a view to identifying and harnessing synergies;
- Joint decision-making with a view to defining objectives (with a focus on developing power generation infrastructures); and,
- Broadening the scope of the committee to cover other regions, whenever necessary.

The Generation Committee met three times in 2011.

GENERATION COMMITTEE

Member of Executive Board of Directors (Generation)
Member of the Board of EDP Produção (3 Members)
Adviser of the Board of EDP Produção
Representative of Energias do Brasil
Energy Planning Department
Officer of EDP Produção (Planning and Control)
Officer of EDP Produção (Business Development)
Officer of EDP Produção (Hydro Generation)
Officer of EDP Produção (Thermal Generation)
Officer of EDP Produção (Projects and Investments)
Officer of EDP Produção (Quality and Process)
Officer of EDP Produção (Integrated Management of Environmental Matters)
Officer of EDP Produção (Cogeneration and Biomass)
Officer of HC Energía - Environmental
Officer of HC Energía - Studies and Communication
Officer of HC Energía - Generation
Officer of HC Energía - Projects
Officer of Energy Management Business Unit
Representative of EDP Produção (Planning and Control)

distribution committee

The main responsibility of the Distribution Committee is to guarantee the Iberia-wide coordination of distribution and coordinate and standardise the activities of EDP Distribuição, HC Energía (Distribution) and EDP Brasil, with special reference to:

- Drawing up joint proposals for strategic objectives for the EDP Group's distribution activity, assessing their degree of implementation and effectiveness and reporting on progress;
- Monitoring developments in the main activity indicators and drawing up proposals for improvements;
- Reviewing the periodical reporting model, as well as other mechanisms for reporting, controlling and disclosing information;
- Promoting the development of national and international benchmarks;
- Fostering exchange of experiences on the regulatory environments and practices in the different regions; establishing guidelines for the regulation of matters under its responsibility and monitoring and studying the effects of alterations in terms of policies, legislation, regulation and organisation on the energy sectors;
- Disclosing and sharing information on the evolution of the distribution business in each region, as well as on best practices, with a view to identifying projects of mutual interest, improving the efficiency and effectiveness of operations, and identifying synergies; Sharing information on the management of high-impact events;
- Analysing, and issue opinions on, the criteria used to evaluate investment projects and planning models;
- Ensuring coordination with regard to standardising projects and heavily used equipment and analysing new technological options and identifying priorities for action in the area of new technologies/ innovation.

This committee met twice 2012. This meeting was chaired by the member of the Executive Board of Directors responsible for distribution.

DISTRIBUTION COMMITTEE

Member of Executive Board of Directors (Distribution)
Chairman of the Board of Directors of EDP Distribuição
Member of the Board of EDP Distribuição (2 Members)
Member of the Board of EDP Energias do Brasil
Officer of HC Energía - Distribution

commercial committee

The Commercial Committee's main responsibility is to coordinate the commercial area Iberia-wide and to ensure coordination and standardisation of the activities of EDP Commercial and HC Energia (Marketing and Supply), in particular:

- Exchange of information on the evolution of the business in each region, including the respective regulatory environments;
- Dissemination of best practices in the supply of energy services, with a view to identifying and harnessing synergies; and,
- Joint decision making in relation to business with an impact at the Iberian level, in particular with regard to setting objectives, implementing the marketing plan and defining conditions for energy purchase.

This committee met twice in 2011.

COMMERCIAL COMMITTEE

Member of Executive Board of Directors (Supply)
Member of Executive Board of Directors (Generation)
Member of the Board of EDP Commercial (2 Members)
Member of the Board of EDP Gás
Member of the Board of EDP Soluções Comerciais
General Manager of HC Energia
General Manager of Naturgas
Member of the Board of EDP – Energias do Brasil
Brand and Communication Department
Corporate Marketing Department
Officer of HC Energia - Customer Relations
Officer of HC Energia - Marketing
Officer of Naturgas (Customer Relations)

pension plan and fund committee

The main responsibilities of the Pension Plan and Fund Committee are to define the strategy for the Pension Plan and Fund and guarantee its alignment with the EDP Group strategy. It is responsible for strategic decisions on:

- The pension plan;
- Risk assessment for the pension plan; and,
- The pension fund's management structure.

This committee met 4 times in 2011.

PENSION PLAN AND FUND COMMITTEE

Chairman of the Executive Board of Directors
Member of Executive Board of Directors (CFO)
Member of the Board of EDP Valor (Labor Relations)
Consolidation, Accounting Control and Taxation Department
Risk Management Department
Representative of Financial Management Department

committee on information security

The Committee on Information Security has the following responsibilities:

- Provide an opinion on the Strategic Plan for Information Security, EDP;
- Discuss the more relevant security initiatives, with a view to their inclusion in the annual Information Security Information of the EDP Group;
- Give advice on policy Information Security, of the EDP Group and its evolution;
- Evaluate and approve exceptions to the EDP's Policy on Information Security, where justified by business reasons and by a formal acceptance of risk. Promoting the adoption of the EAC all the exceptions, by their nature, pose a high risk for the EDP Group;

- To promote communication and discussion about major changes in EDP, to identify the impacts the level of information security and to monitor the risk profile of the EDP Group;
- Monitor the implementation of the Program for Information Security Information EDP and KPI performance

This committee met once in 2011.

INFORMATION SECURITY COMMITTEE

Member of Executive Board of Directors (Information Systems)
Audit Department
Financial Management Department
Risk Management Department
Management Planning and Control Department
Human Resources Department
General Secretariat and Legal office
Information Systems Department
Officer of Energy Management Business Unit
Responsible of Government IT DSI
Responsible of Information Security DSI
Responsible for Security and Risk of companies

3.4. 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:

- To receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- To enter into dialogue with complaining customers;
- To arbitrate disputes and conflicts between customers and EDP Group companies;
- To issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- To propose the adoption of measures to help improve levels of service quality and customer satisfaction;
- To 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. In the scope of the performance of his duties, the Customer Ombudsman has the use of an independent organic structure called the Office of the Customer Ombudsman, as well as an annual budget allocation.

3.5. branch in Spain

The mission of EDP - Energias de Portugal, Sociedade Anónima, Sucursal en España is to manage and coordinate the energy interests of the EDP Group companies in Spain with a view to guaranteeing maximum 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. All majority shareholdings in EDP Renováveis S.A. and HC Energia (Hidroeléctrica del Cantábrico S.A.), as well as the indirect shareholding in NG Energia (Naturgas Energia Grupo S.A.) by virtue of the majority control of the latter, have been directly allocated to the subsidiary's assets. The branch has offices in Madrid and Oviedo. The branch is represented by means of Permanent Representatives that are members of the EDP Executive Board of Directors appointed for that purpose. The administration, coordination, management and representation of EDP Sucursal de España is made up of the Executive

Committee, the Management Committee and the Coordination Committees. The Executive Committee is made up of five Permanent Representatives of EDP, a Group Controller for activities in Spain and by the first line managers in charge of the business units in Spain. It 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 management departments at the EDP Corporate Centre, namely the Business Analysis, Legal, Audit, Spanish Taxation, Financial Management, Shared Services and Information Systems departments.

The committee carries out, in a homogeneously grouped way the tasks of these departments in Spain. Finally, the Coordination Committees for Generation, Supply and Gas are chaired by members of the members of the EDP Executive Board of Directors responsible for the respective management areas with a view to harnessing synergies with Spain and eliminating inefficiencies and redundancies.

EDP ENERGIAS DE PORTUGAL, SUCURSAL EN ESPAÑA, SOCIEDAD ANONIMA

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE	
EXECUTIVE COMMITTEE	
Permanent EDP Representative	António Mexia (Chairman)
Permanent EDP Representative	Ana Maria Fernandes
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	Nuno Alves
Chairman of the Board, HC Energia	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energia	Javier Sáenz de Juberá
1st Line Responsible, EDP Renováveis	João Paulo Costeira
1st Line Responsible, NG Energia	Francisco Granjo
MANAGEMENT COMMITTEE	
General Corporate - Activities Spain	Miguel Ribeiro Ferreira (Chairman)
Business Analysis Department	Hugo Gouveia
Legal Department	Emílio Garcia-Conde
Audit Department	Azucena Viñuela
Taxation Spain Department	Ramon Ortea Garcia
Financial Management Department	Nuno Gonçalves
Shared Services Department - ShareCorp	Félix Arribas
Shared Services Department - ShareCom	Vanda Martins
Information Systems Department	José Negueruela
GENERATION COORDINATION COMMITTEE	João Manso Neto
SUPPLY COORDINATION COMMITTEE	Jorge Cruz Morais
GAS COORDINATION COMMITTEE	João Manso Neto

3.6. risk control and management system

3.6.1. internal control over financial reporting

EDP Group has adopted an internal control system in its management, through SCIRF (Internal Financial Reporting Control System) model, designed on the basis of the best international practices and COSO and CORBIT reference models.

In order to ensure control mechanisms and proceedings which mitigate the risk of fraud or any occurrences or mistakes materially relevant to financial statements, EDP implemented a responsibility model which defines the activities that substantiate the SCIRF cycle, responsible persons at a corporate level, business units and the definition of responsibilities regarding the various levels of the organization. With regard to the maintenance of the cycle through 2011 financial year, activities have been developed at (i) corporate and (ii) sub-group and companies levels.

The following activities have been developed at corporate level:

- Annual planning and monitoring of the cycle, maintenance and

- review of the reference models, methodological and conceptual assistance to business units in the maintenance of the system;
 - Identification of the scope of SCIRF, obtainable through applying the model to consolidated financial statements, based on materiality and risk criteria through which the companies and management of the Corporate Centre have been identified. SCIRF's scope comprised, autonomously, the generality of Portuguese, Spanish, and Brazilian companies and aggregately the units which constitute EDP Renováveis, S.A., EDP Renováveis Europa and EDP Renováveis América do Norte;
 - As a result of the application of the scope model, new matters for the documentations and implementation of control by the local responsible persons have been identified, as well as various matters being redesigned, as a consequence of organizational, structural, legislative and operational adjustments;
 - Computer applications used in processes covered by the result of the scope model were identified, as well as service organization associated applications, which demands an independent evaluation of the control environment used in the provision of services by EDP Group;
 - The degree of resolution of non-conformities, matters deemed more relevant and other matters to be monitored, identified through the different evaluation cycles have been subject to monitoring and periodic reporting to the different governing bodies of EDP Group;
 - A new auto-evaluation campaign, through which the persons responsible for the internal control of business and organizational units at various levels have declared their explicit acknowledgement of the sufficiency of the documentation and execution of control activities, maintenance of evidence and application of the Ethics Code in what concerns knowledge and compliance;
 - The control environment has been developed through local training of the employees and review of global control in all regions, and through the extension of the Group's control matrix to the different areas, in connection with each business's local particularities;
 - Monitoring models have been conceptualized regarding the most relevant matters, new functionalities of the system management tools have been developed, training and conceptual manuals, as well as manuals on the operation of the management tool, have been elaborated;
 - The information safety has been strengthened through the creation of proceedings inherent to the management of access, profile definition and review of function incompatibility matrixes promoted by the competence group, comprising employees of the corporate centre and the business units;
 - The centralization of a part of the information technologies infrastructure, started in 2010 in the data centre in Ermesinde, as well as the implementation of SAP SIM in some companies and regions, entailed the development of activities necessary for the creation of a control profile demanded by EDP Group;
 - Evaluation of the control configuration in order to confirm that its structure is adequate to the prevention, on the shortest time span, of materially relevant mistakes and/or misappropriation of EDP Group's resources;
 - Evaluation of the operational effectiveness of the controls in order to confirm its execution in compliance with the respective configuration, as well as the establishment of such execution by qualified professionals.
- The following activities have been developed at sub-group and companies level:
- Analysis of the result of the application of the scope model to the individual financial statements and inclusion of new matters, notably estimates, appreciations, and evaluations subject to professional judgments, identified as high risk through a bottom up analysis;
 - Identification, review and designation of persons responsible for SCIRF, on the basis of the result of the model application and the

- review and/or updating deriving from organizational, structural, legislative and operational adjustments verified in the business units;
- Documentation of new processes and controls and reconfiguration of the processes and controls documented in previous cycles;
- Implementation of actions necessary for the resolution of non-conformities identified in evaluation tests;
- Auto-evaluation through which the persons responsible for SCIRF evaluate, at the various levels of the hierarchical chain, the sufficiency and updating of the documentation and the maintenance of evidence in the execution of control activities.

The SCIRF evaluation in 2011 was performed by the External Auditor in accordance with the international reliability rule "ISAE 3000 – International Standard on Assurance Engagements", in all regions comprised within the scope model.

Such evaluation concluded on the strength and quality of the internal control, through the achievement of high levels of positive results. No material deficiencies have been identified.

The External Auditor issued an independent report on the Group's Internal Control System relating to 31.12.2011, which is published in the Annexes.

3.6.2. risk management structure

3.6.2.1. risk management mandate and structure

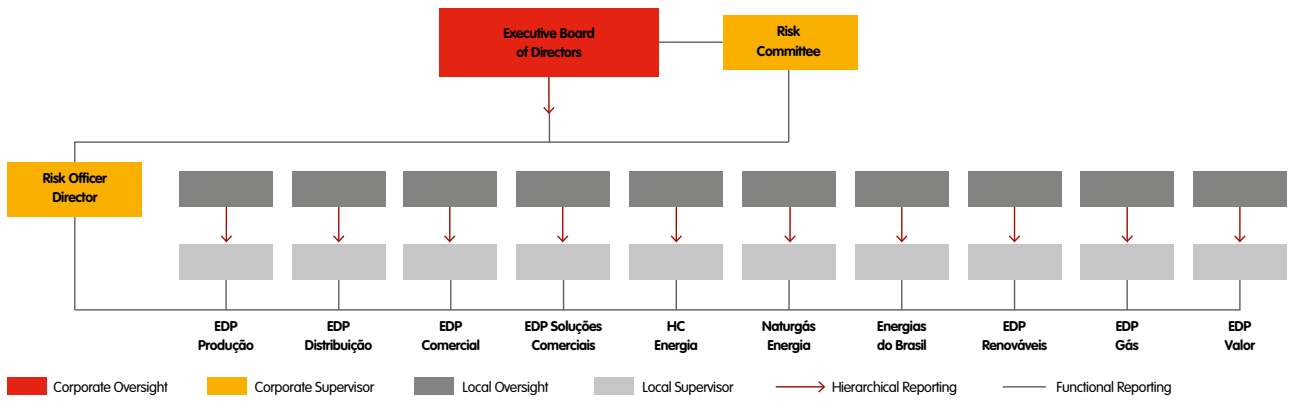
The diversity of the Group's business lines continued to ensure a low level of risk, mainly due to: (i) the high relative weight of regulated businesses, (ii) growth in low-risk activities, such as wind generation with low exposure to electricity market prices and (iii) use of appropriate hedging policies to mitigate financial, fuel risks and the risk of the price and volume of electricity placed or purchased on the market, and (iv) an increase in the geographical risk diversification with a decrease in Portugal's weight.

The organization and process of risk management practiced in the Group have been receiving the highest rating under the Dow Jones Sustainability Index, a benchmark that pleases and encourages us to continue developing integrated methodologies of R2R - Return to Risk, trying to include them in the normal management of the Business Units and at Corporate Center. This process is based on the following:

- 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. 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 for the consistent collection of information on each relevant risk, with

qualitative and, as far as possible, quantitative assessments of overall impact, likelihood of occurrence and degree of control, and for preparing priority matrixes for action or control. It enables us to answer the following questions: what are the most important risks for each business unit and which is such risks' magnitude?

- Risk Responsible:** It is intended to clarify responsibilities in risk management and coherence in internal delegation of competences, as well as in entering into agreements for supplies and provision of services by internal or external outsourcers. Additionally, regarding each of the priority risks, we seek to identify key measures which may be taken in order to avoid or mitigate the risk, decide on the transfer of the risk to another entity (e.g. insurance, hedging). This tool enables us to answer the following questions: who is responsible for the management of a certain risk? Which are the risks that EDP profits in managing and which should be transferred to other entities?
- Risk appetite:** Considering that it is assessed taking into consideration the way in which the Group intends to grow (through acquisitions or organically), how it is going to finance for such purposes (and commitment to a dividend payment) and which level of rating it wishes to maintain, this last condition shall be the operative basis to be followed, notably aiming at the satisfaction of adequate corresponding ratios: net debt/EBITDA; FFO/net debt, among others. Although the maintenance of the rating depends on a set of more extensive indicators, some subjective in nature (and the country's risk), the former are the most relevant and are part of established controls. From a strategic point of view the Group defines in its Annual Report and Accounts the global limits of its activity – vision – and the commitments made, which mark out the risk areas in which its activity is exercised (thus, risk inherent to a multi-utility strategy outside of the energy sector is not contemplated). It enables us to answer the following questions: does the company have enough capital to face the risks it assumes? Is it over-exposed or over-protected? Which is the amount of risk the company is willing to assume?
- Integrated assessment of risk:** This dimension of risk control seeks to measure, for bottom-up methodology, values at risk of EBITDA, EBIT and Cash Flow of the most important Business Units and consolidated values of the Business Plan time horizon. It still applies top-down methodologies in order to, considering the behavior of EDP's share and financial public information, infer similar values at risk and also make comparisons with competitors. It also aims to extrapolate to wider horizons the effects of a change in the composition of the portfolio of businesses. This tool allows answering the following question: do the most important business decisions take into consideration the aggregated risk's impact on EDP?
- Governance and control:** This component of the process of risk management is based on the Corporate Entrepreneurial Risk Management Policy defined by the Executive Board and on the structure established for this purpose. This tool allows answering the following questions: Are there management and risk control processes? Are they effective?



The Executive Board of Directors decides on the level of exposure to risk assumed by the EDP Group in its various operations and, notwithstanding the delegation of tasks and responsibilities, defines the overall risk limits and ensures that risk management policies and procedures are followed. This is based on the definition of the Group's appetite for risk, resulting on one hand from its long established business structure and, on the other hand, from criteria agreed upon by the Executive Board of Directors and the General and Supervisory Board.

In the organizational structure of the corporate centre, the DGR is part of the strategic departments. So, in addition to monitoring activities and methodologies, it develops its own studies and actively participates in a perspective of a business intelligence unit, performing the assessment of important and current subjects of R2R - Return to Risk for the Group.

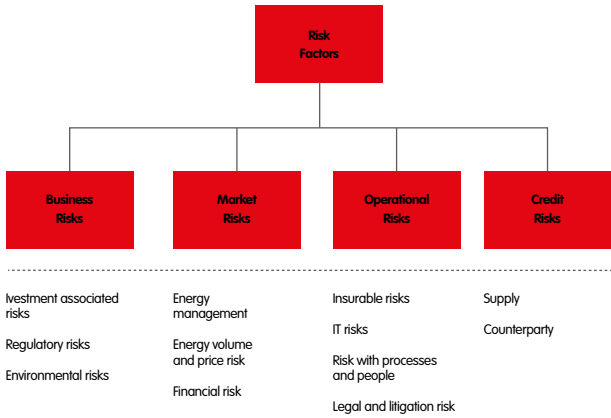
In relation to the activity undertaken in 2011, the following should be noted:

- The second meeting of Risk Officers in the Group was organized. In addition to the interventions by the President and by one of the Executive Board of Directors member, there was an interesting exchange of experiences between the different business units and corporate departments.
- EDP Serviço Universal was analyzed in terms of the regulatory risk associated with its functions as supplier of last resort and buyer of special regime generation and of placing its surplus on the market, notably in view of regulatory adjustments foreseen for 2012 and risk analysis associated to the ancillary services market.
- A back testing analysis of the economic market value of investments in pumping and risks associated to the evolution of prices, as well as dynamic value through the ancillary services market.
- A bottom up risk analysis of EDP Gás comprising detail in regulation and market parts.
- Analysis of sovereign risk and its possible impact in the Group, based on crisis situations in other countries (notably, Argentina, Greece and Ireland), as well as the MoU regarding financial aid to Portugal, which comprises the highest risks the Group faces: deterioration of the rating by effect of the country's risk and corresponding raise in costs associated with debt issuance; contractual amendments including revenue deferral and loss of value.
- An aggregated analysis of the top-down risk through comparison with competing companies, which evidenced a low aggregated risk for EDP Group's businesses. On the other hand, EDF - Expected Default Frequency intrinsic evaluation (through Moody's KMV Credit Edge model) confirms such evaluation and does not justify the rating decrease (S&P BBB; Moody's Baa3), which is fundamentally due to the country's risk.
- An aggregated analysis of the bottom-up risk for the 2012 Business Plan, including the analysis of variants regarding the review of the Strategic Plan, which shows the Group maintains a low risk profile, even though there is a trend of increasing marginally (higher exposure to exchange rate and non-regulated businesses).
- Review of the methodologies applied in risk evaluation regarding the counterpart of the Financial Department and Trading Unit, in view of the harmonization of methodologies and updating of limits.
- An integrated ALM analysis of the risk of the pension fund assets and liabilities was performed.
- An active contribution was made to the Eurelectric Focus Group Enterprise Risk Management.

Business Units manage their own risks, within the established criteria and delegations. There is a solution of double reporting of the Risk Officer of each business unit and the Head of Risk Management, ensuring alignment handling practices, reporting and control.

3.6.2.2. risk factors

The main risk factors identified by the EDP Group are structured as follows:

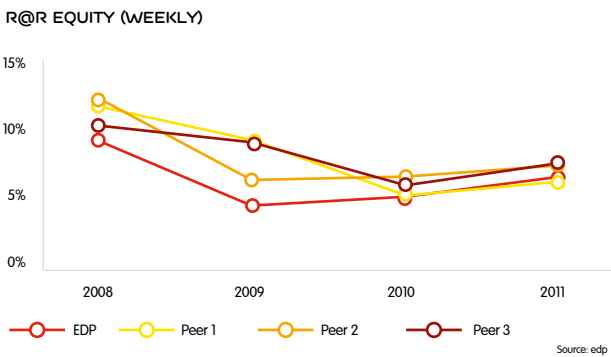


The Business Risk is the most important component, followed by the Market, Operational Risk and Credit Risk. This is a typical situation for the utilities in the sector.

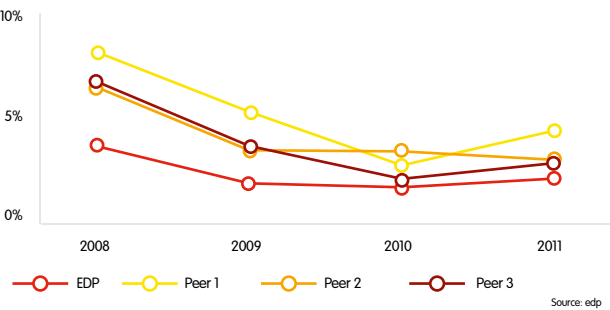
The Group has managed the political and regulatory risk very carefully, having managed to avoid bad choices and damaging loss of value. This risk can assume, in the transition phase, high values, as is the case of the current situation, and reduced levels at steady state conditions. In this latter perspective, EDP continues to have a low risk profile, given its lower structural exposure to market risk. However, this advantage will tend to shrink in the future due to end of life of plants protected by the mechanism of CMEC's (mechanism that will have your final revisibility in 2017), increasing the installed capacity of power stations in the market and natural greater exposure to the exchange risk resulting from the growth in businesses outside the euro area. For example, the "EBITDA at Risk", with 95% probability of not being exceeded, which was assessed for 2012 using the bottom-up method, stands at 5% of the of the value budgeted (4% in the previous year's forecast for 2011) . This is not only a low percentage but it has also remained at this level over a year of simulation and has entered with the established hedging policy and the effects of diversification.

In Portugal, this risk might be influenced by measures that may be adopted under the Financial Assistance Program agreed with the European Union, the International Monetary Fund and European Central Bank, although the Portuguese Government has publicly expressed the purpose of not unilaterally establish measures that may have negative impact on the national energy sector.

A top-down assessment of EDP's RaR - Return at Risk in a weekly basis (95% probability of not being exceeded) and also of its assets (here by the ratio Equity / Assets times the RaR of Equity) compared with that of Iberian competitors, confirms that the Group has a business portfolio with a smaller risk profile, even during the general increase in the criticals years 2008 and 2009. The risk of "Equity" has been increasing over the past two years under the influence of sovereign debt crisis, noting also the impact on competitors.

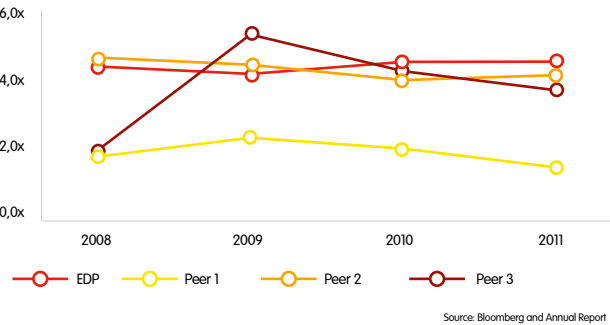


R@R ACTIVOS (WEEKLY)

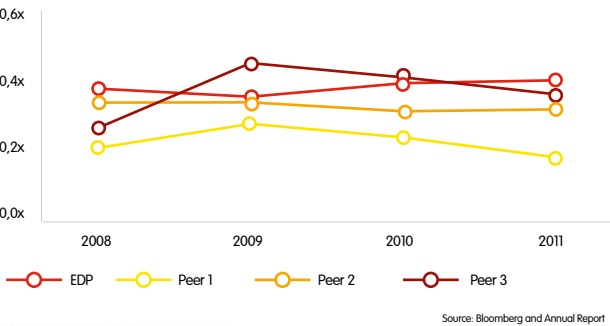


As shown in the graphs below, the Group's financial leverage - Net Debt / Assets - had no significant change between 2010 and 2011. The indicator Net Debt / EBITDA also remained virtually unchanged, there is a commitment to reduce this level in the coming years. Improving the "rating" is an objective of the EDP, although Portuguese public finances are a source of considerable concern when it comes to a possible deterioration in the Group's rating due to the country's risk.

NET DEBT / EBITDA



NET DEBT / ASSETS



It should be highlighted that currently we live a complex situation of crisis, coupled with the breakdown of consumption both in Portugal and Spain. Moreover, the general deterioration of the "rating" of counterparties, including Portuguese, increases the risk of credit for the EDP. This is an aspect that can also be affected, because complications may arise for the strategy of "hedging" Group, depending on the level of risk that counterparties to assign to the EDP and even the possible need to provide additional guarantees. On the other hand, changing shareholder perspective that will occur in the Group has opened new opportunities for reducing its debt levels, creating conditions to facilitate the return, over time, the level of "rating" desirable ("Upper medium grade").

These are the most important points in relation to the current risk profile, performance in the electricity market with high volatility

and "spreads" depressed - excess installed capacity in the Iberian Peninsula - and mix progressive change with increasing content of technologies "price takers", which derives from the greater need for recourse to guarantee payment for restoration of power to balance investment in ordinary production (insufficient and regulatory risk) reflected in the management of contracts for natural gas supply and risk management "take or pay"; permanent cycle of regulatory risk, high in periods of transition between low and stable regime transitions, management of exposure to CO₂, management of credit risk of customers, with a tendency to increase in times of crisis.

3.6.2.3. risk management throughout the value chain – MIBEL

Although there are risks that transversally affect all business units, the most probable risks for business unit are described as follows:

electricity production and energy management

Electricity price risk: Revenues from production can be influenced by changes in the price of electricity in wholesale markets. The Group has limited exposure to power plants acting on the free market (Spain, Ribatejo, Lares CCGT and Alqueva and small hydro in Portugal) because the majority are subject to the adjustment mechanism of CMEC - The Cost for the Maintenance of Contractual Equilibrium (plants that had contracts - Power Purchase Agreements - with REN and now act in the market as from July 1, 2007). It is also relevant to mention the exposure to market (price of OMEL) of wind production from EDP Renováveis in Spain (and also in the United States, Poland and Romania). Furthermore, the Group actively seeks to protect the commercial spread, acting in an integrated manner within the Energy Management and Marketing. In MIBEL the UNGE has a mandate to act on the wholesale market, both for optimization of the supply to the spot market of OMEL and to take advantage of the futures market, OMIP, OTC and arbitration in Spain-France interconnection. The risk of market price, higher in Portugal than in Spain, as a result of market splitting, after exhaustion of interconnection capacity, and the corresponding need in Portugal for using more expensive power plants, is not relevant to the Group, given that its marketing in the free Portuguese market is not dependent on imports from Spain. The UNGE - Energy and Trading Business simulates the behaviour of the Iberian system and uses MUR - Unified Risk Model (model risk analysis of UNGE - Energy and Trading Business to Iberia) program for the periodic calculation of MaR - Margin at Risk.

Fuel price and CO₂ risk: This risk is also more present for the power plants in the free market. The UNGE has been entrusted with management of this risk, serving on the purchase of coal and fuel oil and in the operational management of procurement of gas for electricity generation and trading scheme for CO₂, but also in establishing solutions for the hedging of fuel prices and the dollar exchange (the latter in coordination with the Financial Department). As far as supplies of gas are concerned, EDP Gás is responsible for negotiating new contracts, but also for the management of positions resulting from momentary excess / deficiency between the Group companies and the market or with other players. The MUR is also used in the risk assessment, making use of its capacity for assessing trends in the prices of fuels and CO₂.

Operational risk for power plants and wind farms: Conventional power plants and wind farms have breakdowns and incidents, which can entail a loss of revenue due to outage or downtime. This risk is mitigated by the application of conduction, maintenance methods and safety procedures of the highest standard. Otherwise, the most important insurable risks are associated with generation, which is covered by insurance, managed by EDP Valor's Insurable Risk Management Office.

Environmental risk: Power generation resources are more exposed to this risk due to the use of natural resources, due to emissions and

waste that thermal power generation produces and also due to the impact on biodiversity caused by wind production as well as other technologies. The EDP Group observes a very strict Environmental Policy that comes into force in an Environmental Management System that aims at the full compliance with the licensing parameters as well as the introduction of additional measures that will improve the environmental performance as well as minimize possible responsibilities in this area. There is also an environmental liability insurance contract to fulfill the new European requirements in this area. For additional information please see section Contribution to Sustainability, Environmental Management chapter.

Credit risk: In an organized market this is not a significant risk. In OTC market and fuel purchase operations, the UNGE (Energy and Trading Business) minimizes this risk by applying exposure limits in accordance with the limits approved in line with the counterparty rating (defined by an external agency, or internally, in case there is not such external information).

market supply:

Price risk for electricity: This risk is assumed by the UNGE - Energy and Trading Business and internal prices are set after the volume of sales to final consumers by EDP Commercial and HC Energia have been determined, except for situations in which market price - indexed contracts are possible.

Volume risk: Either because of weather and economic situation, or as a result of migration of customers between the free market and the public service regulated tariff, the amount of energy to sell to final customers has always a degree of uncertainty. In principle, this risk is assumed by supply, as it has to make excess or shortages adjustments at the market price. However, the current transition phase the MIBEL is experiencing, which can lead to significant uncertainty in the share of free market consumption depending on the attractiveness of the public tariffs and competitive dynamics, calls for dynamic management of this risk through integrated and regular intervention by the Prices and Volumes Committee set up for that purpose.

Commercial quality operational risk: In the free market, the criteria for commercial service quality are the entire responsibility of the Group, which has placed great emphasis on the good management of this risk.

Credit risk: This supply-related risk is managed primarily by the contractual criteria that are applied and, secondly, by EDP Soluções Comerciais, the unit entrusted with performing the metering – billing – payment collection cycle (in Spain, HC Energia and Naturgas).

supply of last resort:

Pursuant to applicable legislation, consumers that choose their energy supply in accordance with a regulated tariff are customers of EDP Serviço Universal – the so-called supplier of last resort. As of 1 January 2011, in Portugal this infrastructure will cover only the range of domestic and non-domestic consumers that have not yet moved to the free market and to which a transition tariff will apply. This is another step towards the extinction of regulated tariffs on final consumption, following a similar transition in Spain.

Regulatory risk: The exercise of this activity is low risk, but the deviations in the estimates made by the Regulator - ERSE for acquisition costs of energy, thus creating a high deficit or excess amount, raises concern about the fair remuneration of such volatility. We hope that the gradual disappearance of the regulated tariffs for electricity sales provides knowledge of the mechanisms of competitive balance and a longer follow-up to the reality of the evolution of international prices of raw materials necessary for the production of electricity.

Supply quality operational risk: Whatever the established criteria for supply quality of regulated service business (average response time in providing customer services, the percentage of readings of meters of low voltage, etc.), the Group has placed great emphasis on the management of this risk, also to manage the risk of erosion of the brand once the impacts consequences are not negligible.

Credit risk: The management of this risk has been delegated to the EDP Soluções Comerciais and is carried out in accordance with the regulations defined for public service customers (power cuts when bills are not settled within payment deadlines).

electricity distribution:

Regulatory risk: The changes of the remuneration criteria may affect the revenue of EDP Distribuição and HC Energia. In addition to the defence of fair valuation of the business, the Group also strives to apply better grid planning, construction, operation and maintenance practices in order to achieve and even surpassing, the efficiency gains implicit in the regulatory objectives.

Technical service quality and losses operational risk: Whatever the criteria for technical quality of service (duration and number of service interruptions, service reinstatement times, etc.) and the incentives to reduce physical losses in the grid, the Group has also placed great emphasis on the management of this risk, as the possible consequences in terms of brand erosion risk management and efficient energy management policy are by no means negligible.

Grid operational risk: The existence of infrastructures in the public domain (e.g. lines, cables and transformer stations) may increase the impact of outages and incidents. This risk is mitigated by means of conduction methods, maintenance and safety procedures in line with the highest international standards. However, the uncommon storms that have raged in Portugal have led to power cuts and substantial damage, which have received considerable media coverage. Response to this type of crisis has improved significantly, however. On the other hand, insurable risks are covered by insurance.

Environmental risk: Although of less relevance than in generation, the problem of overhead power lines and of its impact in birdlife, on the surrounding environment and also in terms of their visual impact is worth mentioning. Particular attention is given to these questions in the planning and design phase thus minimizing these situations and the infrastructures are made compatible with the birds that use them as resting places or as nest locations. To avoid collisions infrastructures located in migrating paths are signalized. For additional information please see the Performance section, chapter Environment.

risk management in other regions and activities

Although market and regulatory conditions may differ, the principles and methods listed above apply to gas transport, distribution and supply business units and to Energias do Brasil and EDP Renováveis.

EDP Renováveis has been the main source of growth and geographical diversity of investments in the Group and clearly confirms the change in the Group's generation profile to a portfolio less dependent on CO₂ emissions and therefore less exposed to the risks of greenhouse gas emissions. The size that it has reached requires careful management of the pipeline of projects, flexible hiring of wind turbines and contracting of operating and maintenance conditions in order to avoid operational risks resulting from not launching or timely completion of projects and not achieving the best standards of operating efficiency. The nature of this type of generation means that the results of investments are highly dependent on each country's regulatory and energy policies. This aspect is carefully weighed within criteria of minimum acceptable return.

This is how our stake in the United States market, with its huge growth possibilities and a low country risk, asserting the Group as a major world player in renewable energy, has grown less than initially expected, which may be a result of either the exploration of shale gas, and consequent cheaper thermal production, or the existence of a global incentive framework. Exposure to the electricity market price is mitigated considerably by remuneration of generation with fixed tariffs, long-term PPAs (power purchase agreements) or effective hedging strategies. In addition to energy sale, in some regions, revenue also comprises Green Certificates, whose value frequently has a marketing risk. This risk is also mitigated through long-term agreements (only regarding Green Certificates or, when applicable, included in energy sale agreements). Risk mitigation options depend on the remuneration structure in each country.

transversal risk management

Investment risk: The investment assessment and decision-making process has established uniform criteria for defining the discount rates to be used in evaluating the expected cash flows and for the modelling of scenarios (which incorporate different sensitivities, such as, price risk, energy volume risk, and regulatory risk). These criteria help to mark out limits in the Group's appetite for risk, with the capital cost of each business unit / region reviewed on a regular basis. The Investment Committees) at the business units and corporate levels) allow the effective implementation of these mechanisms in the assessment phase and for the monitoring of the execution of the investment, monitoring operational risks in this phase and their potential impact on the expected value.

Financial risk: The Group's financial risks are mainly managed by the Financial Department, which is responsible for the Group's cash management at Iberian level, the debt portfolio and the risk of interest rate and foreign exchange through financial markets instruments. In Brazil, Energias do Brasil follows, under coordination, similar principles and methodologies.

Liquidity risk: The liquidity risk warranted particular attention. EDP's strong credit profile in this difficult context for Portugal is higher than the country's one. There were bond issues, which were necessary for the habitual debt rollover and to finance the Group's growth. The Net Debt/EBITDA ratio did not significantly change between December 2010 and December 2011, and EDP Group is aiming at improving this ratio in coming years. In what concerns liquidity, as of December 2011, total cash and credit lines amounted up to 4 billion Euros, divided between 1,7 billion Euros in cash and equivalent and 2,4 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. Furthermore, the recent shareholding change within the Group shall create opportunities for a decrease in debt ratios and an increase in liquidity levels.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully covered by the Pension Fund assets and specific provisions included in the EDP balance sheet. The calculation of these liabilities is conducted annually by an independent Actuary, using assumptions set out in IAS-IFRS, taking into account various aspects including, inter alia, the Fund's performance, demographics, economic variables and the applicable requirements.

Operational risk: Included in this group are the potential losses resulting from incidents caused by failures or inadequate procedures, staff, equipment or systems or resulting from external incidents (including the risk of failure to comply with legislation and

ethical standards; operating loss include economic, non-economic effects and loss of reputation).

For the area of Information Technologies, the Information System Department has been consolidating the complete risk management process. The constitution of an Information Safety Committee must also be mentioned.

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 damages and their consequences that may arise from the activities of the Group companies, the Insurable Risk Management Office at EDP Valor has applied the approved Strategic Insurance Plan, which is based on the establishment of joint programs for all Group companies in Portugal and Spain, direct contracting with insurance market and boosting the reinsurance capacity of the Group – Energia RE. This joint policy has made it possible to optimize insurance costs and improve control thereof.

In terms of **legal risks**, both in litigation related to operations, or in respect of licensing procedures for new installations, both as regards the necessary tax compliance and accounting, the Group does not expect any material adverse impact.

4. shareholder structure and exercise of shareholder positions

4.1. capital structure

The EDP share capital of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares, of which 2,936,222,980 are Category A shares on December 31,2011, these being ordinary shares, and 720,314,735 of which are Category B shares all with a face value of one euro each. The Category A shares account for 80.30% of the share capital and Category B shares account for 19.70%.

Ordinary shares (Category A shares) are not subject to any limitation regarding their transferability, given that pursuant to the Portuguese Securities Code shares traded in the market are freely transferrable, even though EDP's articles of association comprise provisions regarding limitations to the exercise of voting rights which are applicable both to ordinary shares (Category A shares) and to Category B shares.

Category B shares are shares to be reprivatized, which are subject to restrictions on their ownership, and may only be held by the Portuguese State or other public sector entities.

In 2011, the 8th phase of EDP's share capital reprivatization process was conducted by the Portuguese Government, as approved by Decree-Law 106-A/2011, of October 26, through the direct sale of shares representing a maximum limit of 21.35% of EDP's share capital to national and foreign entities with industrial or financial investor profile and with a perspective of stable investment in the long-term. After two phases of selection of potential investors, the Council of Ministers resolved on the sale of the whole block of shares to China Three Gorges Corporation. Parpública entered into a Direct Sale Agreement with that entity, on December 30, 2011, in order to transfer said block of shares.

The transferred block comprises ordinary shares representing approximately 5.79% of the respective share capital, special category shares, which reprivatisation process is not yet concluded, representing approximately 3.93% of said share capital and another special category shares block representing approximately 11.62% of the share capital.

The effective transmission of special category shares transferred under the 8th phase of EDP's share capital reprivatisation process, which is conditioned upon the verification of certain events under the terms of the Direct Sale Agreement, corresponding to the moment when special category shares are no longer held by public entities, shall determine their automatic conversion into Category A shares, without the need for approval of such conversion by the respective shareholders or a resolution by the company's relevant governing body.

Thus, after said conversion EDP's share capital shall be represented by 3,716,856,762 Category A shares, which are ordinary shares, and 151,746,315 Category B shares, with a nominal value of 1 euro each. Category A shares shall correspond to approximately 95.85% of the share capital and Category B shares shall correspond to approximately 4.15%.

In accordance with EDP's articles of association as currently in force, votes shall not be cast when issued by a shareholder, in his own name or as a representative, above the limit of 25% of the votes corresponding to the share capital. The limit was at 20% until the respective amendment of the

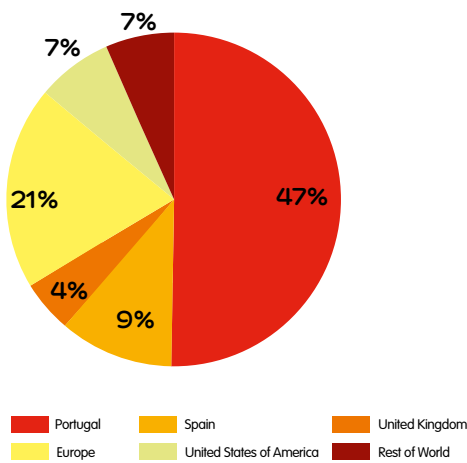
articles of association was resolved by the General Shareholders Meeting dated February 20, 2012.

In addition, shareholders who acquire a holding of 5% or more of the voting rights, or of the share capital, must communicate this fact to the Executive Board of Directors within a period of five work days from the date on which said holding becomes effective. They may not exercise voting rights if they have not communicated this fact.

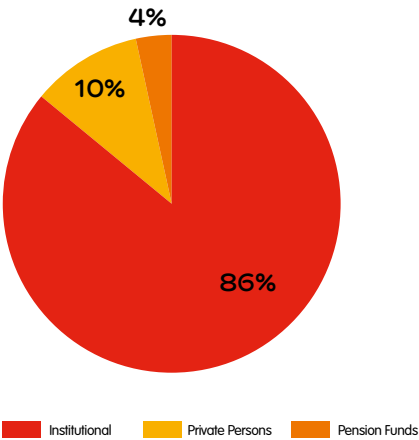
4.2. shareholder structure

The breakdown of the EDP shareholder structure by region and investor type in 31 December 2011 was as follows:

GEOGRAPHIC BREAKDOWN OF SHAREHOLDER STRUCTURE



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE



4.3. qualifying holdings

Pursuant to Article 8.1b of CMVM Regulation no. 5/2008, the following information on qualifying holdings held by shareholders in the EDP share capital in December 31, 2011 and the allocation of voting rights in accordance with Article 20.1 of the Securities Code is hereby provided:

SHAREHOLDER

	N° OF SHARES	% CAPITAL	% VOTE
PARPÚBLICA - PARTICIPAÇÕES PÚBLICAS, (SGPS), S.A. (2)			
Privatised shares - Category A	211,836,047	5.79%	4.50%
Non-privatised shares - Category B	720,314,735	19.70%	15.31%
Total	932,150,782	25.49%	19.81%
Iberdrola Energia S.A.U.			
Iberdrola Energia S.A.U. (Iberener)	248,437,516	6.79%	6.79%
Total	248,437,516	6.79%	6.79%
The company Iberdrola Energia, 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%
Caja de Ahorros de Asturias (Cajastur)	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 onwed by Caja de Ahorros de Asturias (Cajastur)			
JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, SGPS, S.A.	176,283,526	4.82%	4.82%
Órgãos de Administração e Fiscalização	38,510	0.00%	0.00%
Total	176,322,036	4.82%	4.82%
The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital in fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.			
INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)			
Senfora SARL	148,431,999	4.06%	4.06%
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			
Órgãos Sociais	28,380	0.00%	0.00%
Fundação Millennium BCP	350,000	0.01%	0.01%
Banco Comercial Português, S.A.	327,587	0.01%	0.01%
Fundo de Pensões do Grupo Millennium BCP	122,289,594	3.34%	3.34%
Total	122,995,561	3.36%	3.36%
The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.			
NORGES BANK			
Norges Bank	119,018,155	3.25%	3.25%
Total	119,018,155	3.25%	3.25%
SONATRACH (1)			
Sonatrach	81,713,076	2.23%	2.23%
Total	81,713,076	2.23%	2.23%
BANCO ESPÍRITO SANTO, S.A.			
Company's in a group relationship with BES or exercising control over the company	52,105,000	1.42%	1.42%
Banco Espírito Santo, S.A.	28,000,000	0.77%	0.77%
Members of the Corporate Bodies	5,820	0.00%	0.00%
Total	80,110,820	2.19%	2.19%
Qatar Holding LLC			
Qatar Holding LLC	73,800,000	2.02%	2.02%
Total	73,800,000	2.02%	2.02%
The company Qatar Holding LLC is fully owned by Qatar Investment Authority.			
Grupo Caixa Geral de Depósitos			
Caixa Geral de Depósitos	4,908,202	0.13%	0.10%
Fundo de Pensões da CGD	1,515,561	0.04%	0.03%
Companhia de Seguros Fidelidade Mundial, S.A.	1,323,937	0.04%	0.03%
Império Bonança - Companhia de Seguros, S.A.	43,176	0.00%	0.00%
Parcaixa, SGPS, S.A.	961,233	0.03%	0.02%
Total	8,752,109	0.24%	0.19%
CGD holds 100% of share capital and voting rights of Caixa Seguros, SGPS, S.A. which, in turn, holds: i) 100% of the share capital and voting rights of Companhia de Seguros Fidelidade-Mundial, S.A.; ii) 100% of the share capital and voting rights of Império Bonança - Companhia de Seguros, S.A. CGD Pension Fund is managed by CGD Pensões – Sociedade Gestora de Fundos de Pensões, S.A., and of which CGD is an associated company; CGD holds 51% of the share capital and voting rights of Parcaixa, SGPS, S.A.			
EDP (TREASURY STOCK)	32,359,146	0.88%	
REMAINING SHAREHOLDERS	1,449,189,002	39.63%	
TOTAL	3,656,537,715	100.00%	

Note: In accordance with the made use once in nº 3 of the 14ª 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 20% of the totality of the corresponding votes to the capital stock exceede.

(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.

(2) On December 30, 2011, China Three Gorges Corporation ("CTG") notified EDP that it has entered into a Strategic Direct Sale Agreement with Parpública – Participações Públicas (SGPS), S.A. for the acquisition of 780,633,782 ordinary shares of EDP, which correspond to 21.35% of EDP's share capital and 21.35% of the respective voting rights. Although the acquisition of the above mentioned stake has not been concluded, Portuguese law deems relevant, for certain purposes, the attribution of voting rights as a result of the execution of a purchase agreement over listed companies' shares. Accordingly, as of the date hereof and until completion of the acquisition process, although the attribution of voting rights to CTG inherent to the 780,633,782 shares, representing 21.35% of the share capital of EDP, such condition does not involve the actual exercise of those rights nor the ownership of any stake in the share capital of EDP by CTG.

4.4. holders of special Rights

The Decree-Law 90/2011, of July 25, revoked the special rights granted to the Portuguese State and equivalent public entities in EDP, as established by article 13 of Decree-Law 141/2000, of July 15.

On the other hand, subsequently to the entry into force of said law, EDP's articles of association were amended by the General Shareholders Meeting dated August 25, 2011. Number 4 of article 4 no longer grants any privileges to Category B shares, which are shares to be reprivatized. Thus, no special rights are associated to shares representing EDP's share capital.

Category B shares maintain such category as far as they remain in the ownership of public entities. However their transfer to non-public entities determines the respective conversion into Category A shares, without the need for approval by the respective holders or a resolution by any of EDP's governing bodies.

4.5. restrictions to share transferability

As laid down in the Articles of Association (Article 5.3), Category B shares can only be held by public entities as long as they are not the object of privatisation.

There are no restrictions on the transferability of Category A shares.

4.6. shareholder agreements

In accordance with Article 7 of the EDP Articles of Association, full information 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 after 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 has knowledge of one 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 aforementioned Shareholders Agreement, which was the object of public disclosure, Parpública and CGD took on the following obligations:

- To support the permanence of Sonatrach (or the person appointed by it) as a member of the EDP General and Supervisory Board, provided that Sonatrach retains a holding of at least 2% of the EDP share capital and the aforementioned strategic partnership remains in effect; and
- To abstain from promoting, supporting and/or voting favourably on any amendment to the EDP Articles of Association that would prevent the permanence of Sonatrach (or the person appointed by it) on the General and Supervisory Board.

4.7. general meeting of shareholders and participation in the general meeting

With the entry into force of Decree-Law No. 49/2010 of May 19, meetings of the General Meeting of Shareholders could now be convened at least 21 (twenty one) days in advance. However, EDP's by-laws provide for a 30 days in advance, having been in 2011, applied the statutory rule, which will continue to be the rule in 2012 and therefore, the meetings of the General Meeting of Shareholders convened with at least 30 (thirty) days in advance by making explicit mention in their notice of the agenda. Only shareholders with voting rights may attend the meetings, as well as other persons whose presence is considered justified by the Chairman of the Board of the General Meeting.

EDP's shareholders may attend the General Meeting if they hold at least one share on the fifth trading day preceding the date of the General Meeting.

Proof of ownership of shares is provided by forwarding 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 declaration issued, authenticated and forwarded by the financial intermediary entrusted with registration of the shares in an account.

The declaration of the aforementioned financial intermediary must state that the shares in question were registered in the respective account at least five working days in advance of the date of the respective General Meeting and that the blockage of the shares in the account until the date of the General Meeting has been effected.

Participation in the General Meeting also depends on the expression of the shareholders wishes in that regard, which must be sent to the Chairman of the Board of the General Meeting by the sixth trading day preceding the date of the General Meeting.

Even before publication of Decree-Law 49/2010, 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; the time limit of the first session should be sufficient. Decree-Law 49/2010 now forbids the requirement to block shares and so the recommendation I.2.2 of CMVM no longer makes sense (its adoption is legally imposed). Therefore, participation in the General Shareholders' Meeting of the EDP does not depend on the blocking of shares in the period that proceeds.

Shareholders may be represented by persons with full legal capacity. This must be communicated to the Chairman of the Board of the General Meeting by 5.00 p.m. on the second last day prior to the date of the General Meeting at the latest.

4.8. votes and exercising of voting rights

Pursuant to Article 14.2 of the EDP Articles of Association one share equals one vote.

Until February 20, 2012, votes cast by one shareholder on its own behalf or in representation of another shareholder that exceed 20% of the total votes corresponding to the share capital shall not be counted. This restriction applies in all matters voted on, including those for which the law or EDP's Articles of Association require a qualified majority of the company capital. In the General Shareholders Meeting, on February 20, 2012, that threshold was changed to 25%.

Pursuant to Article 14.4 of the EDP Articles of Association, the votes corresponding to Category A shares shall be treated as cast by the

same shareholder whenever so considered under the terms of Article 20.1 of the Securities Code, or any legal provision that amends or replaces it.

The EDP shareholders are obliged 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 Securities Code. Failure to comply with this duty shall result in prevention of the exercise of voting rights for the shares held by the defaulting shareholder.

In the event that the same limitation of the counting of votes affects more than several shareholders, the restriction shall apply in proportion to the number of ordinary shares held by each such shareholders.

Article 15.1 of the EDP Articles of Association sets out that shareholders who, under the aforementioned Article 20.1 of the Securities Code or a legal provision that amends or replaces it, become holders of, or have allocated to them, a share equal to or higher 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 working days following the date on which said ownership is effective. 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 regular publications and the forwarding of mailings to the shareholders;
- Payment of the costs involved in procuring share ownership declarations for all shareholders that take part in the General meeting (directly or through distance voting);
- Payment of the costs involved in postal voting, including the means for mailing the vote.

4.9. postal voting/ electronic voting

EDP shareholders can exercise their postal voting rights on each of the items on the agenda in a letter bearing a signature identical to that on their identity card or citizen card addressed to the Chairman of the Board of the General Meeting and forwarded by registered mail with recorded delivery to the company's head office. The letter must be delivered at least 3 (three) working days in advance of the date of the respective General Meeting, unless a longer period is referenced on the notice for the meeting, and must also include a legible photocopy of the identity card of the signatory of the letter.

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

Pursuant to Article 14.7 of the EDP Articles of Association, voting rights can be exercised by electronic means, in accordance with requirements that assure their authenticity, which are to be defined by the Chairman of the Board of the General Meeting in the notice for the respective General Meeting.

4.10. quorum and decisions

Decisions of the General Meeting shall be reached by a majority of votes cast, unless there is legal or statutory provision requiring a qualified majority.

The EDP Articles of Association do not define any constitutive quorum for the General Meeting (adopting the rule in the Companies Code).

On what concerns the deliberative quorum, the rule adopted in the EDP Articles of Association is that the General Meeting can reach decisions at the first or second convening of the meeting, irrespective of the number of shareholders attending or represented, including decisions on the amendments to the Articles of Association, mergers, demergers or transformation of the company (this means that, with respect to the aforementioned matters, the quorum is lower than that provided for in the law, i.e. the need for shareholders holding at least the shares corresponding to one third of the share capital to be present or to be represented).

In all other cases, the deliberative quorum laid down in the law, namely in Article. 383.2 of the Companies Code, applies.

4.11. minutes and information on decisions

EDP provides extracts from the minutes of its General Meetings, in Portuguese and English, as well as the respective notices, agenda, motions submitted and forms of participation for consultation on its website (www.edp.pt) within 5 (five) days after a meeting.

EDP considers that the information that is materially relevant for investors does not include the whole content of the minutes of meetings. Full provision of the minutes would, indeed, be susceptible to be used for purposes that are not related to the interests of the company, its shareholders, investors and the market in general. Accordingly, EDP publishes on its website an extract of the minutes of General Meetings containing all relevant information relating to the constitution of the General Meeting and decisions taken, including motions submitted and any voting declarations made.

The website provides information to the EDP shareholders on the following: i) the requirements for participation in the General Meeting; ii) exercising postal voting rights; and iii) the information available at the company head office.

Additionally, EDP clarifies its shareholders on the forms of participation in the General Meeting through provision of draft versions of the letter of representation, voting ballot and the instructions for voting by electronic mail.

EDP shareholders can consult all this information on the website, as well as the historic records containing information on the Annual and Extraordinary General Meetings since 2005, which are also available for consultation.

The historic records do not include the attendance lists at the General Meetings, given the personal nature of the data involved.

4.12. measures on control and changes in control of the company

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

Although the EDP Articles of Association establish a restriction on the exercise of voting rights for Category A shares, according to which the votes for Category A shares cast by one shareholder (pursuant to the terms of allocation of voting rights established in Article 20.1 of the Securities Code) that exceed 5% of the total votes corresponding to the share capital shall not be counted, this restriction is not a measure adopted with a view to preventing the success of takeover bids.

Indeed, the fact that the restriction of voting rights is incapable of preventing a successful takeover bid is a result of the current EDP capital structure and the relative weight of the Category A shares in that capital, as well as of the requirement of a deliberative quorum of two-thirds of the votes cast established in the EDP Articles of Association for amendments to the by-laws being in accordance with the provisions of Article 182-A.2 of the Securities Code.

Defensive measures with the aim, or that have the consequence, of causing grave erosion of the EDP assets in the case of transition 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.

To the knowledge of the Executive Board of Directors, EDP is not party to important agreements that enter into force, are altered or terminated in the event of a change in control of the company following a takeover bid (with the exception of the normal practice in matters of debt issue). Nor is it party to agreements with holders of office on the management body or directors, in the understanding of Article 248-B.3 of the Securities Code, that provide for compensations in the event of dismissal, dismissal without just cause or the termination of work contracts following a successful takeover bid. Taking into account the provisions of paragraph 3 of Article 248-B of the Securities Code do not exist in the EDP, other managers than the members of the corporate bodies. Indeed, in addition to members of those bodies, there is no manager to have regular access to inside information and participate in decisions about management and business strategy of the company.

5. remuneration

5.1. remuneration of corporate bodies

Pursuant to the Articles of Association, payments to 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 to 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 takes into consideration their fixed nature as well as the mandatory rules on determination of the remuneration, in particular the provisions of Article 440(2) of the Companies Code, which defines the criteria for payment of the General and Supervisory Board; Article 374-A of the Companies Code on the remuneration of members of the Board of the General Meeting, and Article. 60 of Decree-Law no. 224/2008 of 20 November on the remuneration of the Statutory Auditor.

The total gross amounts paid to members of the EDP corporate bodies in 2011 were EUR 7,633,348.33.

5.2. remuneration of the board of the general meeting

The Chairman of the Board of the General Meeting and the Secretary of the Board do not receive remuneration in that capacity, as they are paid as a member of the General and Supervisory Board and as Secretary of the Company, respectively. The Vice-Chairman is remunerated through receipt in the amount of EUR 1,000.

5.3. remuneration of the members of the 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 term of office (annual variable remuneration), as well as performance for the duration of the term of office through the fixation of a variable component that is consistent with maximisation of the long-term performance of the Company (multi-annual variable remuneration).

The Remuneration Committee of the General and Supervisory Board submitted, to the General Meeting of April 16, 2010, a declaration on the remuneration policy to the triennial 2009/2011, that was approved and which contains the following terms:

- **Fixed Remuneration** – for the Chairman of the Executive Board of Directors remuneration is fixed at EUR 600,000.00 (gross) per annum; the remaining members of the Executive Board of Directors receive 80% of that sum;
- **Annual Variable Remuneration** – for each of the Executive Board of Directors members, its value can range between 0% and 80% of the annual gross fixed remuneration; the respective 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, the real capacity for creation of shareholder value, Gross Margin growth, Net Profit growth and EBITDA growth;
- **Multi-annual Variable Remuneration** – likewise, for each of the Executive Board of Directors members this component can be between 0% and 120% of the annual gross remuneration, depending on the annual accumulated assessment of the performance of the directors in achieving the economic sustainability of the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the set strategic objectives have been achieved; these will be assessed on the basis of the performance and comparison with defined strategic benchmarks. More precisely, this payment component is fixed on the basis of the following factors: relative performance of the EDP Group's EBITDA in the term of office; the EDP Group's capacity for creation of value in the term of office; relative performance of the Group's Total return shareholder vs. Eurostoxx Utilities and PSI-20 in the term of office; performance of the sustainability index applied to the EDP Group (DJSI method); EDP Group's image in the national and international markets; capacity for change and adaptation to new market demands; and compliance with strategic goals set for the EDP Group.

The time frame taken into consideration for determining the value of the multi-annual variable remuneration component (3 years), the use of medium-term strategy oriented qualitative criteria in the company development, the existence of caps for the variable remuneration and the relative weight of that component in the overall payment are decisive elements in fostering performance in the company

management that is not concentrated on short-term objectives alone, but includes the medium and long-term interests of the company and the shareholders in its performance.

The table below shows the gross remuneration amounts paid to each of the members of the Executive Board of Directors during the year 2011:

EUROS	REMUNERATION PAID BY EDP		REMUNERATION PAID BY COMPANIES MAJORITY HELD BY EDP	
	FIXED	VARIABLE	FIXED	VARIABLE
António Luís Guerra Nunes Mexia (Chairman)	712,149.48	331,392.00		
Ana Maria Machado Fernandes	185,719.52	41,840.60	384,000.00	167,362.40
António Fernando Melo Martins da Costa	569,719.50	209,203.00		
António Manuel Barreto Pita de Abreu	546,206.78	174,779.70	306,119.36	
João Manuel Manso Neto	569,719.50	259,277.00		
Jorge Manuel Pragana da Cruz Morais	569,719.50	236,851.00		
Nuno Maria Pestana de Almeida Alves	569,719.50	262,195.00		

Note: 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.

EDP has not established any system of retirement benefits specifically for its directors. The remuneration determined by the Remuneration Committee of the General and Supervisory Board provides for the subscription to a retirement savings plan type financial product that functions as a top-up of the actual pension of members of the Executive Board of Directors and is equivalent to 10% of the annual fixed remuneration.

EDP has not entered into any agreement with a director that awards compensation for severance of employment contract without fair cause.

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

No member of the Management Body has entered into any agreement with the company or third parties to mitigate the risk arising from variability in the remuneration earned.

No executive director holds EDP shares attributed through a variable remuneration scheme.

There was no payment made on dismissal or termination from office of company directors.

to not jeopardize the cohesion, stability and development of the company.

- It shall not be introduced any adjustments as to the remuneration of members from the Committee on Financial Matters/Audit Committee, keeping previous mandate's remuneration unchanged despite the increasing works and responsibilities of its members.

The remuneration policy statement was approved by shareholders. Following the approval of the aforementioned declaration, the Remuneration Committee elected by the Shareholder Meeting decided the following changes to remunerations in place up to that moment:

- 10% reduction of the General and Supervisory Board Chairman's basic remuneration;
- End of the General and Supervisory Board Chairman's retirement savings plan (10% of basic remuneration);
- 5% reduction in the basic remuneration of the other the General and Supervisory Board members, except members of the Committee on Financial Matters/Audit Committee whose remuneration is maintained.
- Additional EUR 15,000 remuneration for the Vice-Chairman of the General and Supervisory Board;

The following table shows the remuneration received by members of the General and Supervisory Board in 2011:

EUROS	FIXED
António de Almeida (Chairman)	521,821.84
Alberto João Coraceiro de Castro	72,000.00
António Sarmento Gomes Mota	65,000.04
Cajastur Inversiones, S.A.	51,999.96
Carlos Jorge Ramalho Santos Ferreira	47,000.04
Diogo Campos Barradas de Lacerda Machado	51,999.96
Eduardo de Almeida Catroga	51,999.96
José Manuel dos Santos Fernandes	51,999.96
José Maria Espírito Santo Silva Ricciardi	51,999.96
Luis Filipe da Conceição Pereira	33,552.81
Manuel Fernando de Macedo Alves Monteiro	65,000.04
Mohamed Ali Ismaeil Ali Al Fahim	51,999.96
Parpública – Participações Públicas,(SGPS), S.A. ⁽¹⁾	0.00
Ricardo José Minotti da Cruz Filipe	51,999.96
Rui Eduardo Ferreira Rodrigues Pena	57,000.00
Sonatrach	47,000.04
Vitor Fernando da Conceição Gonçalves	84,999.96

Note: Remuneration to the Chairman of the General and Supervisory Board includes payments relating to pension savings schemes, paid until April 2011.
(1) Declined payment

5.4. remuneration of the members of general and supervisory board

Remuneration of the members of the General and Supervisory Board is fixed, taking into account the tasks performed.

The remuneration of the Chairman of the General and Supervisory Board was fixed taking specifically into account that it is a full-time position, contrary to the case of the other members of the Board.

At the General Meeting of Shareholders on April 14, 2011, the Chairman of the General Meeting's Remuneration Committee submitted for consideration the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors for the current three-year period, as follows:

- The remuneration of the General and Supervisory Board members, including its Chairman, must be set to values below the ones attributed to the Executive Board of Directors, namely in what regards the non attribution of a component of variable remuneration or the Pension Savings Schemes.
- Bearing in mind the difficulties faced by the country, as a consequence of the economic, financial and social crisis throughout the world, it shall be conducted remuneration adjustments in the sense of restraint – which, at this moment, shall not be above 10% - and, in any case, must consider the performance of the members of each corporate body, in order

5.5. remuneration of other company managers

Attending to the provisions set forth in Article 248°-B 3) of the Securities Code, EDP does not have other managers than the members of the corporate bodies. Indeed, apart from those members, there is no other manager with regular access to inside information or that participates in the management and strategic decisions of the company.

5.6. agreements regarding termination of management or employment contracts

Attending to the provisions set forth in Article 248°-B 3) of the Securities Code, EDP does not have other managers than the members of the corporate bodies. Indeed, apart from those members, there is no other manager with regular access to inside information or that participates in the management and strategic decisions of the company.

5.7. stock option / stock purchase options plans

The only stock options stock purchase options plan currently in force is as follows.

5.7.1. stock option / stock purchase options plans applicable to the management body in the 2003/2005 period

For the variable remuneration for 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 of 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 plans, 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 become null and void at the end of eight years from the date of allocation.

In 2011, zero options were exercised, as shown in the following table, which also details the total number of stock options allocated in the 2003 – 2005 period.

DATE OF OPTION	N° OF BENEF.	N.° OF OPTIONS	OPTION PRICE	DATE OF COMMENCEMENT	DATE OF EXPIRY	N° OF OPTIONS EXERCISED	
						IN 2011	TOTAL
30-Apr-04	6	760,482	2.29	30-Apr-05	29-Apr-12	0	722,206
30-Jun-05	6	932,328	2.21	30-Jun-06	29-Jun-13	98,404	740,070
02-May-06	6	1,461,497	2.21	02-May-07	01-May-14	308,516	1,086,554

5.8. remuneration of the external auditor and statutory auditor

KPMG has been entrusted with the independent external auditing of all EDP Group companies in Portugal, Spain, Brazil, the USA and other countries in which the Group presently operates.

In 2011, the recognised specialised costs for fees to KPMG for auditing services and statutory auditing, guarantee and reliability services, taxation consultancy and other services beyond legal revision of the accounts for Portugal, Spain, Brazil, the USA and other countries were as follows:

The auditing services and statutory auditing are services 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.

Concerning the remuneration of the Additional Services, it is recalled that the “ EDP Regulations on Services Provided by the Statutory Auditor and External Auditor” available at EDP (www.edp.pt), besides adopting expressly the recommendation III.1.5 of the Code of Corporate Governance CMVM regarding the hiring of Additional Services, requires that the Financial Matters Committee / Audit Committee refuses the authorization on Additional Services when:

- It is a prohibited additional service.
- In accordance with an objective, reasonable, informed third-party standard, the service poses any threat to the independence of the Statutory Auditor or the External Auditor and in particular if it increases the likelihood of self-review or personal interest.

TYPE OF SERVICES	PORTUGAL	SPAIN	BRAZIL	UNITED STATES OF AMERICA	OTHER COUNTRIES	TOTAL
Audit and Statutory Audit of Accounts ⁽¹⁾	2,264,500	1,627,390	1,259,740	688,241	410,749	6,250,621
Other Audit Services ⁽²⁾	988,530	122,189	681,116	31,173	12,750	1,835,758
Total of Audit Services	3,253,030	1,749,579	1,940,856	719,414	423,499	8,086,379
Tax Consultancy Service	318,405	24,500	0	24,067	9,000	375,972
Other Additional Services	237,800	154,000	19,347	0	0	411,147
Total of Other Services	556,205	178,500	19,347	24,067	9,000	787,119
Total	3,809,235	1,928,079	1,960,203	743,481	432,499	8,873,498

(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.

In order develop the mentioned recommendation from CMVM, the the “ EDP Regulations on Services Provided by the Statutory Auditor and External Auditor” defines the various services that can be provided by the following categories:

Audit Services:

- a) Necessary services (including the internal control procedures required as part of audits) for the issuance 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 issuance 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 Consumption Efficiency Promoting Plan (PPEC)
 - Opinion on Environment Development Promoting Plan (PPDA)
 - Opinion on financial statements for regulation purposes
 - Compliance statement in the context of contractual agreements
 - Opinion on the specific accounts and elements of the financial statements
 - Comfort letters for securities issuance

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.

Thus, pursuant the Regulations, the Financial Matters Committee / Audit Committee authorized the Additional Services provided by the Statutory Auditor and the External Auditor, stating its agreement to the reasons given by the Executive Board of Directors for hiring such services. The Additional Services actually provided in 2011 represented about 10% of the total value of services rendered by those entities to EDP Group.

5.9. remuneration of the members of the environment and sustainability board

The members of the Environmental and Sustainability Board are remunerated through attendance fee in the amount of EUR 1,750 per meeting. In 2011, the remuneration received by the mentioned corporate bodies was EUR 12,250.

EUROS	FIXED
João Martins Ferreira do Amaral	3,500.00
José de Sousa Cunha Sendim	1,750.00
Maria da Graça Madeira Martinho	3,500.00
Maria Madalena Monteiro Garcia Presumido	1,750.00
Miguel Pedro Brito St. Aubyn	1,750.00

6. the edp share and dividend policy

6.1. edp in the capital markets

The shares representing the EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon (which, at the time, operated under the name Lisbon Stock Exchange) on 16 June 1997. Since then, by means of subsequent reprivatization phases, more company shares have been admitted to trading in the NYSE Euronext Lisbon market:

PHASES OF EDP’S ADMISSION TO TRADING

ADMISSION PHASE	DATE
1st Privatisation phase/ IPO	16-Jun-97
2nd Privatisation phase	26-May-98
3rd Privatisation phase	28-Jun-98
4th Privatisation phase	23-Oct-00
5th Privatisation phase/Capital increase	07-Dec-04
8th Privatisation phase	In Progress

In December 2007, Parpública issued exchangeable bonds to shares of EDP, representing 4.144% of EDP’sshare capital, maturing in December 2014 and with an exercise price of € 6.70.

EDP has 2,936,222,980 ordinary shares, with a face value of EUR 1.00 and representing 80.30% of the share capital, admitted to trading in the NYSE Euronext Lisbon market. The free float in 2011 was 63 per cent.

In 2011, the 8th phase of EDP’s share capital reprivatization process was conducted by the Portuguese Government, as approved by Decree-Law 106-A/2011, of October 26, through the direct sale of shares representing a maximum limit of 21.35% of EDP’s share capital to national and foreign entities with industrial or financial investor profile and with a perspective of stable investment in the long-term. After two phases of selection of potential investors, the Council of Ministers resolved on the sale of the whole block of shares to China Three Gorges Corporation. Parpública entered into a Direct Sale Agreement with that entity, on December 30, 2011, in order to transfer said block of shares.

The transferred block comprises ordinary shares representing approximately 5.79% of the respective share capital, special category shares, which reprivatization process is not yet concluded, representing approximately 3.93% of said share capital and another special category shares block representing approximately 11.62% of the share capital.

The effective transmission of special category shares transferred under the 8th phase of EDP’s share capital reprivatization process, which is conditioned upon the verification of certain events under the terms of the Direct Sale Agreement, corresponding to the moment when special category shares are no longer held by public entities, shall determine their automatic conversion into Category A shares, without the need for approval of such conversion by the respective shareholders or a resolution by the company’s relevant governing body.

Thus, after said conversion EDP’s share capital shall be represented by 3,716,856,762 Category A shares, which are ordinary shares, and 151,746,315 Category B shares, with a nominal value of 1 euro each. Category A shares shall correspond to approximately 95.85% of the share capital and Category B shares shall correspond to approximately 4.15%.

SHARES

NYSE Euronext LISBON	SHARES
Reuters RIC	EDPLS
Bloomberg	EDP.PL
ISIN	PTEDPOAW009

The EDP shares are also the underlying assets for futures contracts and warrants negotiated in the Lisbon market.
The following EDP bond loans are also listed on stock markets to trading:

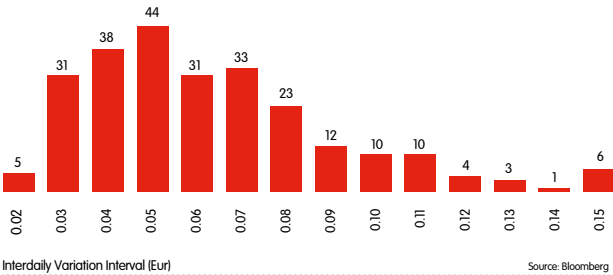
ISSUE / ISIN	DATE		COUPON	STOCK EXCHANGE	AMOUNT	
	ISSUE	MATURITY			ISSUE	OUTSTANDING ⁽²⁾
12 ^o Issue EMTN (I) XS0256996538	12-06-2006	12-06-2012	Annual Fixed Rate EUR 4,25%	London	500,000,000	500,000,000
1 ^o Issue 144A/REGS US26835PAA84	02-11-2007	02-11-2012	Annual Fixed Rate USD 5,375%	London	1,000,000,000 ⁽⁴⁾	1,000,000,000 ⁽⁴⁾
1 ^o 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 ^o Issue XS0413462721	18-02-2009	18-02-2014	Annual Fixed Rate EUR 5,5%	London	1,000,000,000	1,000,000,000
26 ^o Issue EMTN / PTEDPS0M0010	07-12-2011	07-12-2014	Semi-Annual Fixed Rate, 6,0%		200,000,000	200,000,000
Issue - Private Placement	Fev-2010	Fev-2015	Floating Rate USD		100,000,000 ⁽⁴⁾	100,000,000 ⁽⁴⁾
20 ^o Issue EMTN (I) XS0495010133	16-03-2010	16-03-2015	Annual Fixed Rate EUR 3,25%	London	1,000,000,000	1,000,000,000
9 ^o Issue EMTN (I) XS0221295628	22-06-2005	22-06-2015	Annual Fixed Rate EUR 3,75%	London	500,000,000	500,000,000
22 ^o Issue EMTN XS0586598350	01-02-2011	01-02-2016	Annual Fixed Rate EUR 5,875%	London	750,000,000	750,000,000
13 ^o Issue EMTN (I) XS0256997007	12-06-2006	13-06-2016	Annual Fixed Rate EUR 4,625%	London	500,000,000	500,000,000
16 ^o Issue XS0435879605	25-06-2009	26-09-2016	Annual Fixed Rate EUR 4,75%	London	1,000,000,000	1,000,000,000
6 ^o Issue EMTN (I) XS0152784715	09-08-2002	09-08-2017	Annual Fixed Rate GBP 6,625%	London	200,000,000 ⁽³⁾	200,000,000 ⁽³⁾
2 ^o Issue 144A/REGS US26835PAB67	02-11-2007	02-02-2018	Annual Fixed Rate USD 6,00%	London	1,000,000,000 ⁽⁴⁾	1,000,000,000 ⁽⁴⁾
3 ^o Issue 144A/REGS 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 ^o Issue EMTN (I) XS0223447227	29-06-2005	29-06-2020	Annual Fixed Rate EUR 4,125%	London	300,000,000	300,000,000
14 ^o Issue EMTN (I) XS0397015537	04-11-2008	04-01-2024	Annual Fixed Rate GBP 8,625%	London	325,000,000 ⁽³⁾	325,000,000 ⁽³⁾
Issue EMTN (I) XS0399353506	12-11-2008	12-11-2026	Zero Coupon		160,000,000	160,000,000

(1) EMTN - Euro Medium Term Notes
(2) Outstanding - Amount owed as at 31 Dec 2011
(3) Amount in GBP
(4) Amount in USD
(5) Amount in CHF

In 2011, EDP was the company with the greatest stock market capitalisation and presented a relative weight in the PSI-20, the NYSE Euronext Lisbon reference index, accounting for 17.9% of said index. EDP is one of the five Portuguese companies represented in the Euronext 100 index, with a relative weight of 0.609%. EDP shares are also a reference in several European indices, such as the Dow Jones Eurostoxx Utilities, which is based on the stock market performance of the leading and most representative European utilities companies. EDP is also present in the sustainability index of the Dow Jones (Dow Jones Sustainability Index) and is a world leader in the Electric sector for the second consecutive year.

In 2011, EDP shares decrease 4.0% of their value, dropping from EUR 2.491 to EUR 2.391. This decrease in value together with the gross dividend of EUR 0.17 per share (paid on 13 May 2011) resulted in a total gross return of 2.8% in the reference period. This performance was above the returns provided by the leading benchmark indices, including the Dow Jones Europe STOXX Utilities, which had a negative performance of 24.8% in the period and the PSI-20 index that decreased by 27.6 % In 2011.

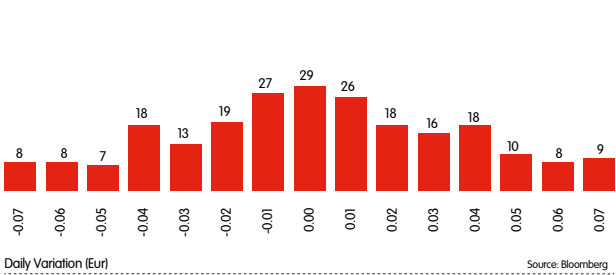
HISTOGRAM - INTERDAILY VARIATION
52 WEEKS (JAN 11 - DEC 11)



The market value of the EDP Group, based on its stock market capitalisation (no. of shares issued x price per share), amounted in 2011 to EUR 8,743 million, the equivalent of 17.9% of the total capitalisation of the shares that make up the PSI-20 index, which amounted to EUR 48,866 million. The EDP share was one of the most traded shares in the NYSE Euronext Lisbon market in 2011. In this official stock market, approximately 1,713 million EDP shares were traded, which corresponds to a daily average of 6.7 million shares at an average price of EUR 2.503 and to approximately 58% of the total number of EDP shares admitted to trading. In terms of trading volume, EDP shares accounted for 15.6% (EUR 4,262 billion) of the overall volume of shares traded in the PSI-20 index (a total of EUR 27,266 billion).

The following graphs present the daily and intraday variation for the EDP shares in the NYSE Euronext Lisbon market, allowing for the conclusion that, despite the volatile behaviour of the markets in 2011, EDP shares proved to be less volatile.

HISTOGRAM - DAILY VARIATION
52 WEEKS (JAN 11 - DEC 11)



6.2. factors influencing change in edp share price

The performance of equity markets in 2011 was in general rather negative, characterized by huge drops in the Asian, South-American and European markets, being the United States the only market to survive this trend. This was justified by the incidents from the "Arabic Spring" events which took place in Tunisia, Egypt, Libya, Yemen and Syria; the nuclear accident in Fukushima in Japan and also the concerns on the sovereign debt crisis in Europe, with some extent, albeit temporarily, to the United States which saw their AAA rating cut to AA+ by the Standard & Poor's agency.

On the other hand, the United States and Europe were affected by the growing concerns related to sovereign debt, at first in the peripheral countries of Eurozone and later extended to Spain and Italy. Portugal, being one of the most affected, witnessed a drop of 28% in the PSI20 index in 2011, which compares with a decline of 11% of the European index Stoxx Europe 600 and with a 6% rise of the north-american index DJ Industrial Average.

In what concerns European markets, the utilities sector, as in the year before, performed below the average of the other sectors. The Stoxx 600 Utilities index shrunk 17% in 2011, supported by the effects of Fukushima's disaster on the companies linked to nuclear power generation as well as by the adverse regulatory framework.

Fukushima's accident increased the fears of an occurrence of a similar disaster in Europe, leading to a negative state of mind in the public-opinion reflected in measures to shutdown nuclear power plants in Germany, in the abolition of useful life extension in some countries in Europe and also in the potential increase of the maintenance costs related to the nuclear generation.

In addition, the regulatory uncertainties and the reduction in electricity consumption contributed to the weak performance of the sector. Also penalizing the sector was the establishment in some European countries of taxes and charges on the nuclear generation (Finland, Germany and Belgium) and also additional taxes on windfall profits (Italy and Hungary).

In this context, EDP share price lost 4.0% in 2011. Considering that EDP paid a dividend of EUR 0.17 per share on the 13th May 2011, corresponding to a dividend yield of 6.2% (calculated based on the share price on the 9th May), the total shareholder return was +2.8% in 2011.

2011 was marked by the worsening of the sovereign debt crisis, especially in Greece and Portugal, and by the spreading of this crisis to other countries of the eurozone, namely Spain, Italy and Belgium. In Portugal, the months of March and April were disturbed by political instability on the back of the resignation request by the Prime Minister in March and by the further announcement of anticipated elections; by the rating cuts by the three main rating agencies and by the external assistance requested by Portugal in order to aid the country getting the funding needs which were until then obtained at unsustainable costs in financial markets.

Following the external aid request, the Portuguese Government signed a memorandum of understanding with the International Monetary Fund, the European Union and the European Central Bank on the 3rd May, which originated the formalization of an Economic and Financial Assistance Program involving a financial aid package of EUR 78 billion. In that memorandum, the Government committed to adopt structural and fiscal consolidation measures in order to promote the financial stability.

Despite the implementation of austerity measures, the Portuguese Republic suffered from several rating downgrades by the three main rating agencies. Thereby, Standard & Poor's downgraded the

sovereign rating in March by three notches from A- to BBB- having afterwards, in December, placed under negative outlook. On the other hand, Moody's cut the Republic's rating by seven notches from A1 to Ba2. Finally, Fitch downgraded by six notches from A+ to BB+.

These downgrades of the sovereign rating had an impact on EDP, albeit mitigated by the geographic diversification of its businesses. Thus, Standard & Poor's downgraded EDP's rating in March by two notches from A- to BBB, placing it under negative Outlook in December; Moody's cut by three notches from A3 to Baa3 while Fitch decided to downgrade in April by one notch from A- to BBB+ with negative outlook.

Consequently, EDP faced a challenging environment in what concerns debt issue. In January, EDP signed with the European Investment Bank a 15-year loan contract in the amount of EUR 300 million, for the funding of the construction and repowering of hydro plants in Portugal. With the funding sources diversification strategy in mind, EDP issued the first bond in the Swiss market in February with an amount of CHF 230 million with a three-year maturity and a coupon of 3.5%. Also in February, EDP issued an Eurobond in the amount of EUR 750 million with a five-year maturity and a coupon of 5.875%; in April contracted a syndicated loan corresponding to 300 million euros with a tenor of three years and in August contracted a EUR 350 million private placement with a one-year maturity and new EUR 300 million of domestic commercial paper programme.

In December, and for the first time in several years, EDP launched a public offering of bonds in the Portuguese market in the amount of EUR 200 million with a coupon of 6% and a three-year maturity which became a huge success only possible due to the trust that investors have in EDP. Likewise, it was signed several project finance, especially related to wind farms, in the subsidiary EDP Renováveis.

During 2011 it was possible to carry out several securitizations regarding the Spanish electricity system deficit and also the transfer of the rights to receive the reclassification of the cogeneration overcost, which amounted to EUR 185 million by 2010. The Fondo de Amortización del Deficit Eléctrico, entity in charge of the securitization of the tariff deficits from the Spanish electric system was able to securitize several tranches, especially in the beginning of the year. However, the tranches were placed on the financial markets were with increasing difficulties due to the concerns over the sovereign debt regarding the Kingdom of Spain, reflected on the soaring of the bond yields, which led to the approval by the Spanish Government of legislation in order to simplify the whole process by means of allowing the private placement of several tranches of the deficit.

The impact in EDP of the evolution of the exchange rate in 2011 was diverse. On one hand, Euro currency appreciated, on average, 5% against the US Dollar, on the other hand the Euro currency closed 2011 losing 3% versus the beginning of the year which penalized the debt priced in US Dollar, as the company maintains its strategy of financing its US wind farm assets in local currency. The effects of the exchange rate between Euro and Brazilian Real were mixed too, since the Euro, on average, depreciated 0.2% whereas by the end of the year it was gaining 9% versus the beginning of the year.

With reference to regulation, the year was marked by the establishment of the new regulatory period 2012-2014 in Portugal, with the setting of efficiency factors for EDP Distribuição and EDP Serviço Universal for 2012-2014 period, defining provisionally the remuneration of the asset base at a nominal pre-tax rate of 9.5%. This remuneration will be fixed in a definitive way on a yearly basis according to the average daily quotation of the Portuguese Republic five-year credit default swaps, with a floor of 8% and a cap of 11%. In order to promote the tariff stability the regulator decided to defer, on a exceptional basis, by one year the amount of the final revisibility of Contratos de Manutenção do Equilíbrio Contratual (CMEC) of 2010, as well as the overcost from the special regime generation to be recovered in five years. In Brazil, after a long process of public consultation it was finally determined the principles for the next

regulatory cycle with the definition of a new remuneration rate on the regulated assets at 7.5%, real post-tax terms. In Spain, the regulatory changes were focused on the approval of legislation to encourage the electricity generation based on national coal fuel; on the increase of the capacity payments and on the creation of an incentive to availability valid for a 12 month period.

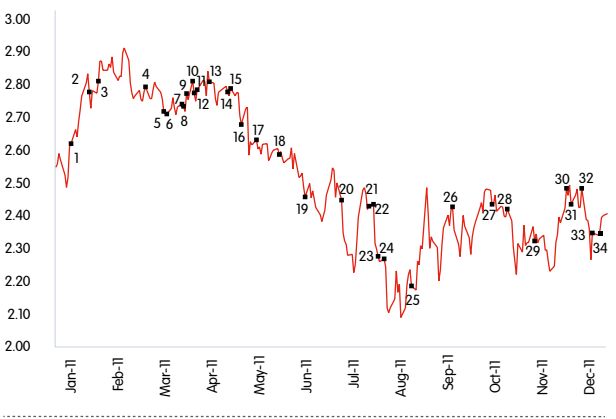
In 2011, the utilities sector was also influenced by the announcement by several companies, with special focus on E.On, RWE and Enel, of cost reductions and asset disposals programs aiming to reduce indebtedness. In that sense, EDP in July sold 21.9 million shares from EDP – Energias do Brasil on a secondary public offering, reducing its stake from 64.8% to 51.0%. Moreover, in August the company sold the total stake held in Ampla Investimentos and Ampla Energia to Endesa latinoamericana. With these two deals the company received proceeds in the amount of approximately EUR 438 million.

Another event that stroke the sector was the friendly takeover launched successfully by Iberdrola to Iberdrola Renovables and also by EDF to Energies Nouvelles allowing them to hold the total stake of their renewable subsidiaries, which were therefore delisted.

In what concerns EDP, the measures from the memorandum of understanding envisaged the launch of the 8th privatization stage of the company, which ended with the announcement in December of China Three Gorges as the winner of the bidding process to acquire the Portuguese State stake of 21.35% in EDP, for a price of EUR 3.45 per share. Within this scope, the special rights held by the Portuguese Government in the company were eliminated and the voting rights were increased from 5% to 20% (and afterwards raised to 25% in the general shareholders meeting held on the 20th February 2012).

It was also announced a strategic partnership between EDP and China Three Gorges on the 22nd December 2011, delineating the combination of efforts between both companies in order to become worldwide leaders in the renewables generation. It was agreed that China Three Gorges will invest EUR 2 thousand million until 2015 (including co-funding capex) in minority stakes between 34-49% in renewable projects of 1.5 GW net capacity. Furthermore, this partnership includes a firm fund commitment by a Chinese financial institution to EDP at corporate level in the amount of up to EUR 2 thousand million for a maturity up to 20 years. Thus, this partnership will benefit the financial liquidity position of EDP, allowing it to extend the coverage of the financial needs until mid-2015, being expected to achieve a Net Debt / EBITDA ratio below 3.0x by 2015.

MAIN EVENTS AFFECTING THE EDP SHARE PRICE IN 2011



#	DATE	DESCRIPTION	PRICE
1	13-Jan	EDP receives first tranche of electricity deficit amortisation fund in Spain	2.610
2	25-Jan	EDP issues EUR 750 million 5 year bond	2.772
3	31-Jan	EDP issues CHF 200 million 3 year bond	2.806
4	3-Mar	Disclosure of the financial results for 2010	2.788
5	15-Mar	Resignation of member of the General and Supervisory Board	2.711
6	17-Mar	Moody's downgrades EDP to "Baa1" with stable outlook	2.703
7	25-Mar	Fitch downgrades EDP's senior unsecured rating to 'A-', on RWN	2.734
8	28-Mar	Standard & Poor's downgrades EDP to "BBB" with creditwatch negative	2.727
9	30-Mar	EDP Renováveis takes full control of Genesa	2.767
10	1-Apr	Standard & Poor's affirmed EDP at "BBB" with outlook negative	2.806
11	4-Apr	Fitch downgrades EDP's senior unsecured rating to 'BBB+', on RWN	2.769
12	6-Apr	Moody's coloca rating "Baa1" da EDP sob vigilância negativa	2.779
13	14-Apr	Annual General Shareholders Meeting	2.804
14	26-Apr	Appointment of representative of José de Mello Energia in the General Supervisory Board	2.772
15	28-Apr	Appointment of representative of Parpública – Participações Públicas, (SGPS), S.A. in the General Supervisory Board	2.783
16	5-May	Disclosure of the financial results for the first quarter of 2011	2.670
17	13-May	Payment of gross dividend of EUR 0.17 per share for the 2010 financial year	2.622
18	30-May	Banco Espírito Santo changes its ownership interest in the share capital of EDP	2.576
19	16-Jun	EDP - Energias do Brasil acquired the exploration rights of Santo António do Jari HPP with 300 MW of installed capacity	2.443
20	8-Jul	EDP sets price of secondary distribution offer of EDP Brasil's ordinary shares at 37.0 reais per share	2.433
20	8-Jul	Moody's downgrades EDP's rating to "Baa3" with negative outlook	2.433
21	28-Jul	Disclosure of the financial results for the first half of 2011	2.414
22	29-Jul	Fitch maintains EDP's rating at "BBB+" and outlook	2.420
23	3-Aug	ANEEL approves a 6.89% tariff increase at EDP Escelsa's annual tariff readjustment process	2.257
24	5-Aug	EDP sells its stakes in Ampla Investimentos and Ampla Energia	2.249
25	25-Aug	EDP's General Shareholders Meeting	2.164
25	25-Aug	Qatar notifies qualifying holding in EDP	2.164
26	21-Sep	EDP transfers the right to receive the reclassification of the cogeneration overcost during 2009-2011 period	2.412
27	17-Oct	ERSE announces the proposal for electricity tariffs in 2012 and parameters for the 2012-2014 regulatory period	2.420
28	27-Oct	Disclosure of the financial results for the third quarter of 2011	2.405
29	14-Nov	Fitch maintains EDP's rating at "BBB+" and rating watch	2.305
30	5-Dec	EDP issues EUR 200 million 3 year bond	2.470
31	8-Dec	Standard & Poor's places EDP's rating with creditwatch negative maintaining at "BBB"	2.420
32	15-Dec	ERSE announces parameters, tariffs and prices for electricity and other services for 2012-2014	2.470
33	22-Dec	EDP and China Three Gorges establish strategic partnership	2.330
34	23-Dec	Fitch affirms EDP's rating at "BBB+" removing from rating watch to outlook negative	2.323

CAPITAL MARKET INDICATORS

	2011	2010	2009	2008	2007
EDP SHARES ON EURONEXT LISBON (EUROS)					
Opening price	2.491	3.108	2.695	4.470	3.84
Closing price	2.391	2.491	3.108	2.695	4.47
Peak price	2.920	3.185	3.218	4.760	5.00
Minimum price	1.984	2.376	2.340	2.062	3.79
VARIATION IN SHARE PRICE AND REFERENCE INDICES					
EDP Shares (1)	(4.0%)	(19.9%)	15.3%	(39.7%)	16.4%
PSI20	(27.6%)	(10.3%)	33.5%	(51.3%)	16.3%
Dow Jones Eurostoxx Utilities	(24.8%)	(14.7%)	15.2%	(38.1%)	18.0%
Euronext 100	(14.2%)	1.0%	25.5%	(45.2%)	3.4%
LIQUIDITY OF EDP SHARES ON THE MARKETS					
Volume on Euronext Lisbon (EUR million)	4,261.9	6,291.8	4,969.7	9,710.1	21,256.5
Mean daily volume (EUR million)	16.6	24.3	21.8	37.9	83.4
Number of shares traded (million) (2)	1,712.8	2,367.2	1,722.3	2,761.1	5,079.7
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)	2,936.2	2,936.2	2,936.2	2,936.2	3,096.2
% of capital already privatised	80%	80%	80%	80%	85%
Number of own shares held (treasury stock) as at 31 Dec (million)	32.4	33.3	34.2	35.7	15.5
Annual rotation of capital (privatised shares)	58.3%	80.6%	58.7%	94.0%	164.1%
EDP MARKET VALUE (EUR MILLION)					
Market appreciation at the end of the financial year	8,742.8	9,108.4	11,364.5	9,854.4	16,344.7
TOTAL SHAREHOLDER PROFITABILITY					
Annual variation in share price (1)	(0.10)	(0.62)	0.41	(1.78)	0.63
Gross dividend distributed per share in the year	0.170	0.155	0.140	0.125	0.110
Total shareholder profitability	2.8%	(14.9%)	20.5%	(36.9%)	19.3%
DIVIDENDS					
Dividend per share	0.185	0.17	0.155	0.14	0.125
Dividend yield	7.7%	6.8%	5.0%	5.2%	2.8%

6.3. dividend distribution policy

Since the EDP shares were initially admitted to trading in the Lisbon Stock Exchange (now NYSE Euronext Lisbon), EDP has made careful and judicious annual distribution of dividends based on principles o prudence and creation of value for its shareholders. In accordance with these principles, the dividends distributed by EDP during the last two terms of the corporate bodies are as follows:

YEAR	APPROVAL DATE	PAYMENT DATE	GROSS DIVIDEND	NET DIVIDEND	
				RESIDENTS	NON RESIDENTS
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

With regard to 2010, the EDP Executive Board of Directors submitted to the approval of the General Meeting of Shareholders held on 14 April 2011 a proposal for the appropriation of EUR 725.1 million in net profits, of which EUR 621.6 million was earmarked for distribution to shareholders in the form of dividends. The proposal was approved by a majority of votes (99.9988%) by the General Meeting, with a gross dividend of EUR 0.17 per share being paid out on 13 May 2011.

In keeping with the legal provisions in force, the EDP Articles of Association require that profits for a business year be allocated to:

- Covering losses from previous years;
- Constituting or increasing legal reserves or other reserves determined by law;
- Constituting or increasing other reserves established by the General Meeting;
- 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; and
- Making a donation to EDP Foundation to be used to sponsor worthy initiatives in accordance with a programme to be submitted to the General and Supervisory Board as part of the EDP Group corporate citizenship and sustainable development policy; the donation is to be the equivalent of up to 0.1% of the consolidated business volume.

In accordance with the accounting principles generally accepted 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 reserves until this amounts to one fifth of the share capital, taking into consideration all other applicable legal and statutory limitations.

Dividend Payout

EDP has followed a sustained policy of dividend distribution that seeks to reconcile, on the one hand, strict compliance with the relevant legal and statutory provisions and, on the other, the sharing with all its shareholders of a significant portion of the value created by the Group, in keeping with the specific situation of the company and the market conditions. The pursuit of this policy is intended 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.

To this end, at the last Investor Day, held on 20 May 2010, with national and international investors and analysts, the objective of increasing the annual gross dividend per share by 1.5 euro cents over the value paid out for the previous year was reconfirmed.

7. relations between the company and the market

7.1. general information duties

Access to information on the company activities for investors and potential investors is one of the pillars of EDP policies and operations. Indeed, correct understanding of the strategy and financial, accounting and assets situation and the significant events in the life of the company, is only possible through promotion of transparency and easy access to quality information.

In this context, EDP created, in 1997, a support department - Investor Relations Department - with a view to guaranteeing appropriate relations between the company and the 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 guarantee, in a permanent and transparent manner, a close relationship with all market agents, providing investors with information that can help them in making decisions on investments (or divestments) in an informed, clear and concrete fashion.

7.2. edp investor relations department

The primary function of the Investor Relations Department is to act as a liaison link between the EDP 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, including privileged information and other market communications as well as the 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 these request, while observing the applicable legal and regulatory provisions.

The company representative for relations with the market is the Executive Board of Directors member, Mr. Nuno Alves. The EDP Investor Relations Department is coordinated by Mr. Miguel Viana and is located in the company's head offices at:

Praça Marquês de Pombal, nº 12, 3º Piso
1250-162 Lisboa














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The table below shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS						
	 ⁽¹⁾	 EDP		 ⁽²⁾	 ⁽³⁾	 CMVM
ELEMENTS REQUIRED BY LAW OR REGULATION ⁽⁴⁾						
Notice of meeting	✓	✓	✓	✓	✓	✓
Board of Directors' proposals	✓	✓	-	✓	✓	✓
Amendment of the Articles of Association	✓	✓	-	✓	-	✓
Other proposals	✓	✓	-	✓	-	-
2010 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	✓	✓	✓	✓	✓	✓
<div>1) At EDP's headquarters</div> <div>2) IR phone number +351 21 001 2834;</div> <div>3) Written notice from the Chairman of the Executive Board of Directors regarding Annual General Meetings Assembléias Gerais Anuais;</div> <div>4) Art. 289 of Companies Code and Regulation of CMVM 5/2008</div> <div> At EDP's headquarters  www.edp.pt  E-mail  Phone number IR  Mail</div> <div> www.cmvm.pt  Media</div>						

7.3. activities of the investor relations department

In what concerns communication to the market, EDP has the mission of presenting the information in an objective, transparent manner assuring that it is understandable by all stakeholders and financial community.

In that sense, the company has been following a financial report policy based on the transparency and consistency of the information provided to investors and analysts. Despite the difficulties arising from the complexity of the sector, the aim has been the continuing pursuit of the satisfaction of the needs of investors and analysts, which has allowed the strengthening of the trusting relationships with them and contributing to financial markets' development.

By the end of 2011, 20 institutions have elaborated research reports about EDP, most of them providing a positive recommendation: 13 buy recommendations, 4 hold and 3 sell recommendations.

On the back of the efforts carried out by the company, EDP was considered by "2011 IR Global Rankings" as the best worldwide company in the utilities sector regarding financial report and corporate governance.

During 2011, EDP participated in several events with investors and analyst with the purpose of communicate to the market its strategy and profile in terms of operational and financial performance, through several roadshows, analysts and investors presentations, meetings and conference calls. It is also worth to highlight that in addition to the traditional investor's conferences hold in Europe and the United States, EDP also put effort in the Asian markets in 2011 by means of meetings in Singapore and Hong-Kong.

Over than 350 meetings with investors and analysts were held in 2011 and 102 press releases to the markets were made.

7.4. company information on the edp Website

In addition to the Investor Relations Department and in compliance with CMVM regulations, the EDP website (www.edp.pt) also provides all information on legal or corporate governance matters, updates on company 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 interested parties.

The information made available 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, historical development in 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, as well as other information on the Group of potential interest. The EDP website enables all interested parties to consult, or request, the financial statements and accounts for any accounting year since 1999.

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edp group's business evolution

In 2011, the EDP Group's **net profit** reached EUR 1,125 million, compared with EUR 1,079 million in 2010. Net profit increased 4%, supported by a 10% increase in EBIT.

INCOME STATEMENT – EDP GROUP

EUR MILLION	2011	2010	Δ %	2010 RESTATED
Gross Profit	5,436	5,404	1%	5,404
Supplies and services	900	862	4%	862
Personnel costs	574	575	-0%	575
Costs with social benefits	61	153	-60%	68
Other operating costs (net)	145	201	-28%	201
Net Operating costs	1,680	1,791	-6%	1,706
EBITDA	3,757	3,613	4%	3,698
Provisions	1	103	-99%	103
Depreciation, compensation and impairment	1,488	1,447	3%	1,447
EBIT	2,268	2,064	10%	2,149
Capital gains/(losses)	21	61	-66%	61
Financial Results	(715)	(485)	-48%	(570)
Results from associated companies	19	23	-17%	23
Pre-tax profit	1,593	1,663	-4%	1,663
Income taxes	260	427	-39%	427
Net Profit for the period	1,333	1,236	8%	1,236
Net Profit attribut. to EDP shareholders	1,125	1,079	4%	1,079
Non-controlling interests	207	156	33%	156

EDP **consolidated EBITDA** advanced 4% year-on-year to EUR 3,756 million in 2011, driven by our operations in regulated networks (+EUR 162 million) and wind (+EUR 88 million). These increases offset the decline in our long term contracted generation (-EUR 52 million) and liberalised activities (-EUR 56 million). In 2011 EDP changed its accounting policy as to the interest cost and estimated return of the pension fund assets: these amounts, so far recognised as costs with social benefits (EUR 85 million in 2010), are now recognised at financial results level (EUR 88 million in 2011). Excluding this impact, EBITDA grew 2% year-on-year in 2011. EBITDA generated outside Portugal accounted for 58% of EBITDA in 2011 and 90% of total EBITDA derived from long term contracted and regulated activities, reflecting our low-risk operational profile.

EBITDA – EDP GROUP

EUR MILLION	2011	2010	Δ %
Generation Iberia	1,187.3	1,235.1	-4%
Long Term Contracted Generation	824.2	876.7	-6%
Liberalised Generation Iberia	363.1	358.4	1%
Supply Iberia	(14.0)	58.2	-
Distribution Iberia	832.2	697.8	19%
Gas Iberia	311.0	273.0	14%
Wind Power	800.7	712.7	12%
Brazil	681.7	674.0	1%
Other	(43.2)	(38.0)	14%
Consolidated	3,755.7	3,612.8	4%

EBITDA from the generation business in the Iberian Peninsula decreased 4% in the period (-EUR 48 million) to EUR 1,187 million. 2011 financial statements reflect a change in accounting policy as to the interest cost and estimated return of the pension fund assets: these costs, so far accounted as operating costs (EUR 14 million in 2010), are now accounted at financial results level (EUR 14 million in 2011).

EBITDA from long term contracted generation (Costs for the Maintenance of the Equilibrium System - CMEC and special regime) fell 6%, to EUR 824 million in 2011, mainly reflecting the exclusion of Carregado plant from this portfolio in December 2010 (EUR 85 million EBITDA contribution in 2010).

Gross profit from long term contracted generation related to Costs for the Maintenance of the Equilibrium System (CMEC) fell 6% to EUR 900 million in 2011, supported by the end of CMEC of Carregado fuel oil plant (EUR 94 million gross profit contribution in 2010) and lower contribution from results with fuel procurement (a gain of EUR 0.8 million in 2011 compared to a EUR 19 million gain in 2010). This decline was partially compensated by an acceleration of inflation (adding EUR 27 million to EBITDA compared to 2010), by levels of availability at our plants above contracted levels (2% above at hydro plants, 9% above at thermal plants) and the start-up of DeNOx facilities in two groups of Sines, in January 2011 (EUR 13 million EBITDA contribution in 2011).

Power plants operating under CMEC in Portugal (6,221MW) are entitled with a stable contracted gross profit and an 8.5% RoA before inflation and taxes, not adjusted by output but by the ratio of ratio real availability against contracted availability. The 10% decline in installed capacity under CMECs results from the end of PPA at our fuel oil plant, Carregado (710MW), on 31 of December 2010.

Gross profit from special regime fell 5%, to EUR 109 million in 2011, as the impact from lower output at mini hydro plants (-30%) was almost offset by the higher contribution from operations under thermal special regime in Portugal (on volume 10% higher; unit margin 15% higher year-on-year).

EBITDA from liberalized generation activity amounted to EUR 363 million in 2011 (+1% year-on-year), following lower production at our merchant plants, an increase in its average unit generation cost and an increase in other revenues, such as capacity payments.

Average production cost advanced to €39/MWh in 2011 (+12% compared to 2010), mainly supported by higher contribution from coal plants to the generation mix and higher fuel costs.

The output from our own generation plants declined 11%, to 15.2 TWh in 2011, as the impact from higher coal production (+1.1 TWh) was outweighed by lower production at our CCGT (-2.5 TWh) and hydro output (-0.6 TWh). As a result of higher coal output, total emissions of CO₂ rose 4% in 2011 but, yet, fell 13% short of free allowances attributable for the period.

In the last quarter of 2011, we have reinforced our CO₂-free generation portfolio with the start up of two hydro repowerings: Picote II (246 MW), in November 2011, and Bemposta II (191 MW), in December 2011. These repowerings, which implied an investment of EUR 0.6 million per MW installed and represent a 48% increase in our merchant hydro capacity, will serve to improve water management efficiency in the Douro basin, allowing us to produce more electricity in an average hydro year and to reap more fruits from existing opportunities in peak hours.

Output from our coal plants rose 26% in 2011, mostly reflecting the implementation of RDL1221/10 (domestic coal) in Spain and the longer than expected outage at our Aboño plant in 2010. Average load factor was 9 p.p. higher compared to 2010, at 42% in 2011. Since February 26, 2011, Soto 3 plant is producing electricity under the terms of RDL 1221/2010: while total output in 2011 stood 12% below the committed level for 2011, the Resolution 20651, of December 30, 2011, defined a total committed production in 2012 at Soto 3 of 1,362GWh.

Output from CCGTs decreased 27% in 2011, reflecting a 11 p.p. drop in average load factors, to 21%. CCGTs production was impacted by rising production cost and by the implementation of RDL 1221/2010.

Hydro output was 24% lower year-on-year in 2011. In turn, nuclear output was 2% higher in 2011 backed by 2p.p. increase in average load factor, to 89%.

In 2011, our CCGT plants in Portugal and Spain were entitled to receive similar capacity payments: €20/kW/year.

EBITDA from the supply business in the Iberian Peninsula was -EUR 14 million in 2011, due to higher competitive pressure in the market.

In Portugal, volumes supplied to EDP clients in the free market increased by 4% year-on-year to 9.1TWh in 2011, supported by some large industrial clients contracting. Due to a tough competition in the market, EDP's market share stood at 42% in 2011, down from 51% in 2010. Within a highly competitive environment, unit margins dropped in the period, as the 7% year-on-year increase in average selling price, to €55/MWh, was not enough to compensate higher energy purchase prices and higher third party access tariffs.

In Spain, volumes supplied to our clients in the free market increased 1% year-on-year to 20.5TWh in 2011, on the back of a wider clients portfolio (+7% year-on-year), which translates EDP's strategy to focus on the most attractive clients. Market share reached 12%, showing EDP's ability to keep a share in the supply market that is the double of its share in generation. Average selling price came out at €59/MWh in 2011, up 13% year-on-year, although with lower unit margins.

EBITDA from Iberian distribution business increased 19% when compared with the same period of 2010, to EUR 832 million.

EBITDA from electricity distribution and last resort supply activities in Portugal amounted to EUR 651 million in 2011. Note that EDP, in third quarter of 2011, changed its accounting policy as to the interest cost and estimated return of the fund assets: the respective amounts, so far accounted as operating costs, are now accounted at financial results level. This implied a downward adjustment of costs with social benefits by EUR 58 million in 2011 in this business area. Excluding the impact from this reclassification in 2010 (EUR 59 million) and a EUR 21

million intra-group real estate gain in 2011 (no impact at consolidated level), EBITDA increased by 1% to EUR 621 million (+EUR 3 million). This increase is mostly due to 4% decline in controllable costs which compensated a lower consumption and low GDP deflator implicitly in 2011 distribution tariffs.

Distribution grid regulated revenues declined EUR 42 million to EUR 1.171 million in 2011, essentially on the back of EUR 22 million negative impact from volume of electricity distributed lower than ERSE's assumption in the calculation of 2011 regulated revenues (electricity distributed decreased 2.8% year-on-year, following a decline in demand in the residential and SME segments) and GDP deflator of +0.5% applied on the update of 2011 regulated revenues (based on 12 months average ending in June 2010), which was below the X efficiency factor.

Last resort supplier regulated revenues decreased by 5% to EUR 108 million due to lower activity. Volume of electricity supplied by our last resort supplier, EDP Serviço Universal, fell 20% year-on-year to 24.6 TWh, as a result of the switching of clients to liberalized suppliers, especially in the industrial segment, in line with the calendar of increasing liberalization of the Portuguese electricity supply market. As a result, EDP Serviço Universal market share in electricity supply dropped from 64% in 2010 to 53% in 2011.

On 15 December 2011, ERSE published a final version of the regulatory assumptions for the next regulatory period 2012-2014 and regulated revenues in 2012 for our electricity distribution and last resort supply activities in Portugal. ERSE set: (1) a 4% avg. annual increase for electricity tariffs in Portugal (2) regulated rate of return on assets set at 9.5% for 2012 on a preliminary base (vs. 8.56% in 2011) based on 780bp assumption for Portuguese Republic CDS and to be positively correlated with the moving average of this variable (annually revised, Rate of Return floor at 8.0% and cap at 11.0% for 2012-2014); (3) electricity distribution regulated revenues of EUR 1,286 million for 2012 from which only 12% depend on electricity distributed; (4) last resort electricity supply regulated revenues of EUR 94 million for 2012; (4) forecast for volume of electricity distributed in 2012 set at 47.6TWh (2.3% above 2011 electricity distributed) and (5) assuming special regime generation of 19.6TWh (7.1% above 2011 special regime generation).

Regulatory receivables increased from EUR 188 million in December 2010 to EUR 720m in December 2011 driven by (i) EUR 395 million tariff deviation supported by EDP EDP Serviço Universal in 2011 following: i) higher than expected average electricity procurement cost both in wholesale markets (€62/MWh in 2011 versus €47/MWh assumed by ERSE in the calculation of 2011 tariffs) and ii) higher than expected volumes of special regime production (special regime production increased +2% year-on-year, standing 12% above ERSE's assumption); (2) EUR 31 million tariff deviation generated in electricity distribution activity in 2011 related to consumption mix different from ERSE's initial assumption; (3) EUR 88 million paid back through tariffs in 2011 referent to positive tariff deviations in previous years. In September 2011, EDP Serviço Universal sold without recourse EUR 185m referent to annuities to be recovered through tariffs in 2012 and 2013.

EBITDA from our electricity distribution activity in Spain rose 34% year-on-year to EUR 182 million in 2011 mainly reflecting the inclusion of EUR 27m gain related to the sale of transmission assets to REE; income of EUR 40 million in 2011 (+EUR 23 million versus 2010) consequence of the application of IFRIC18 which compensated EUR 7.3 million of transmission regulated revenues included in 2010 (sold in the first quarter of 2011). Excluding these impacts, EBITDA rose 7% year-on-year (+EUR 7 million), on the back of an increase in the distribution regulated revenues (+EUR 9 million) and higher efficiency.

Regulated revenues totaled EUR 167 million in 2011, increasing only 1% year-on-year since 2011 regulated revenues were impacted by the loss of transmission revenues (EUR 7 million), activity sold in the first quarter 2011 to REE, in order to comply with the Law 17/2007 of July 4th which forces distribution companies to sell their transmission assets to REE.

Electricity distributed by HC Energia, essentially in the region of Asturias, went up by 2.2% year-on-year, on the back of a larger client base (+1%) and strong demand in the industrial segment. Note that electricity consumption in high voltage and medium voltage segments increased by 6%. In the 4Q11, the Spanish government froze the last resort tariff (LRT) on an average baseload cost of €58/MWh and decreased access tariffs by 11% quarter on quarter.

In 2011, a total amount of EUR 9.8 billion of the Spanish deficit was securitized by FADE (the fund in charge of the securitization) of which EUR 504 million were entitled to HC Energia. By the end of December 2011, HC Energia's regulatory receivables amounted to EUR 514 million.

EBITDA from Iberian gas activity increased 14% (+EUR 38 million) when compared with 2010 to EUR 311 million in 2011. This growth is explained by a rise in the EBITDA from gas regulated activities rose 11% year-on-year (+EUR 27 million), driven by higher regulated revenues and connection fees in Spain (+EUR 14 million), higher recovering of past years tariff adjustments and start of accounting of tariff deviations in Portugal and (3) higher efficiency reflected in controllable costs 2.5% lower year-on-year (+EUR 2 million) and positive impact from other operating profit (+EUR 8 million) on higher transfer of assets and contributions from customers (IFRIC 18)).

In Spain, gas regulated activities gross profit went up 4% year-on-year (+EUR 7 million) to EUR 258 million in 2011, mostly due to EUR 4m increase of regulated revenues and the positive impact from deviations from previous years (-EUR 3.8 million in 2010 vs. EUR 2.9 million in 2011).

Regulated revenues in Spain rose 2% (+EUR 4 million) as a result of the adjustment on the tariff parameters to price index. Distribution regulated revenues rose 1% (+EUR 1 million) supported by a 6% increase of volume of gas distributed through the distribution network to 48.4 GWh, backed by a 1% increase in the number supply points and reflecting an increase of our network's extension. Gas transmission regulated revenues rose 12% year-on-year (+EUR 3 million), due to inflation update of revenues and increase of network (new pipeline Corbera-Tamón).

In Portugal, gas regulated activities gross profit increased by 16% to EUR 74m including a tariff deviation generated in the period (EUR 10.4 million in 2011) and deviations from previous years (EUR 4.9 million in 2011). Note that it has been published in Portugal a Decree-law, that allow the accounting of tariff deviations on the same way as electricity, which nevertheless should not have significant impact as the deviation amounts are small on the gas system.

Gas volumes distributed in Portugal went up 4% year-on-year supported by the 10% 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 2011, the Portuguese regulator (ERSE) set the gas tariffs for Portugal for the year going from July 2011 to June 2012, defining a 9% return on assets resulting on annual regulated revenues of EUR 65 million. ERSE set a 3.9% avg. last resort tariff increase for small clients (consumption <=10.000 m3/year) and a 6.6% average access tariff decrease for large clients (consumption >10.000 m3/year).

EBITDA from gas supply activity increased by 35% year-on-year (+EUR 11 million) to EUR 43 million in 2011 supported by gas sales to the wholesale market and by a decrease in operating costs, which benefited from lower provisions for doubtful debts in 2011, stemming from a more selective clients contracting policy. Volumes supplied in Spain went down 5% year-on-year to 28.3TWh in 2011, and volumes supplied in Portugal decreased 2% year-on-year to 6.8TWh in 2011, reflecting lower demand as well as a selective clients contracting policy. Market share in Spain remained flat at 11% in 2011, while in Portugal, market share stood at 15%, down from 28% in 2010. Average Iberian unit gross profit stood at €0.4/MWh in 2011, reflecting higher competitive pressure in the market.

EBITDA from wind power generation activity (EDP Renováveis) increased by 12% (+EUR 88 million) to EUR 801 million in 2011, in line with the 11% year-on-year increase of capacity to 7,157MW by December 2011. 2011 EBITDA includes a EUR 52 million operating income related to the fair value of the deferred amounts for the 2010 purchase, taking into account the information existing at year end which included a reduction in the estimated sales price of electricity to be produced and in the number of MW to be installed in the future by EDP Renováveis Italy and a EUR 15 million operating cost from write-offs related to pipeline rationalisation, of which EUR 11 million from the company's activity in the United States of America. Also, 2010 EBITDA includes a EUR 16 million income ("cash-in") from the cutback of a US PPA contract maturity from 2022 to 2015. Excluding these impacts, EBITDA went up 10% year-on-year (+EUR 67 million).

Main EBITDA growth driver were European markets ex-Iberia, where EBITDA increased EUR 23 million year-on-year, excluding the above mentioned gain from the fair value revaluation test on EDP Renováveis' Italian assets and liabilities, reflecting 287MW of new capacity (40% of total capacity additions: Romania: +195MW; Poland: +70MW; France: +22MW), higher average selling prices (+2% year-on-year to €96/MWh), which benefited from the increased contribution of the Polish and Romanian assets, and slightly lower average load factors (-1pp year-on-year to 23%). In Brazil, EBITDA increased by EUR 13 million year-on-year on the commissioning of the 70MW Tramandaí wind farm (10% of total capacity added), higher average selling prices (+9% year-on-year to R\$278/MWh) and a 35% load factor (+9pp year-on-year). In Spain, EBITDA rose by EUR 12 million, including hedging results, following 151MW of new capacity (21% of total capacity added), higher average selling prices (+4% year-on-year to €83/MWh) and a lower load factor (-2pp year-on-year to 25%). In the United States of America, EBITDA rose by EUR 9 million year-on-year, including a -EUR 13 million impact from forex and excluding the above mentioned impacts, reflecting 198MW of additional capacity (28% of total capacity additions), higher average load factor (+1pp to 33%) and lower average selling price (-4% year-on-year to USD46/MWh).

In the United States of America, installed capacity rose 198MW, following the entry into operation of Timber Road II (99MW in Ohio) and the commissioning of Blue Canyon VI (99MW in Oklahoma). Average selling price (excluding revenues from PTCs) for energy sold through PPA/Hedged fell 6% year-on-year to USD51/MWh, given new PPA contracts signed with lower starting prices but higher price updates over the lifetime of the contract and lower curtailment revenues. Average selling price in merchant power markets fell 3% year-on-year, to USD30/MWh, reflecting lower electricity spot prices (low gas prices, weak electricity demand and mild winter). Overall, average selling price from United States of America fell 4% year-on-year to USD46/MWh. As of December 2011, EDP Renováveis had 215MW under construction from Marble River wind farm in New York, expected to start operations in 2012 and with Renewable Energy Certificates (RECs) contracted to be sold through a 10 year PPA. Recall that in December 2010, the US government extended the cash grant option for wind capacity that started construction before December 2011, as long as commissioned until December 2012.

In Spain, EDP Renováveis is moving its capacity under RD661/2007 from the cap and floor option to the fixed tariff option, which is more attractive under current market conditions (approximately 92% of RD661/2007 capacity was under the fixed tariff option as of December 2011). In 2011, EDP Renováveis expanded its portfolio in Spain by 151MW. Average selling price for capacity under the transitory regime reached €90/MWh (excluding hedging results), following the recovery of average achieved pool prices (+36% year-on-year), and average selling price for capacity under RD661/2007 was €78/MWh, reflecting the additional capacity (+774MW) remunerated under the fixed tariff option. As part of EDP Renováveis' strategy of reducing its market exposure, 1.6TWh were sold forward in 2011. Overall, average selling price in Spain, including hedging results, rose 4% year-on-year to €83/MWh, offsetting the lower

average load factor (-2pp to 25% in 2011). As of December 2011, EDP Renováveis had 58MW under construction in Spain and an additional 52MW in the pre-registry scheme (to start construction and be commissioned in 2012).

In Portugal, as of December 2011, EDP Renováveis' installed capacity totaled 613 MW (+14MW year-on-year), all remunerated under the old tariff regime, set for 15 years, and according to which tariffs are indexed to both CPI and operating hours. Average load factor stood at 27% in 2011, down 2pp year-on-year, implying a 6% reduction in wind production, while average tariff rose 5% year-on-year to €99/MWh, reflecting both inflation indexation and a lower 2010 average tariff from the application of the working hour's adjustment factor given the above average production achieved. Still in Portugal, EDP Renováveis holds an equity stake in ENEOP consortium which has a license to build 1,200MW of wind capacity (480MW attributable to EDP Renováveis). ENEOP Consortium's wind farms are remunerated under the new tariff regime, at c€74/MWh (first year of operation), being also indexed to inflation and guaranteed for 15 years. By December 2011, ENEOP had an installed capacity of 814MW (326MW attributable to EDP Renováveis).

In France, EDP Renováveis has 306MW of installed capacity (+22MW year-on-year). Wind power in France is sold through fixed tariffs updated in line with inflation for 15 years. In 2011, EDP Renováveis average tariff in France was €87/MWh (+3% 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 Poland, power generated by our 120MW Margonin wind farm is sold in the spot market (average Polish baseload spot price was PLN 203.9/MWh in 2011, +4% year-on-year) and EDP Renováveis has a 15 years long term contract for the sale of the green certificates (GCs) generated from Margonin. In 2011, EDP Renováveis increased its installed capacity in Poland by 70 MW, through the commissioning of Korsze wind farm, with output contracted through a 10 year PPA. By the end of December 2011, EDP had 80MW under construction in Poland.

In Romania, EDP Renováveis has 285MW of installed capacity (+195MW year-on-year). Wind power production is sold in the market receiving also GCs per MWh produced. In 2010 the Romanian government approved the entitlement to wind producers of 2 GCs per MWh produced until 2017, with the price of GCs having a floor (€27.6) and a cap (€56.2) set in EUR. The full implementation of the second GC, that was approved by law in July 2011, only happened in late 2011, meaning that in 2011 EDP Renováveis still received just 1 GC per MWh produced. This along with the trial period of the recently installed wind farms justify the average selling price of RON378/MWh achieved in 2011.

In Italy, during second quarter of 2011, EDP Renováveis started the construction of its first 20MW wind farm.

In Brazil, 70MW Tramandaí wind farm started operations in the second quarter 2011. As of December 2011, EDP Renováveis had 84MW of installed capacity in Brazil, all remunerated under the PROINFA program, through a fixed tariff updated to inflation over 20 years. In December 2011, EDP Renováveis secured in the energy A-5 auction 20-year PPAs, starting 2016, for 120MW to be installed in the State of Rio Grande do Norte, in one of the windiest locations of Brazil.

EBITDA of the EDP Brasil activity increased just 1% year-on-year (EUR 8 million) to EUR 682 million. In 2011 the impact of foreign exchange in EDP Brasil's consolidated EBITDA was negligible, showing a positive contribution of just EUR 1 million. (Real appreciated 0.2% against the Euro).

EDP Brasil 2011 financial statements reflect a change in accounting policy as to the interest cost and estimated return of the fund assets: the respective amounts, so far accounted as operating costs, are now accounted at financial results level (BRL 21 million in 2011 and

BRL 9 million in 2010). Besides that, the recovery of fiscal credits regarding depreciation costs in the distribution and generation businesses which in 2010 were registered at EBITDA level are now deducted in the depreciation and amortization. (BRL 29 million in 2011 versus BRL 31 million in 2010)

In local currency, EDP Brasil's 2011 EBITDA rose 0.9% year-on-year. Adjusted by the impact of the reclassification from the accounting policy changes, as well as the impact of tariff deviations (-BRL 60 million in 2011 versus +BRL 35 million in 2010) EBITDA grew 9% justified by positive impact from tariff revision in distribution mainly in Bandeirante in October 2010, increase of electricity demand, inflation update on PPA's selling price, and more favorable allocation of contracted volumes in the year, which were partially offset by the increase of controllable costs.

In electricity distribution, the EBITDA in 2011 decreased by 9% year-on-year. Excluding impact of tariff deviation and the change in accounting policy related to the interest cost and estimated return of the fund assets as well as the effect of the recovery of fiscal credits regarding depreciation costs which were registered at EBITDA level in 2010, EBITDA went up by 3.5% in 2011.

Volume of electricity sold increased by 2.8% year-on-year in 2011, despite a deceleration in the fourth quarter 2011. In the residential and commercial segment, volume sold in 2011 rose 4% year-on-year impacted essentially by a rise of 3% year-on-year in the number of clients connected. In the industrial segment, electricity volumes stood flat in 2011 versus 2010, explained by a slowdown in the economic activity, especially in the concession area of Bandeirante in the fourth quarter of 2011. Regarding electricity distributed (but not sold) to free market clients (essentially large industrial consumers supplied directly in the free wholesale market from which EDP collects only third party access tariffs), volume of electricity distributed increased 4% year-on-year in 2011.

In October 2011, the regulator decided to keep Bandeirante's tariffs unchanged, as the new methodology for the 3rd Tariff Review cycle was not yet decided. Meanwhile, the discussion about the new methodology for the 3rd Tariff Review cycle, that started in September 2010, resulted in the publication by ANEEL in November 2011 of a new regulatory framework in which set a new Return on RAB at 7.5% after taxes. This new methodology will only be applicable to the next regulatory period (Bandeirante in October 2012 but with retroactive effects from October 2011 onwards and Escelsa from August 2013 onwards).

EBITDA in our electricity generation activities in Brazil increased by 11% essentially due to inflation update on PPA's and also to our allocation of PPA's yearly contracted volumes, which was more favorable versus 2010, as in 2010 it implied the need of energy purchases in the second half of 2010 when the spot prices were very high due to a decline of the hydro reservoirs to extremely low levels on the back of very dry weather in Brazil.

Installed capacity grew 55MW as a consequence of the conclusion of a part of Mascarenhas' repowering (9MW) and the recognition of additional capacity in Peixe Angical by ANEEL (47MW), both in the second quarter of 2011. Electricity volume sold increased 1% year-on-year in 2011, reflecting essentially the increase in the average installed capacity. Average selling price increased 8% year-on-year in 2011 supported by the update of prices to inflation which implied that gross profit increased by R\$78m. Almost all EDP Brasil's installed capacity is contracted under PPA long term contracts with an average maturity of 15 years.

EBITDA of the supply activity of EDP Brasil grew by 30% to BRL 32 million in line with the increase of electricity supplied by 20% and higher unit margins.

EDP Group's net operating costs fell 6% to EUR 1,680 million, supported by a EUR 56 million fall in other net operating costs and by the change in accounting policy of pension fund costs (+EUR 85

million). Adjusted for this accounting change, net operating costs fell 2% reflecting the mixed impact of: (i) operating costs EUR 30m higher as the impact from larger base of operations at EDP Renováveis (+EUR 35 million) and from human resources restructuring costs in long term contracted generation in Iberia (EUR 14 million in 2011) was partially compensated by tight cost control and headcount reduction in the electricity distribution business in Portugal; and (ii) other net operating costs EUR 56 million lower year-on-year on the back of a EUR 27 million gain booked in the sale of transmission assets offset the impact from higher costs in Spain, higher impact from IFRIC 18 (EUR 29 million) and lower provisioning for doubtful debts.

Net depreciation and amortisation (net of compensation from depreciation and amortisation of subsidized assets) increased EUR 41 million in 2011, justified by: (i) expansion of EDP Renováveis’s wind portfolio; (ii) new capacity in the liberalized generation, (iii) impact from the revaluation of some of EDP Renováveis ’s European assets and liabilities; more than compensated by (iv) the extension of the useful life of the wind farms (from 20 to 25 years, in June 2011) and of several other plants in Portugal in 2010 and (v) impact resulting from fiscal benefits regarding depreciation costs in the generation and distribution businesses in Brazil.

Financial results totalled -EUR 715 million in 2011, mainly reflecting: (i) the increase in the average cost of debt (from 3.5% in 2010 to 4.1% in 2011); (ii) an 7% rise in average net debt; (iii) the impact from the aforementioned change in accounting policy (-EUR 88 million); (iv) impairment in our stake in BCP (-EUR 58 million), and (v) provision due to a litigation with a client in Brazil (-EUR 22 million).

Results from associated companies includes essentially our equity stake in ENEOP Portugal (EUR 2.2 million impact in 2011), our stake in CEM (EUR 9.2 million in 2011) and our stake in Setgas, a regional gas distribution and supply company in Portugal (EUR 3.4 million impact in 2011).

Capital gains and losses reflects the sale of 16.7% stake in SEASA by EDP Renováveis in April 2011, a company which owns 74 operating MW of wind farm in Spain, recognizing a capital gain of EUR 9m and in October 2011, EDP completed the sale of 7.7% of Ampla Energia e Serviços and Ampla Investimentos e Serviços in Brazil to Endesa, ensuring a capital gain of EUR 10 million.

Consolidated capex totalled EUR 2,161 million in 2011, 65% of which devoted to expansion projects. In line with EDP’s strategy to invest in risk controlled activities, regulated/long term contracted activities absorbed 76% of capex. Maintenance capex totalled EUR 752 million in 2011, mostly devoted to regulated networks and Brazil. Expansion capex amounted EUR 1,408 million, 90% of which invested in CO₂-free technologies (hydro and wind).

CAPEX – EDP GROUP

EUR MILLION	2011	2010	Δ %
Long-Term Contracted Generation Iberia	58.9	96.0	-39%
Liberalised Activities Iberia	465.4	466.4	-0%
Regulated Networks Iberia	410.9	369.3	11%
Wind Power	828.7	1,231.7	-33%
Brazil	341.2	427.3	-20%
Other	55.5	76.6	-28%
EDP Group	2,160.6	2,667.3	-19%
Expansion Capex	1,408.2	1,972.9	-29%
Maintenance Capex	752.4	694.4	8%

Capex in new wind capacity (c60% of expansion capex), at EDPR level, amounted to EUR 829 million and was mainly invested in US (49%), Poland and Romania (11% each), Spain (8%), Brazil (7%). Out of total wind capex, EUR 364 million were invested in the conclusion of 720MW put in operation during 2011: 198MW in US, 195MW in Romania, 151MW in Spain, 70MW in Poland, 70MW in Brazil. Moreover, EDPR has so far spent EUR 218 million (EUR 155 million in

2011) in 375MW currently under construction (all under long term/ regulated tariff regimes): 215MW in US (State of New York), 80MW in Poland, 58MW in Spain, 20MW in Italy, 2MW in Portugal.

Capex in new hydro capacity (32% of expansion capex) totaled EUR 446 million in 2011, the bulk of which (EUR 383 million) devoted to construction/repowering works in 8 plants in Portugal (2,147MW due in 2011/15). In line with this, the first two repowering came on stream in November 2011 (Picote II, 246MW) and in December 2011 (Bemposta II, 191MW) enhancing an improved efficiency in water management in Douro basin. Additionally, Alqueva II (256MW, 82% of capex already incurred), is due to come on stream in the second half of 2012.

In Brazil, EDP already invested EUR 600 million in its 360MW share in Pecém coal plant and EUR 61 million in the repowering of Mascarenhas (9MW), due in 2013, and initial construction works of Jari (373MW) due in 2015. The first stage of Mascarenhas repowering (9MW) started operations in the second quarter 2011. Most of the capex in distribution activity was devoted to network expansion and reinforcement of the quality of service.

Capex at our electricity and gas regulated networks in Iberia increased by EUR 411 million in 2011. Capex in the electricity distribution activity in Portugal represented 66% of total capex in this area, which has increased 14% year-on-year to EUR 272 million and was mostly dedicated to service quality. The Equivalent Interruption Time (EIT) in 2011 was 76 minutes, a significant improvement compared to 2010, as a result of investment in improving the quality of service and benefiting from favorable weather conditions without material extraordinary events.

As at December 2011, the Group’s gross nominal debt totalled EUR 18,408 million. When compared to December 2010, the Group’s debt was nearly EUR 734 million higher, mostly due to dividends paid in the first semester and to the execution of the planned investment programme.

The amount of cash and equivalents and other as at December 2011 stood at EUR 1,732 million, which was held, mainly, at EDP S.A. and EDP Finance B.V. (EUR 946 million), the Group’s Brazilian subsidiaries (EUR 371 million) and EDP Renováveis (EUR 220 million).

EDP Group’s consolidated net debt at the end of 2011 amounted to EUR 16,948 million.

DEBT – EDP GROUP

EUR MILLION	2011	2010	Δ %
Debt - Short term	2.706	2.737	-1%
Bonds	1.655	1.339	24%
Bank loans	724	547	33%
Other loans	15	14	8%
Commercial paper	312	837	-63%
Debt - Long term	15.702	14.938	5%
Bonds	8.817	8.798	0%
Bank loans	6.791	6.038	12%
Other loans	94	102	-8%
Nominal debt	18.408	17.675	4%
Interest accrued	304	265	15%
Fair Value of Hedged Debt	72	(48)	-
Derivatives associated with Debt ⁽¹⁾	(105)	(21)	-
Total Financial Debt	18.680	17.871	5%
Cash and Cash Equivalents and Other	1.732	1.624	7%
Net Debt	16.948	16.247	4%

(1) With effect from 2011 and compared to 2010, also came to be considered the “Derivatives associated with debt” (Derivatives designated for net investment and fair-value hedge of debt) in the calculation of “Net Debt”.

In terms of maturity, EDP Group's consolidated debt breaks down into 15% in short-term and 85% in medium and long-term. During 2011, EDP maintained its policy of centralizing funding at EDP S.A. and EDP Finance B.V., 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%).

In the first semester of 2011, EDP Finance B.V. issued 5 year Eurobond in the amount of EUR 750 million and a CHF 230 million bond, with a tenor of 3 years, the first of EDP in the Swiss market, both under the MTN programme. These issues allowed EDP to reach different markets and investors and to strengthen its liquidity position.

In January 2011, EDP has signed a bilateral loan with EIB, in the amount of EUR 300 million and maturing in 2025, and a syndicated loan (Club Deal), in the amount of EUR 300 million and maturing in 2014.

During 2011 the Group received EUR 504 million from the FADE, the Spanish Electricity Deficit Amortisation Fund, through its subsidiary Hidroeléctrica Del Cantábrico S.A..

In the third quarter, the Group contracted two project finance with European Bank for Reconstruction and Development, the IFC, a member of the World Bank Group, and three commercial banks, for Pestera and Cernavoda wind farms in Romania, in the total amount of EUR 188 million. Furthermore, the Group has also executed a project finance structure with the Brazilian Development Bank (BNDES) for its Tramandaí wind farm in Brazil, in the total amount of BRL 228 million.

In December 2011, under the MTN programme, EDP S.A. issued a retail bond in the Portuguese market in the amount of EUR 200 million, for a 3 year period. This issue allowed EDP to strengthen its liquidity position.

Maintaining a prudent financial management policy, by the end of December 2011 EDP SA had access to EUR 1,745 million of available credit lines and EUR 650 million of commercial paper with underwriting commitment, fully available. It is the Group's policy to diversify its liquidity sources through high credit standing banks.

During 2011, the average cost of debt of the EDP Group was 4.1% per year and approximately 50% of its debt and borrowings had a fixed rate.

In terms of currencies, the USD financing contracted to fund the capex of the Group's US subsidiary justifies the exposure to USD of 20%. Euro continues to be the main funding currency of EDP at 71%.

Rating

In April 2011, following the downgrades of the sovereign, Standard & Poor's ("S&P") downgraded EDP's rating to "BBB" from "A-" with negative Outlook, Fitch downgraded EDP's rating to "BBB+" from "A-" with Rating Watch negative and Moody's downgraded EDP's rating to "Baa1" from "A3" in 2010 with Review for Possible Downgrade.

In July, Moody's further downgraded EDP's rating to Baa3 with negative Outlook, mirroring the downgrade of the Republic of Portugal to Ba2 with negative Outlook.

In December, following the announcement that the Republic of Portugal sold to China Three Gorges Corporation, a state-owned company of the People's Republic of China, 21,35% of EDP's share capital, Fitch affirmed EDP's rating at BBB+ with negative Outlook, removing the Rating Watch negative.

EDP's credit rating stands as at December 2011 three notches above the Republic of Portugal by Fitch, two notches by Moody's and one notch by S&P.

GLOBAL SCALE

	S&P	LAST UPDATE	MOODY'S	LAST UPDATE	FITCH	LAST UPDATE
EDP S.A. E EDP Finance BV	BBB/CW-/A-2	08-12-2011	Baa3/Neg/P3	08-07-2011	BBB+/Neg/F2	23-12-2011
HC Energia			Baa3/Neg/P3	08-07-2011	BBB+/Neg/F2	23-12-2011
Bandeirante	BB+/brAA+/Stab	16-03-2010	Baa3/Aa1.br/Stab	08-04-2010		
Escelsa	BB/brAA/Stab	16-03-2010	Baa3/Aa1.br/Stab	08-04-2010		
EDP Brasil			Ba1/Aa2.br/Stab	08-04-2010		

EDP - Energias de Portugal

Consolidated Income Statement
for the years ended 31 December 2011 and 2010

Thousands of Euros	Notes	2011	2010 *
Turnover	6	15,120,851	14,170,742
Cost of electricity	6	-7,320,373	-6,808,261
Cost of gas	6	-1,328,068	-945,270
Changes in inventories and cost of raw materials and consumables used	6	-1,035,935	-1,012,880
		5,436,475	5,404,331
Revenue from assets assigned to concessions	7	440,546	392,017
Expenditure with assets assigned to concessions	7	-440,546	-392,017
		-	-
Other operating income / (expenses)			
Other operating income	8	414,342	320,889
Supplies and services	9	-901,048	-862,256
Personnel costs and employee benefits	10	-634,900	-643,468
Other operating expenses	11	-559,281	-521,384
		-1,680,887	-1,706,219
		3,755,588	3,698,112
Provisions	12	-692	-103,578
Depreciation, amortisation expense and impairment	13	-1,517,160	-1,469,002
Compensation of amortisation and depreciation	13	29,654	22,279
		2,267,390	2,147,811
Gains / (losses) on the sale of financial assets	14	20,877	60,821
Financial income	15	818,848	820,743
Financial expenses	15	-1,534,235	-1,391,012
Share of profit in associates		19,477	23,470
Profit before income tax		1,592,357	1,661,833
Income tax expense	16	-260,378	-427,232
Net profit for the year		1,331,979	1,234,601
Attributable to:			
Equity holders of EDP		1,124,663	1,078,925
Non-controlling Interests	34	207,316	155,676
Net profit for the year		1,331,979	1,234,601
Earnings per share (Basic and Diluted) - Euros	31	0.31	0.30

* Includes the reclassification due to the change in accounting policy as described in note 2 a)

LISBON, 8 MARCH 2012

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

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

Thousands of Euros	2011		2010	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the year	1,124,663	207,316	1,078,925	155,676
Exchange differences arising on consolidation	-124,506	-129,539	146,964	152,159
Fair value reserve (cash flow hedge)	-88,349	-11,348	-35,264	-1,640
Tax effect from the fair value reserve (cash flow hedge)	24,471	3,171	8,581	56
Fair value reserve (available for sale investments)	-140,090	-439	-9,364	2,861
Tax effect from the fair value reserve (available for sale investments)	16,382	-147	-55	-169
Actuarial gains / (losses)	33,996	-22,191	-93,788	-14,127
Tax effect from the actuarial gains / (losses)	1,592	7,549	22,443	4,795
Other comprehensive income for the year, net of income tax	-276,504	-152,944	39,517	143,935
Total comprehensive income for the year	848,159	54,372	1,118,442	299,611

EDP - Energias de Portugal

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

Thousands of Euros	Notes	2011	2010
Assets			
Property, plant and equipment	17	20,708,313	20,323,583
Intangible assets	18	6,800,478	6,614,139
Goodwill	19	3,327,257	3,349,179
Investments in associates	21	160,306	146,871
Available for sale investments	22	171,313	443,965
Deferred tax assets	23	511,414	515,332
Trade receivables	25	108,610	117,442
Debtors and other assets from commercial activities	26	2,108,393	1,438,199
Other debtors and other assets	27	414,973	258,518
Total Non-Current Assets		34,311,057	33,207,228
Inventories	24	346,060	356,978
Trade receivables	25	2,043,671	2,069,676
Debtors and other assets from commercial activities	26	1,495,616	2,045,017
Other debtors and other assets	27	505,694	514,609
Tax receivable	28	644,819	640,485
Financial assets at fair value through profit or loss	29	212	35,745
Cash and cash equivalents	30	1,731,524	1,588,163
Assets classified as held for sale	43	201,924	30,952
Total Current Assets		6,969,520	7,281,625
Total Assets		41,280,577	40,488,853
Equity			
Share capital	31	3,656,538	3,656,538
Treasury stock	32	-111,430	-115,731
Share premium	31	503,923	503,923
Reserves and retained earnings	33	2,935,840	2,730,903
Consolidated net profit attributable to equity holders of EDP		1,124,663	1,078,925
Total Equity attributable to equity holders of EDP		8,109,534	7,854,558
Non-Controlling Interests	34	3,277,245	2,930,401
Total Equity		11,386,779	10,784,959
Liabilities			
Financial debt	36	15,786,411	14,887,195
Employee benefits	37	1,823,158	1,904,879
Provisions	38	415,149	431,194
Hydrological correction account	35	69,142	75,098
Deferred tax liabilities	23	954,002	856,072
Institutional partnerships in USA wind farms	39	1,796,809	1,644,048
Trade and other payables from commercial activities	40	1,289,436	1,416,047
Other liabilities and other payables	41	361,101	759,722
Total Non-Current Liabilities		22,495,208	21,974,255
Financial debt	36	2,998,698	3,004,451
Trade and other payables from commercial activities	40	3,296,680	3,489,294
Other liabilities and other payables	41	535,077	683,538
Tax payable	42	546,806	552,356
Liabilities classified as held for sale	43	21,329	-
Total Current Liabilities		7,398,590	7,729,639
Total Liabilities		29,893,798	29,703,894
Total Equity and Liabilities		41,280,577	40,488,853

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Income Statement for the three month periods from 1 October to 31 December 2011 and 2010

Thousands of Euros	2011	2010 *
Turnover	3,958,944	3,932,133
Cost of electricity	-1,943,208	-1,860,818
Cost of gas	-366,939	-318,166
Changes in inventories and cost of raw materials and consumables used	-294,840	-343,307
	1,353,957	1,409,842
Revenue from assets assigned to concessions	131,707	165,777
Expenditure with assets assigned to concessions	-131,707	-165,777
	-	-
Other operating income / (expenses)		
Other operating income	180,916	130,618
Supplies and services	-250,887	-240,623
Personnel costs and employee benefits	-163,135	-181,129
Other operating expenses	-140,291	-134,281
	-373,397	-425,415
	980,560	984,427
Provisions	1,041	-35,269
Depreciation, amortisation expense and impairment	-438,958	-372,443
Compensation of amortisation and depreciation	4,373	5,483
	547,016	582,198
Gains / (losses) on the sale of financial assets	10,597	58,246
Financial income	227,591	255,778
Financial expenses	-397,039	-415,232
Share of profit in associates	2,048	5,125
Profit before income tax	390,213	486,115
Income tax expense	-18,213	-121,691
Net profit for the year	372,000	364,424
Attributable to:		
Equity holders of EDP	301,033	304,653
Non-controlling Interests	70,967	59,771
Net profit for the year	372,000	364,424
Earnings per share (Basic and Diluted) - Euros	0.08	0.08

* Includes the reclassification due to the change in accounting policy as described in note 2 a)

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal
Consolidated Statement of Changes in Equity as at
31 December 2011 and 31 December 2010

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS Investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling interests
Balance as at 31 December 2009	9,978,013	3,656,538	501,992	471,387	2,381,683	61,794	174,103	165,859	-119,784	7,293,572	2,684,441
Comprehensive income:											
Net profit for the year	1,234,601	-	-	-	1,078,925	-	-	-	-	1,078,925	155,676
Changes in the fair value reserve (cash flow hedge) net of taxes	-28,267	-	-	-	-	-26,683	-	-	-	-26,683	-1,584
Changes in the fair value reserve (available for sale investments) net of taxes	-6,727	-	-	-	-	-	-9,419	-	-	-9,419	2,692
Actuarial gains/(losses) net of taxes	-80,677	-	-	-	-71,345	-	-	-	-	-71,345	-9,332
Exchange differences arising on consolidation	299,123	-	-	-	-	-	-	146,964	-	146,964	152,159
Total comprehensive income for the year	1,418,053	-	-	-	1,007,580	-26,683	-9,419	146,964	-	1,118,442	299,611
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-	-	-561,819	-
Dividends attributable to non-controlling interests	-62,018	-	-	-	-	-	-	-	-	-	-62,018
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	-	2,323	291	-
Share-based payments	2,118	-	-	-	388	-	-	-	1,730	2,118	-
Tax reimbursement of capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-	-	1,931	-
Changes in non-controlling interests resulting from acquisitions / sales and equity increases	8,538	-	-	-	-	-	-	-	-	-	8,538
Other reserves arising on consolidation	-148	-	-	-	23	-	-	-	-	23	-171
Balance as at 31 December 2010	10,784,959	3,656,538	503,923	502,888	2,794,322	35,111	164,684	312,823	-115,731	7,854,558	2,930,401
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

EDP - Energias de Portugal
Consolidated and Non-Consolidated Statement of Cash Flows
for the years ended 31 December 2011 and 2010

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Operating activities				
Cash receipts from customers	14,337,258	13,153,511	2,241,167	1,890,333
Proceeds from tariff adjustments securitization	684,651	-	-	-
Payments to suppliers	-10,588,153	-9,415,651	-2,189,230	-1,810,537
Payments to personnel	-817,903	-654,063	-54,547	-49,502
Concession rents paid	-226,115	-236,440	-	-
Other receipts / (payments) relating to operating activities	-251,123	-321,258	-83,744	-56,178
Net cash from operations	3,138,615	2,526,099	-86,354	-25,884
Income tax received / (paid)	-191,810	-683,955	-9,227	25,793
Net cash from operating activities	2,946,805	1,842,144	-95,581	-91
Investing activities				
Cash receipts relating to:				
Financial assets	152,822	155,286	437,764	98,122
Property, plant and equipment and intangible assets	48,964	65,292	2,746	2,024
Investment grants	44,881	31,313	-	-
Interest and similar income	115,820	127,218	463,796	324,606
Dividends	19,560	37,387	854,084	346,968
	382,047	416,496	1,758,390	771,720
Cash payments relating to:				
Financial assets	-614,704	-283,708	-511,755	-3,039
Changes in cash resulting from consolidation perimeter variations	-659	5,440	-	-
Property, plant and equipment and intangible assets	-2,311,043	-2,983,595	-44,645	-59,617
	-2,926,406	-3,261,863	-556,400	-62,656
Net cash from investing activities	-2,544,359	-2,845,367	1,201,990	709,064
Financing activities				
Receipts / (payments) relating to loans	732,952	1,104,831	439,916	-538,091
Interest and similar costs including hedge derivatives	-637,962	-540,095	-390,629	-361,482
Governmental grants received	2,587	169,304	-	-
Share capital increases by non-controlling interests	4,503	2,514	-	-
Receipts / (payments) relating to derivative financial instruments	-63,980	-42,670	-23,329	901
Dividends paid to equity holders of EDP	-616,581	-561,819	-616,581	-561,819
Dividends paid to non-controlling interests	-137,565	-87,274	-	-
Treasury stock sold / (purchased)	1,077	369	3,123	2,487
Purchase / (sale) of non-controlling interests without loss of control	356,343	-	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	141,111	228,359	-	-
Net cash from financing activities	-217,515	273,519	-587,500	-1,458,004
Changes in cash and cash equivalents	184,931	-729,704	518,909	-749,031
Effect of exchange rate fluctuations on cash held	-41,570	43,557	25	350
Cash and cash equivalents at the beginning of the year	1,588,163	2,274,310	142,675	891,356
Cash and cash equivalents at the end of the year (*)	1,731,524	1,588,163	661,609	142,675

(*) See details of "Cash and cash equivalents" in note 30 of the Financial Statements.

EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2011 and 2010

Thousands of Euros	Notes	2011	2010
Turnover	6	2,432,189	2,003,510
Cost of electricity	6	-1,817,445	-1,412,899
Changes in inventories and cost of raw materials and consumables used	6	-506,380	-430,640
		108,364	159,971
Other operating income / (expenses)			
Other operating income	8	13,013	12,408
Supplies and services	9	-176,852	-163,333
Personnel costs and employee benefits	10	-14,148	-14,022
Other operating expenses	11	-11,898	-12,834
		-189,885	-177,781
		-81,521	-17,810
Provisions	12	-9,516	-5,418
Depreciation, amortisation expense and impairment	13	-11,162	-12,054
		-102,199	-35,282
Gains / (losses) on the sale of financial assets	14	120,345	52,724
Financial income	15	1,472,994	1,628,636
Financial expenses	15	-878,942	-947,406
Profit before income tax		612,198	698,672
Income tax expense	16	173,606	26,464
Net profit for the year		785,804	725,136

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THE EXECUTIVE BOARD OF DIRECTORS

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

Thousands of Euros	2011	2010
Net profit for the year	785,804	725,136
Fair value reserve (cash flow hedge)	-20,852	-30,839
Tax effect from the fair value reserve (cash flow hedge)	5,507	7,548
Fair value reserve (available for sale investments)	-138,677	18,034
Tax effect from the fair value reserve (available for sale investments)	16,248	-3,120
Other comprehensive income for the year, net of income tax	-137,774	-8,377
Total comprehensive income for the year	648,030	716,759

EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Notes	2011	2010
Assets			
Property, plant and equipment	17	200,749	165,105
Intangible assets	18	16	24
Investments in subsidiaries	20	9,708,783	9,507,310
Investments in associates	21	-	-
Available for sale investments	22	42,544	257,072
Investment property		11,468	-
Deferred tax assets	23	18,344	-
Debtors and other assets from commercial activities	26	179	126
Other debtors and other assets	27	4,848,129	5,393,302
Total Non-Current Assets		14,830,212	15,322,939
Inventories	24	807	51,745
Trade receivables	25	149,073	46,357
Debtors and other assets from commercial activities	26	260,829	266,135
Other debtors and other assets	27	2,645,774	2,245,427
Tax receivable	28	162,377	92,330
Cash and cash equivalents	30	661,609	142,675
Total Current Assets		3,880,469	2,844,669
Total Assets		18,710,681	18,167,608
Equity			
Share capital	31	3,656,538	3,656,538
Treasury stock	32	-105,335	-109,636
Share premium	31	503,923	503,923
Reserves and retained earnings	33	1,895,855	1,926,188
Net profit for the year		785,804	725,136
Total Equity		6,736,785	6,702,149
Liabilities			
Financial debt	36	1,777,527	1,311,375
Provisions	38	72,172	21,867
Hydrological correction account	35	69,142	75,098
Deferred tax liabilities	23	-	67,926
Trade and other payables from commercial activities	40	3,410	3,797
Other liabilities and other payables	41	2,447,314	3,218,917
Total Non-Current Liabilities		4,369,565	4,698,980
Financial debt	36	5,700,385	5,779,736
Trade and other payables from commercial activities	40	508,693	431,151
Other liabilities and other payables	41	1,393,531	554,404
Tax payable	42	1,722	1,188
Total Current Liabilities		7,604,331	6,766,479
Total Liabilities		11,973,896	11,465,459
Total Equity and Liabilities		18,710,681	18,167,608

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement for the three month periods from 1 October to 31 December 2011 and 2010

Thousands of Euros	2011	2010
Turnover	697,706	601,048
Cost of electricity	-486,601	-404,972
Changes in inventories and cost of raw materials and consumables used	-175,189	-180,696
	35,916	15,380
Other operating income / (expenses)		
Other operating income	5,336	4,403
Supplies and services	-44,434	-43,155
Personnel costs and employee benefits	-3,368	-3,857
Other operating expenses	-881	-1,266
	-43,347	-43,875
	-7,431	-28,495
Provisions	-13,398	8,146
Depreciation, amortisation expense and impairment	-4,240	-5,050
	-25,069	-25,399
Gains / (losses) on the sale of financial assets	9,983	45,782
Financial income	426,607	594,803
Financial expenses	-259,270	-258,852
Profit before income tax	152,251	356,334
Income tax expense	26,025	18,617
Net profit for the period	178,276	374,951

LISBON, 8 MARCH 2012

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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 2011 and 2010

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS Investments)	Treasury stock
Balance as at 31 December 2009	6,542,869	3,656,538	501,992	471,387	1,867,805	41,104	117,732	-113,689
Comprehensive income:								
Net profit for the year	725,136	-	-	-	725,136	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-23,291	-	-	-	-	-23,291	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	14,914	-	-	-	-	-	14,914	-
Total comprehensive income for the year	716,759	-	-	-	725,136	-23,291	14,914	-
Transfer to legal reserve	-	-	-	31,501	-31,501	-	-	-
Dividends paid	-561,819	-	-	-	-561,819	-	-	-
Purchase and sale of treasury stock	291	-	-	-	-2,032	-	-	2,323
Tax reimbursement of Capital tax paid in 2004	1,931	-	1,931	-	-	-	-	-
Share-based payments	2,118	-	-	-	388	-	-	1,730
Balance as at 31 December 2010	6,702,149	3,656,538	503,923	502,888	1,997,977	17,813	132,646	-109,636
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

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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 and by DL 78/2011 of 20 July, which transposes 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 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 remunerated based on the principle of the costs avoided to the system, plus an environmental reward representing the benefits of using renewable energy resources. The PRE is subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

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

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

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

Distribution

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

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

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

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.

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.

Under the terms of the Ministers Council Resolution 34/2011 of 1 August which sets out the timetable for the extinction of tariffs to customers, transitory rates to be approved by ERSE will be applied for the period not exceeding three years only those customers who have not yet chosen a supplier.

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

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 2011, the tariffs set by ERSE were published for the years 2011-2012. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31.12.2007), approved by the Finance Ministry.

Activity in the energy sector in Spain

Electricity

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

Electric Sector Regulation

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

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 distribution 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 unorganised markets. The organisation and regulation of the market for electric power generation is defined by Royal Decree 2019/1997 of 26 December.

Electric energy is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of September 27, which revised the electricity tariffs of 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 modifies 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. Additionally, from the endorsement of Royal Decree Law 14/2010 of 23 December, producers under the ordinary regime have the obligation to pay for the utilization of the transport and distribution networks.

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Transportation

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

The entities and qualified consumers have free access to the transmission and supply networks, setting out a system of "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 and with international networks and extra-peninsular island systems) and the secondary transmission system (facilities < 220 kV other than primary transmission systems and less but fulfilling the functions of transmission).

Distribution

Law 54/1997 provides that the 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 distribution electricity 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 client). 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.

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.

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 Hidrocantábrico Energía Último Recurso, S.A.U. is included.

Social Benefit

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

Gas

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

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

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

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

The Royal Decree 6/2000 of 23 June, also creates the figure of Technical Manager of the System, which is responsible for the technical management of the 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 rates 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. Naturgás Comercializadora Energía, 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 Energia Comercializadora de Último Recurso 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.

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

The Brazilian electricity sector has undergone major structural and institutional changes in recent years, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

Regulated System

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

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

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

Liberalised system

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

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

Distribution

The 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.

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

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

Supply

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

Public Domain Assets

In Brazil, fixed assets used in the distribution and the supply activities are binded to these services and 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.

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

Electricity

Generation

In December 2011, 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 (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 Brazil. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, Genesa (Spain), Agrupación Eólica (Spain and France), Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania, EDP Renewables Italia and EDP Renováveis Brasil. As at 31 December 2010, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

Regulatory framework for the activities in Spain

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

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

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

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

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

In July 2010, 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 addition 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) setting a limit of 2,589 hours of operation for the installed capacity from which the wind farm is not entitled to receive any income.

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

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. Despite this regulation, the Government has emphasised its commitment towards achieving the 2020 Renewable Energy Target for Spain. Within EDPR's pipeline, wind farms already included in the registry will not be affected by this new regulation. Projects not included in the registry, and therefore, ruled by Royal-Decree-law 1/2012, do not have beforehand a defined incentive scheme.

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

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

In 2012, following the measures set out in the international financial assistance plan to Portugal and of the Government Programme, which predict the analysis of the effectiveness of the financial support for cogeneration and renewable energy, Decree-Law 25/2012 of 6 February, suspended the allocation of power injection on the Public Service under the special regime, which applies to all applications whose network connection is not authorized or whose reception is not yet assigned and covers the production facilities under Decree-Law 312/2001 and 583/99, relating to indigenous renewable resources and cogeneration up to 10MVA.

Regulatory framework for the activities in the United States of America

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

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

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

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

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

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

As part of the American Recovery and Reinvestment Act of 2009, which was extended in December of 2010, the federal government also encourages renewable energy development through investment tax credits and cash grants from 2009 through 2013. Many states have passed legislation, principally in the form of renewable portfolio standards ("RPS"), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

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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 the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years ended 31 December 2011 and 2010.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 8 March 2012. 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 (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies.

The EDP Group's consolidated and company financial statements for the years ended 31 December 2011 and 2010 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2011.

The accounting policies used by the Group in preparing its accompanying consolidated financial statements as at 31 December 2011 are consistent with those used in preparing the annual consolidated financial statements as at 31 December 2010.

However, as described in note 51, the Group adopted in the preparation of consolidated financial statements as at 31 December 2011, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2011. 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 2011 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 51.

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, adjustments to the provisional fair values that result from purchase price allocations to assets, liabilities and contingent liabilities, acquired ("Purchase Price Allocations") with impact on the amount of goodwill determined and registered in previous periods, originate a restatement of the comparative information, reflecting these adjustments on the income statement and balance sheet, with effect from the date of the acquisition.

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

In the 2011 annual accounts (with 2010 comparatives), in order to improve the presentation of assets and liabilities, the Group has further disclosed in the consolidated statement of financial position what are in fact the core business "Debtors and other assets" and "Trade payables and other liabilities".

In order to improve the presentation of Cash and cash equivalents, as at 31 December 2011 and 2010, the specific demand deposits in relation to institutional partnerships 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, were re-classified in the caption of Cash and cash equivalents instead of being included in the caption of Other debtors and other assets - Current.

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, there was a change in accounting policy on employee benefits - pensions.

Change in accounting policy

According to IAS 19, the costs of the year related to benefit plans may be booked in the income statement, as one of the following:

- (i) Interest cost and expected return on plan assets presented in financial results and the current service cost in employee benefits costs; or
- (ii) The total net cost presented in employee and benefits costs caption.

Since the IFRS adoption, EDP Group has consistently presented these costs in accordance with the second option, presenting the net effect of its defined benefits in the employee benefits costs caption.

However, during the third quarter of 2011, EDP Group decided to change the previously adopted accounting policy. Therefore, EDP Group began to present only the amount corresponding to the current service cost and the effect of early retirements in employee benefits costs and the interest cost and the return on plan assets fund in financial results.

As at 31 December 2011, the effect of this change results in an impact of 88 million of Euros in financial results against a decrease on employee benefits costs. As at 31 December 2010, EDP Group restated its employee benefits costs for comparative purposes, resulting in a decrease of approximately 85 millions of Euros against a negative increase of financial results in the same amount (see notes 10, 15 and 37).

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.

notes to the consolidated and company financial statements for the years ended 31 december 2011 and 2010

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 are recognised as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) was recognised as a financial expense in the consolidated income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

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

As from 1 January 2010 onwards, in an acquisition (dilution) of 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 hedging under IAS 39 are accounted for as trading instruments.

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

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

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

The accumulated foreign exchange gains and losses regarding the net investment and the related hedging recognised in equity are transferred to the income statement when the foreign entity is sold, as part of 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 in each balance sheet date, to demonstrate its effectiveness, showing that any adjustments to the fair value of the hedged item attributable to the risk being hedged are offset by adjustments to the fair value of the hedging instrument. Any ineffectiveness is recognised in the income statement in the moment that occurs.

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

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

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

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

notes to the consolidated and company financial statements for the years ended 31 december 2011 and 2010

Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

h) Property, plant and equipment

Items of Property, plant and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. On transition to IFRS, 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.

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 clients, 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.

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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, are 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.

As described in note 2 a), 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, Spain 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.

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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.

t) Share based payments

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

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

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

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

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

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

Immediately before classification as held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS 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

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

w) Segment reporting

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

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

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

x) Tariff adjustments

In regulated activities, the regulator establishes through the tariff adjustment mechanism, the criteria to recognise gains or losses of one period in future periods. The tariff adjustments accounted for in the EDP Group financial statements represent the difference between the amounts invoiced by 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 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 Bluenext 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 Bluenext market quote in the last working day of each month. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Cash Flow Statement

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

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

aa) Group concession activities

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

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

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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 infrastructure allocated to concessions are not recognised by the operator as a tangible fixed assets or as a financial lease, as the operator does not control the assets. The infrastructure 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 depreciated over their respective useful lives during the concession period.

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

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

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how 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. The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after termination of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation — Revisable mechanism

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

Review of the useful life of the generation 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.

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 part of deficit of 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009. In September 2011, the EDP Group sold unconditional tariff adjustment for the additional cost of cogeneration for the period 2009-2011.

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

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

EDP Group 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.

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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 period.

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

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

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

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

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

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

Exchange-rate risk management

EDP, S.A. Financial Department is responsible for managing exchange rate risk exposure resulting from foreign currency loans, 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.

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Brazilian Reais (BRL) and Zloty (PLN). Currently, the exposure to EUR/USD and EUR/PLN exchange rate risk results essentially from investments of EDP Group in wind parks in the USA and Poland. These investments were financed with debt contracted in USD and PLN, 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, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Given the long term nature defined for the investments in the Brazilian subsidiaries, the Group has decided not to use financial instruments to hedge the exchange rate risk on the investment in these subsidiaries.

The 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 2011 and 2010, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

Dec 2011				
Thousands of Euros	Results		Equity	
	+10%	-10%	+10%	-10%
USD	12,432	-15,195	-755	923
PLN	-	-	3,309	-4,044
	12,432	-15,195	2,554	-3,121

Dec 2010				
Thousands of Euros	Results		Equity	
	+10%	-10%	+10%	-10%
USD	7,485	-9,148	-15,995	19,550
PLN	-	-	3,584	-4,381
	7,485	-9,148	-12,411	15,169

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 17 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 50% of the Group's liabilities are fixed rate.

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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 2011 and 2010 would lead to the following increases / (decreases) in equity and results of the EDP Group:

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

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

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.

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 36).

Energy market risk management

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

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

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

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

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

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

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

Thousands of Euros	P@R Distribution by risk factor	
	Dec 2011	Dec 2010
Risk factor:		
Negotiation	2,000	1,000
Fuel	45,000	41,000
CO2	1,000	3,000
Electricity	19,000	36,000
Hydrological	19,000	20,000
Diversification effect	-66,000	-74,000
Total	20,000	27,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 31 December 2011 and 2010 the EDP Group's exposure to credit risk rating is as follows:

	Dec 2011	Dec 2010
Credit risk rating (S&P):		
AAA to AA-	12.44%	18.06%
A+ to A-	81.15%	75.69%
BBB+ to BBB-	3.43%	0.90%
BB+ to B-	0.47%	1.11%
No rating assigned	2.51%	4.24%
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 2011 and 2010 is as follows:

Thousands of Euros	VaR	
	Dec 2011	Dec 2010
Exchange rate risk	677	461
Interest rate risk	3,747	3,638
Covariation	-604	-421
Total	3,820	3,678

5. CONSOLIDATION PERIMETER

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

Companies acquired:

- EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A acquired 100% of the share capital of Home Energy II, S.A.;
- EDP Renewables Europe, S.L. acquired 49% of the share capital of SeaEnergy Renewables Inch Cape Limited, through its subsidiary EDPR UK Limited;
- Enagás - S.G.P.S., S.A. acquired 33.05% of the share capital of Setgás Comercialização, S.A.;
- EDP Renewables Europe, S.L. acquired 85% of the share capital of S.C. Ialomita Power, S.R.L.;
- Companhia Energética do Jari - Ceja (previous designated as Ipueiras Energia, S.A.) acquired 100% of the share capital of ECE Participações, S.A.

Companies sold and liquidated:

- EDP Renewables Europe, S.L. dissolved and liquidated Sodecoan, S.L., through its subsidiary Generaciones Especiales I, S.L.;
- EDP Renewables Europe, S.L. sold 100% of Subgroup Veinco, through its subsidiary Generaciones Especiales I, S.L.;
- EDP, S.A. liquidated EDP Investimentos, S.G.P.S., S.A. and its subsidiary EDP Gás III, S.G.P.S., S.A.;
- EDP Renewables Europe, S. L. liquidated Neomai Inversiones SICAV, S.A., through its subsidiary Agrupación Eólica, S.L.U.

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Companies merged:

- Enernova, S.A. (Brazil) was merged into Companhia Energética do Jari - Ceja;
- CESA - Castelo Energética, S.A. was merged into Energest, S.A.;
- Naturgas Energía Distribución Cantabria, S.A. was merged into Naturgas Energía Distribución, S.A.U.
- HDC Explotacion Centrales, S.A.U. was merged into Hidrocantábrico Cogeneracion, S.L.;
- EDP Gás II S.G.P.S, S.A. was merged into EDP Gás - S.G.P.S., S.A. (former EDP Participações S.G.P.S., S.A.);
- Farma Wiatrowa Wyszogrod, SP. ZO.O. was merged into Masovia Wind Farm I, S.P. ZO.O.;
- The following companies were incorporated in Hidrocantábrico Distribucion Eléctrica, S.A.U.:
 - Fuerzas Eléctricas Valencianas, S.A.;
 - Instalaciones Electricas Rio Isabena, S.L.;
 - Solanar Distribución Eléctrica, S.L.
- HDC Explotacion Redes, S.A.U. was merged into Hidrocantábrico Servicios, S.A.;
- Infraestructuras Gasistas de Navarra, S.L. was merged into Naturgas Energía Transporte, S.A.U.

Companies incorporated:

- EDP Renováveis Cantábria, S.L.;
- Paulding Wind Farm IV L.L.C.*;
- Pestera Wind Farm, S.A.;
- Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.;
- Pecém Transportadora de Minérios, S.A..
- Villa Castelli Wind, S.R.L.;
- Pochidia Wind Farm, S.A.;
- Rush County Wind Farm, L.L.C.*;
- 2011 Vento X, L.L.C.;
- EDPR Wind Ventures X, L.L.C.
- Eastern Nebraska Wind Farm, L.L.C.*;
- Agência de Desenvolvimento Regional do Vale do Tua, S.A.

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

Other changes:

- EDP Asia - Investimento e Consultoria, Lda. and EDP Internacional, S.A. acquired 40% of the share capital of EDP - Ásia Soluções Energéticas, Lda.;
- EDPR UK Limited, subsidiary of EDP Renewables Europe, S.L., sold an interest of 8.36% of the Moray Offshore Renewables Limited share capital by 4,033 thousands of Euros. As a consequence, the shareholding in the subsidiaries MacColl Offshore Windfarm Limited, Stevenson Offshore Windfarm Limited and Telford Offshore Windfarm Limited have also been reduced by 8.36%;
- Sinae Inversiones Eólicas S.A., subsidiary of EDP Renewables Europe, S. L., sold an interest of 1.25% the Eólica Alfaz, S.L. share capital;
- Reduction of the interests in EDP Energias do Brasil, S.A., from 64.8% to 51.0%, following the sale of an interest of 13.8% by EDP, S.A.;
- Reduction of the interests in SGORME - SGO Rede Mobilidade Eléctrica, S.A. from 100% to 91% through dilution, following a share capital increase not fully subscribed by EDP Distribuição - Energia, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding from 46.5% to 61.5% in the share capital of Aplicaciones Industriales de Energias Limpias, S.L. through its subsidiary Santa Quitéria Energia, S.L.U. Resulting from this change, EDPR EU increasing its shareholding from 58.33% to 83.96% in Parque Eólico Santa Quitéria, S.L. share capital, a subsidiary of Aplicaciones Industriales de Energias Limpias, S.L. ;
- HC Energia increased its shareholding from 47.5% to 95% in the share capital of Infraestruturas Gasistas de Navarra, S.L. through its subsidiary Naturgas Energía Transporte, S.A.U., being subsequently merged as mentioned in "Companies merged";
- Hidrocantabrico Distribucion Eléctrica, S.A.U. acquired 9.98% of the share capital of Instalaciones Electricas Rio Isabena, S.L.;
- Hidrocantabrico Distribucion Eléctrica, S.A.U. acquired 10% of the share capital of Solanar Distribución Electrica, S.L.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of the companies Relax Wind Park II, SP. ZO.O and Relax Wind Park IV, SP. ZO.O, through its subsidiary EDP Renewables Polska, S.P. ZO.O.;
- A EDP Renewables Europe, S.L. increased its shareholding from 89.99% to 100% in the share capital of Eólica Sierra de Avila, S.L. through its subsidiary Sinae Inversiones Eólicas S.A.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2011 and 2010 are listed in Annex I.

6. TURNOVER

Turnover analysed by sector is as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Electricity and network accesses	13,241,733	12,536,606	1,923,688	1,664,390
Gas and network accesses	1,688,936	1,348,165	211,223	62,945
Advisory, management and IT services	7,955	8,262	133,387	121,782
Sales of CO ₂ licenses	37,036	145,922	163,119	154,038
Other	145,191	131,787	772	355
	15,120,851	14,170,742	2,432,189	2,003,510

During 2011, on a consolidated basis, the caption Electricity and network accesses in Portugal includes a net income of 610,757 thousands of Euros (income in 31 December 2010: 194,510 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 40), as described under accounting policies - note 2 xl.

Additionally, the caption Electricity includes on a consolidated basis 237,032 thousands of Euros (31 December 2010: 312,899 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 2,661 thousands of Euros (91,622 thousands of Euros as at 31 December 2010) related to the initial CMEC for the period and 234,371 thousands of Euros (221,277 thousands of Euros as at 31 December 2010) resulting from the revisable mechanism, as established by the current legislation in Portugal.

The caption Advisory, management and IT services includes, on a company basis, 82,629 thousands of Euros (31 December 2010: 80,589 thousands of Euros) related with services charged to subsidiaries of EDP, S.A. for management and IT services. The amounts charged are in accordance with the contractual terms established on an arm's length basis.

The breakdown of Revenue by segment is presented in the segmental reporting (see note 54).

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 2011	Dec 2010	Dec 2011	Dec 2010
Cost of electricity	7,320,373	6,808,261	1,817,445	1,412,899
Cost of gas	1,328,068	945,270	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	418,130	252,223	-	-
Gas	491,413	586,698	342,756	274,779
Cost of consumables used	33,603	34,162	-	-
CO ₂ licenses	5,680	98,152	163,623	155,859
Other	167,632	131,558	1	2
Own work capitalised	-80,523	-89,913	-	-
	1,035,935	1,012,880	506,380	430,640
	9,684,376	8,766,411	2,323,825	1,843,539

On a company basis, Cost of electricity includes costs of 991,867 thousands of Euros (31 December 2010: 730,536 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, EDF 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 2011	Dec 2010
Revenue from assets assigned to concessions	440,546	392,017
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-338,432	-291,894
Personnel costs capitalized (see note 10)	-88,192	-79,863
Capitalised interest expense from financial debt (see note 15)	-13,922	-20,260
	-440,546	-392,017
	-	-

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

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

Thousands of Euros	Dec 2011			Dec 2010		
	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	301,465	139,081	440,546	278,438	113,579	392,017
Expenditure with assets assigned to concessions	-301,465	-139,081	-440,546	-278,438	-113,579	-392,017
	-	-	-	-	-	-

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8. OTHER OPERATING INCOME

Other operating income is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Supplementary income	13,578	23,409	5,603	345
Gains on fixed assets	38,227	4,731	1,416	1,839
Reversal of adjustments	33,301	33,067	-	-
Customers contributions	53,609	25,982	-	-
Insurance premiums - Energia RE	15,474	10,692	-	-
Income arising from institutional partnerships - EDPR NA	111,610	107,005	-	-
Amortisation of the power purchase agreements fair value - EDPR NA	10,334	25,776	-	-
EDPR Italia	51,695	-	-	-
Contract termination indemnity - EDPR NA	-	15,840	-	-
EDPR Poland PPA	-	15,000	-	-
Other operating income	86,514	59,387	5,994	10,224
	414,342	320,889	13,013	12,408

Gains on fixed assets includes approximately 27 millions of Euros related with the sale of the electricity lines and powerstations owned by Hidrocantabrico to Rede Eléctrica de España ("REE"), as referred in note 43.

The caption Reversal of Adjustments includes 28,470 thousands of Euros (31 December 2010: 30,401 thousands of Euros) related to Doubtful debtors and 4,831 thousands o Euros (31 December 2010: 2,666 thousands of Euros) regarding Debtors and other assets (see note 25 and 26).

Customers contributions of 53,609 thousands of Euros includes the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 47,687 thousands of Euros (31 December 2010: 18,670 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.

The power purchase agreements between EDPR NA and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 40). This liability is depreciated over the period of the agreements against other operating income. As at 31 December 2011, the amortisation for the period amounts to 10,334 thousands of Euros (31 December 2010: 25,776 thousands of Euros).

During 2010, the Group acquired 85% of EDP Renewables Itali, S.r.l. The EDPR Group granted the seller a put option over the remanaining 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 41). In 2011, EDPR Italia increased its share capital and the minority shareholder, Energia 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 adquired 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 41).

In 2010, the caption Contract termination indemnity - EDPR NA totalling 15,840 thousands of Euros, relates to na indemnity received by the subsidiary Poast Oak Wind LLC (EDPR NA subgroup) due to the early termination of a power purchase agreement held with a customer.

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

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Supplies and services:				
Water, electricity and fuel	14,659	13,700	1,148	972
Rents and leases	102,154	93,892	40,865	36,589
Communication	39,744	40,832	10,176	9,293
Insurance	42,505	41,191	658	640
Transportation, travelling and representation	27,115	28,150	1,681	2,177
Maintenance and repairs	326,897	289,048	15,871	16,058
Advertising	25,086	26,611	7,485	7,755
Specialised works:				
- Commercial activity	156,386	134,219	9,778	8,668
- IT services	44,935	45,096	17,123	16,775
- Legal and advisory fees	44,146	48,293	9,277	10,126
- Other services	46,452	43,490	12,784	12,209
Provided personnel	-	-	44,575	36,985
Other supplies and services	30,969	57,734	5,431	5,086
	901,048	862,256	176,852	163,333

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Personnel costs				
Board of Directors remuneration	15,945	14,514	5,080	5,173
Employee's remuneration	484,365	478,214	1,608	1,516
Social charges on remuneration	120,514	121,485	372	266
Performance, assiduity and seniority bonus	81,747	79,788	5,583	5,714
Other costs	38,183	29,999	1,275	1,128
Own work capitalised:				
- Assigned to concessions (see note 7)	-88,192	-79,863	-	-
- Other	-78,920	-68,729	-	-
	573,642	575,408	13,918	13,797
Employee benefits				
Pension plans costs	34,872	29,216	85	86
Medical plans costs and other benefits	7,458	5,361	135	135
Cost of rationalising human resources	15,797	33,164	-	-
Other	3,131	319	10	4
	61,258	68,060	230	225
	634,900	643,468	14,148	14,022

Pension plans costs include 16,858 thousands of Euros (31 December 2010: 13,495 thousands of Euros) related to defined benefit plans (see note 37) and 18,014 thousands of Euros (31 December 2010: 15,721 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 7,458 thousands of Euros (31 December 2010: 7,110 thousands of Euros net of the corresponding charge-off) related to the charge of the year. The costs of rationalising human resources results essentially from 56 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following the decommissioning process of the Carregado Generation Center and EDP Distribuição, S.A.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 44,926 thousands of Euros (31 December 2010: 43,210 thousands of Euros) and 43,210 thousands of Euros (31 December 2010: 42,092 thousands of Euros) respectively, were reclassified from personnel costs and employee benefits to financial costs (see notes 15 and 37).

The breakdown by management positions and category of professional permanent staff as at 31 December 2011 and 2010 is as follows:

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Board members and senior officers	100	107	29	28
Senior management	587	484	-	-
High management	3,501	2,389	-	-
Middle and intermediate management	1,188	1,428	-	-
Highly-skilled and skilled workers	5,537	5,890	-	1
Semi-skilled workers	1,226	1,737	-	-
Others	80	61	-	-
	12,219	12,096	29	29

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11. OTHER OPERATING EXPENSES

Other operating expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Concession rents paid to local authorities and others	255,467	250,537	-	-
Direct taxes	18,757	16,647	347	240
Indirect taxes	104,968	62,800	461	812
Impairment losses on doubtful debts and others	55,895	85,890	24	25
Irrecoverable debts	15,602	14,747	-	-
Losses on fixed assets	41,995	14,724	391	69
Donations	19,975	20,918	7,780	8,127
Other operating costs	46,622	55,121	2,895	3,561
	559,281	521,384	11,898	12,834

The caption Concession rents paid to local authorities and others includes essentially the rents paid by EDP Distribuição to the local authorities under the terms of the distribution concession contracts in low tension electricity and rents paid to power plants.

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 2011	Dec 2010	Dec 2011	Dec 2010
Charge for the period	71,755	134,145	15,679	7,927
Write-back for the period	-71,063	-30,567	-6,163	-2,509
	692	103,578	9,516	5,418

In 2010, the net movement of provisions includes the charge for the year related to onerous contracts with clients (approximately 85,018 thousands of Euros) in Portugal and Spain.

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Property, plant and equipment:				
Buildings and other constructions	14,510	12,354	2,087	443
Plant and machinery:				
Hydroelectricity generation	119,983	118,592	8	8
Thermoelectric generation	283,340	274,325	-	-
Renewable generation	414,759	422,524	-	-
Electricity distribution	56,791	54,633	-	-
Gas distribution	52,146	54,160	-	-
Other plant and machinery	5,453	4,043	16	15
Office equipment and tools	55,219	64,557	6,830	9,405
Other	17,119	12,258	2,213	2,175
Impairment loss	5,058	-	-	-
	1,024,378	1,017,446	11,154	12,046
Intangible assets:				
Industrial property and other rights	3,406	5,788	8	8
Concession rights and impairment	86,451	92,062	-	-
Intangible assets related to concessions - IFRIC 12	367,436	353,706	-	-
	457,293	451,556	8	8
	1,481,671	1,469,002	11,162	12,054
Compensation of amortisation and depreciation:				
Partially-funded property, plant and equipment	-29,654	-22,279	-	-
Impairment of Goodwill	35,489	-	-	-
	1,487,506	1,446,723	11,162	12,054

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 the second quarter of 2011, EDP Group changed the useful life of wind farms, from 20 to 25 years, based on a technical study performed by an independent entity with prospective effect from 1 April of 2011 as described in the note 3 - Critical accounting estimates and judgements in preparing the financial statements.

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 notes 8 and 19).

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

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

Thousands of Euros	Dec 2011		Dec 2010	
	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	-	-
Sociedad Eólica de Andalucía, S.A.	16.67%	9,405	-	-
Other	-	11	-	1,073
Investments in subsidiaries and associates:				
DECA II	-	-	21.00%	56,965
Oni SGPS, S.A.	-	-	-	6,942
Other	-	1,478	-	-4,159
		20,877		60,821

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

Thousands of Euros	Dec 2011		Dec 2010	
	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.	13.80%	110,362	-	-
DECA II	-	-	21.00%	45,782
Oni SGPS, S.A.	-	-	-	6,942
		120,345		52,724

On 4 October 2011, the sale of the investment held by the Group 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.

In 2011, EDP Renováveis, S.A. closed an agreement with Enel Green Power Spain, SA to sell its 16.67% equity shareholding in Sociedad Eólica de Andalucía, SA by 10,700 thousands of Euros, generating a capital gain on a consolidated basis of 9,405 thousands of Euros.

In 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 to approximately 363 million of Euros, at a currency rate at liquidation date), generating a capital gain on an individual basis of 110,362 thousands of Euros.

During 2010, resulting from the settlement of a pending lawsuit, the sale price of the investment held by EDP, S.A. in the subsidiary ONI S.G.P.S., S.A. was adjusted from 96,908 thousands of Euros initially established to 103,850 thousands of Euros, resulting in an adjustment to the loss determined in 2007 of 6,942 thousands of Euros.

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

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

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15. FINANCIAL INCOME AND EXPENSES

Financial income and expenses are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Financial income				
Interest income from investments	88,417	57,804	361,045	291,268
Interest from derivative financial instruments	140,040	149,480	28,749	57,926
Derivative financial instruments	265,911	293,696	437,216	542,210
Other interest income	60,681	87,708	1,485	5,918
Income from equity investments	7,885	16,159	638,498	713,321
Foreign exchange gains	71,758	92,284	5,331	15,537
CMEC	81,272	83,729	-	-
Other financial income	102,884	39,883	670	2,456
	818,848	820,743	1,472,994	1,628,636
Financial expenses				
Interest expense from financial debt	776,628	687,156	320,179	312,849
Capitalised interest expense from financial debt:				
Assigned to concessions (see note 7)	-13,922	-20,260	-	-
Other	-126,721	-148,391	-	-
Interest from derivative financial instruments	113,255	93,220	33,171	24,729
Derivative financial instruments	250,182	338,849	377,320	401,870
Other interest expense	54,560	8,271	8,769	4,447
Impairment of financial investments:				
Available for sale financial assets	63,435	4,207	-	-
Subsidiaries	-	-	51,854	29,339
Foreign exchange losses	123,813	96,875	77,618	167,567
CMEC	17,974	20,274	-	-
Unwinding with discounted value liabilities	107,940	118,562	-	-
Unwinding with pensions liabilities	44,926	43,210	-	-
Unwinding with medical liabilities and other plans	43,161	42,092	-	-
Other financial expenses	79,004	106,947	10,031	6,605
	1,534,235	1,391,012	878,942	947,406
Financial income / (expenses)	-715,387	-570,269	594,052	681,230

The caption Other financial Income - CMEC totalling 81,272 thousands of Euros includes, 19,080 thousands of Euros related to interest of the initial CMEC (31 December 2010: 21,099 thousands of Euros) included in the annuity for 2011, 57,629 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC, and 4,563 thousands of Euros (31 December 2010: 3,347 thousands of Euros) relating to the financial component of the revisable mechanism of CMEC for 2011. Other financial expenses - CMEC, in the amount of 17,974 thousands of Euros (31 December 2010: 20,274 thousands of Euros), is related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 40).

The caption Other financial income includes an amount of 21,578 thousands of Euros related with interest income of tariff adjustment (31 December 2011: 13,575 thousands of Euros) and tariff deficit in Portugal and 7,282 thousands of Euros (31 December 2010: 771 thousands of Euros) related with interest income of tariff adjustment and tariff deficit in Spain. The caption Other financial expenses includes an amount of 4,009 thousands of Euros related with interest income of tariff adjustment and tariff deficit in Portugal (31 December 2010: 25,734 thousands of Euros).

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

Impairment of available for sale financial assets, on a consolidated basis, in the amount of 63,435 thousands of Euros, refers essentially to the impairment related with the financials investments held in BCP and Rede Energia, in the amounts of 57,851 thousands of Euros (31 December 2010: 4,207 thousands of Euros) and 5,505 thousands of Euros, respectively, as a result of the decrease in the quoted price of these shares (see note 22).

Impairment of financial investments, on a company basis, in 2011 includes a 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). In 2010, this caption include a provision of the same nature on the subsidiaries EDP Imobiliária e Participações, S.A. and EDP Inovação, S.A. of 28,109 thousands of Euros and 1,230 thousands of Euros, respectively.

The Unwinding with discounted value liabilities refers essentially to, (i) the unwinding of the dismantling provision for wind farms of 2,995 thousands of Euros (31 December 2010: 2,872 thousands of Euros), (ii) the unwinding related to the put option of EDP Renewables Itália of 1,400 thousands of Euros (31 December 2010: 1,889 thousands of Euros), (iii) the implied financial return in institutional partnership in USA wind farms which amounted to 62,538 thousands of Euros (31 December 2010: 64,830 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 10,628 thousands of Euros (31 December 2010: 11,551 thousands of Euros), 5,051 thousands of Euros (31 December 2010: 2,828 thousands of Euros) and 11,958 thousands of Euros (31 December 2010: 13,480 thousands of Euros), respectively.

The financials components related to pensions liabilities, medical liabilities and other benefits in the amounts of 44,926 thousands of Euros (31 December 2010: 43,210 thousands of Euros) and 43,161 thousands of Euros (31 December 2010: 42,092 thousands of Euros), respectively were reclassified from personnel costs and employee benefits to financial costs (see notes 10 and 37).

The Other financial expenses includes the amount of 22,503 thousands of Euros related with the financial component of the provision booked by Bandeirante related to a process from the customer White Martins, S.A. regarding the existence of possible reflex effects in the electric power tariffs resulting from "Plano Cruzado".

Income from equity investments is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Group companies	-	-	633,979	696,458
Associated companies				
DECA - Distribución Eléctrica Centroamericana, S.A.	-	-	-	9,322
Other companies				
Ampla Investimentos e Serviços, S.A.	1,656	4,039	1,656	4,039
Banco Comercial Português, S.A.	-	2,347	-	-
Tejo Energia, S.A.	2,222	5,556	-	-
REN - Rede Eléctrica Nacional, S.A.	2,465	3,121	2,465	3,121
Other	1,542	1,096	398	381
	7,885	16,159	638,498	713,321

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal and Spain the period is 4 years and in Brazil it is 5 years, being the last year considered as definitively settled by the tax administration the year of 2005. In the United States of America the general Statute of Limitations for the IRS to issue additional income tax assessments for an entity is 3 years as from the date that the income tax return is filed by the taxpayer.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (4 years in Portugal since 2010, 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, providing for the implementation of a set of measures on the Spanish regime on income taxation. From 1 January 2012 onwards, the tax losses carry forward period is extended from 15 to 18 years.

In 2010 and 2011, a decision from the Supreme Administrative Court issued decisions in relation to the municipal surcharge calculation in the Special Taxation of Groups of Companies (RETGS), which confirmed that the Tax Authorities interpretation (Published letter number 20,132, of 14 April 2008) was not in accordance with the law. According to the referred decisions, the payment of municipal surcharge under RETGS should be calculated over the taxable profit of the group instead of over the taxable profit of each company included in the group, and not in accordance with the tax authorities interpretation.

In previous years as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT transaction systems used by the tax authorities, EDP paid in excess the referred municipal surcharge related to the RETGS of 31,6 million Euros. As a result, as of 31 December 2011, the municipal surcharge to be recovered regarding the years 2007 to 2010 totals to 31,6 million Euros, over which will accrue the amount of 11,5 million Euros in respect of the 2011 municipal surcharge. Taking into consideration the contingent nature of these receivables, none of them are recognised in the 2011 financial statements, except for the 2007 municipal surcharge of 10 million Euros, for which EDP received a formal favourable decision from the Administrative Court

In respect of the municipal surcharge paid in excess over the years 2007, 2008, 2009 and 2010, EDP has used all available legal means in order to recover such amounts. On 30 December 2001, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2007 municipal surcharge. Following to the referred decision, EDP recognised in income of 10 million Euros.

Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Current tax	-187,484	-186,304	69,213	20,110
Deferred tax	-72,894	-240,928	104,393	6,354
	-260,378	-427,232	173,606	26,464

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
Dividends	-0.4%	-23,091	-6,119
Tax benefits	-3.9%	-232,026	-61,487
Non deductible provisions and amortisations for tax purposes	0.2%	14,023	3,716
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
Other adjustments, tax differential and changes in estimates	1.7%	100,136	26,535
Effective tax rate and total income tax	16.2%	982,561	260,378

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The 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, (2012 State Budget Law), 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 million Euros, and (ii) at a rate of 5% over taxable income exceeding 10 million Euros. In accordance with n.º 4 of Article 116º of this Law, 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 10 million Euros will be 31,5%.

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

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

The 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
Autonomous taxation and tax benefits	0.2%	4,215	1,117
Effect of tax rates in foreign jurisdictions	3.6%	84,109	22,289
Other adjustments and changes in estimates	0.2%	4,366	1,157
Effective tax rate and total income tax	-28.4%	-655,115	-173,606

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

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

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Profit before tax	1,592,357	1,661,833	612,198	698,672
Income tax	-260,378	-427,232	173,606	26,464
Effective tax rate	16.4%	25.7%	-28.4%	-3.8%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cost:				
Land and natural resources	176,310	163,184	75,026	46,498
Buildings and other constructions	551,944	502,184	95,906	24,569
Plant and machinery:				
Hydroelectric generation	8,036,060	7,805,470	254	254
Thermoelectric generation	7,752,912	7,571,906	-	-
Renewable generation	10,899,201	9,531,048	-	-
Electricity distribution	1,990,302	1,985,616	-	-
Gas distribution	1,100,039	1,268,116	-	-
Other plant and machinery	114,955	39,065	165	148
Office equipment and tools	644,771	610,443	90,203	103,915
Other	130,755	195,221	19,120	18,363
Assets under construction	2,731,386	3,210,711	12,432	82,951
	34,128,635	32,882,964	293,106	276,698
Accumulated depreciation and impairment losses:				
Depreciation charge for the year	-1,019,320	-1,017,446	-11,154	-12,046
Accumulated depreciation in previous years	-12,390,019	-11,535,836	-81,203	-99,547
Impairment for the year	-5,058	-	-	-
Impairment losses in previous years	-5,925	-6,099	-	-
	-13,420,322	-12,559,381	-92,357	-111,593
Carrying amount	20,708,313	20,323,583	200,749	165,105

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
Office equipment and tools	610,443	9,236	-50,214	72,847	-486	2,945	644,771
Other	195,221	9,541	-22,973	12,390	-934	-62,490	130,755
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
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
Office equipment and tools	470,517	55,219	-50,198	-55	-1,176	1,880	476,187
Other	126,405	17,140	-7,695	-	-858	-45,530	89,462
	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 with 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 non-current assets held for sale (see note 43).

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.

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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.

The movements in **Property, plant and equipment, for the Group**, for the year ended 31 December 2010 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	149,633	5,564	-194	-306	8,852	-365	163,184
Buildings and other constructions	473,599	2,994	-6,794	-3,742	41,719	-5,592	502,184
Plant and machinery	25,396,468	21,041	-93,135	2,273,969	493,388	109,490	28,201,221
Office equipment and tools	600,790	16,223	-27,436	17,850	3,393	-377	610,443
Other	203,487	15,949	-11,133	11,623	2,921	-27,626	195,221
Assets under construction	3,278,539	2,331,788	-2,564	-2,453,161	81,555	-25,446	3,210,711
	30,102,516	2,393,559	-141,256	-153,767	631,828	50,084	32,882,964

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:							
Buildings and other constructions	135,704	12,354	-4,094	-4,211	7,477	-2,964	144,266
Plant and machinery	10,962,464	928,277	-62,307	-93,146	48,576	34,329	11,818,193
Office equipment and tools	441,004	64,557	-5,547	-27,299	2,871	-5,069	470,517
Other	128,538	12,258	-12,461	-16,028	2,439	11,659	126,405
	11,667,710	1,017,446	-84,409	-140,684	61,363	37,955	12,559,381

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

Transfers include 61,184 thousand Euros of cost of acquisition and 30,232 thousand Euros of accumulated depreciation, related to the Regulated Energy Transmission Activity in Spain, which were classified as non-current assets held for sale (see note 43). Additionally, this caption includes the effect of the changes in the application of IFRIC 12 in Brazil. These changes follow the clarifications provided by the Agência Nacional de Energia Elétrica (ANEEL) regarding the criteria to determine assets allocated to concessions.

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

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

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

As at 31 December 2011, Property, plant and equipment financed through lease contracts for the Group, amounts to 14,249 thousands of Euros (13,303 thousands of Euros at 31 December 2010), with accumulated depreciation of 5,754 thousands of Euros (4,186 thousands of Euros at 31 December 2010) and, the respective future lease payments amount to 7,882 thousands of Euros (7,572 thousands of Euros at 31 December 2010). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousands of Euros	Dec 2011			Dec 2010		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,211	214	3,425	2,857	146	3,003
Between one and five years	3,882	177	4,059	3,859	147	4,006
More than five years	389	9	398	548	15	563
	7,482	400	7,882	7,264	308	7,572

During 2011, the costs incurred with these assets amounted to 690 thousands of Euros (31 December 2010: 562 thousands of Euros) and are booked in the income statement under Maintenance and repairs.

The movements in **Property, plant and equipment, for the Company**, for the year ended 31 December 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	95,906
Plant and machinery	402	17	-	-	-	419
Office equipment and tools	103,915	4,124	-32,886	15,050	-	90,203
Other	18,363	922	-722	537	20	19,120
Assets under construction	82,951	28,238	-	-98,757	-	12,432
	276,698	46,828	-38,689	-	8,269	293,106

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	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
Plant and machinery	145	24	-	-	-	169
Office equipment and tools	82,088	6,830	-32,886	-	-	56,032
Other	11,966	2,213	-498	-	2	13,683
	111,593	11,154	-37,861	-	7,471	92,357

Transfers of Assets under construction to Buildings and other constructions relating essentially to the new building of EDP Group in Porto, which opened in 13 April 2011.

The movements in **Property, plant and equipment, for the Company**, for the year ended 31 December 2010 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	46,502	-	-4	-	-	46,498
Buildings and other constructions	25,252	391	-1,887	-	813	24,569
Plant and machinery	402	-	-	-	-	402
Office equipment and tools	98,114	6,476	-	164	-839	103,915
Other	18,034	754	-491	66	-	18,363
Assets under construction	36,056	47,125	-	-230	-	82,951
	224,360	54,746	-2,382	-	-26	276,698

Thousands of Euros	Balance at 1 January	Charge / Impairment for the year	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated depreciation and impairment losses:						
Buildings and other constructions	17,735	443	-	-1,597	813	17,394
Plant and machinery	122	23	-	-	-	145
Office equipment and tools	72,757	9,405	-	-	-74	82,088
Other	10,184	2,175	-	-393	-	11,966
	100,798	12,046	-	-1,990	739	111,593

As at 31 December 2011 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,555 thousands of Euros (3,393 thousands of Euros at 31 December 2010), with accumulated depreciation of 1,587 thousands of Euros (1,318 thousands of Euros at 31 December 2010) and the respective future lease payments amount to 1,733 thousands of Euros (1,644 thousands of Euros at 31 December 2010). Property, plant and equipment financed by leasing contracts is detailed as follows:

Thousands of Euros	Dec 2011			Dec 2010		
	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	783	48	831	717	28	745
Between one and five years	753	39	792	816	25	841
More than five years	107	3	110	56	2	58
	1,643	90	1,733	1,589	55	1,644

During 2011, the costs incurred related to these assets amount to 169 thousands of Euros (155 thousands of Euros at 31 December 2010) and are booked under Maintenance and repairs in the income statement.

18. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cost:				
Industrial property, other rights and other intangibles	97,157	93,411	100	100
Concession rights	15,463,265	15,032,831	-	-
CO2 licenses	359,058	212,230	-	-
Intangible assets in progress	563,295	597,396	-	-
	16,482,775	15,935,868	100	100
Accumulated amortisation and impairment losses:				
Amortisation of concession rights during the period	-453,887	-445,768	-	-
Amortisation of industrial property and other intangibles during the period	-3,406	-5,788	-8	-8
Accumulated amortisation in previous years	-9,225,004	-8,870,173	-76	-68
	-9,682,297	-9,321,729	-84	-76
Carrying amount	6,800,478	6,614,139	16	24

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

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

The movements in **Intangible assets** during 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:							
Industrial property, other rights and other intangibles	93,411	2,391	-22	594	27	756	97,157
Concession rights:							
Distribution and generation Brazil	1,254,421	251,138	-	-	-56,997	-	1,448,562
Gas Portugal	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	470,228	54,266	-556	-	-	-2,528	521,410
Extension of Public hydric domain	759,000	-	-	-	-	-	759,000
Mini-hydrics	91,118	-	-	-	-	-	91,118
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 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 for the Year	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses:							
Industrial property and other rights	25,629	3,406	-25	-	42	-8	29,044
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
	9,321,729	457,293	-13,465	-	-146,713	63,453	9,682,297

The caption "Transfers" of intangible assets assigned to concessions in the amount of 133,123 thousands of Euros relates to the transfer to Debtors and other assets from commercial activities of the amount of 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 Hidroelétrica de Santo Antônio do Jari.

"Acquisitions / Increases" 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 and 163,169 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 180,217 thousands of Euros (31 December 2010: 247,399 thousands of Euros) and 50,906 thousands of Euros sold in the market.

In the caption "Use rights Alqueva/Pedrogão", the acquisitions of 54,266 thousands of Euros relates to the power enhancement performed during 2011. The "Perimeter variations/Regularisations" of 2,528 thousands of Euros result from: (i) a decrease of 4,618 thousands of Euros regarding with the fact that the power enhancements predicted contractually in Pedrogão have not been performed, which implies a revision of concession rent; and (ii) an increase of 2,090 thousands of Euros related to the update of the discount rate used in the calculation of the use right to 6.533%.

The movements in **Intangible assets** during the year ended 31 December 2010, **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:							
Industrial property, other rights and other intangibles	212,112	3,235	-448	-135,925	11,841	2,596	93,411
Concession rights:							
Distribution and generation Brazil	1,190,694	-	-	-	63,727	-	1,254,421
Gas Portugal	138,354	-	-	-	-	-	138,354
Use rights Alqueva/Pedrogão	411,437	43,924	-	-	-	14,867	470,228
Extension of Public hydric domain	759,000	-	-	-	-	-	759,000
Mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	287,989	218,001	-293,760	-	-	-	212,230
Assigned to concessions (IFRIC 12):							
Intangible assets	11,525,486	62,296	-31,348	470,825	281,624	-	12,308,883
Intangible assets in progress	254,238	329,721	-121	-337,842	11,302	-	257,298
Other Intangible assets in progress	312,671	33,940	-4,010	-2,289	233	-447	340,098
	15,193,926	691,117	-329,687	-5,231	368,727	17,016	15,935,868

Thousands of Euros	Balance at 1 January	Charge for the Year	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 31 December
Accumulated amortisation and impairment losses:							
Industrial property and other rights	88,729	5,788	-73,692	-305	5,680	-571	25,629
Concession rights	496,217	92,062	-	-	9,001	-	597,280
Intangible assets assigned to concessions (IFRIC 12)	8,118,931	353,706	127,869	-14,812	113,126	-	8,698,820
	8,703,877	451,556	54,177	-15,117	127,807	-571	9,321,729

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

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

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

The movements in **Intangible assets** during 2011, for the **Company**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

Thousands of Euros	Balance at 1 January	Charge for the year	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated amortisation:						
Industrial property and other rights	76	8	-	-	-	84
	76	8	-	-	-	84

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

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Cost						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	100	-	-	-	-	100

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Thousands of Euros	Balance at 1 January	Charge for the year	Disposals / Write-offs	Transfers	Regularisations	Balance at 31 December
Accumulated amortisation:						
Industrial property and other rights	67	8	-	-	1	76
	67	8	-	-	1	76

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 2011	Dec 2010
HC Energia Group	1,916,548	1,908,476
EDP Renováveis Group	1,311,133	1,343,294
EDP Brasil Group	57,427	58,991
Other	42,149	38,418
	3,327,257	3,349,179

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

The movements in **Goodwill** during 2010, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 31 December
HC Energia Group	1,725,524	201,799	-18,847	-	-	-	1,908,476
EDP Renováveis Group	1,318,968	58,234	-72,170	-	38,262	-	1,343,294
EDP Brasil Group	56,762	-	-	-	2,229	-	58,991
Other	35,312	3,130	-24	-	-	-	38,418
	3,136,566	263,163	-91,041	-	40,491	-	3,349,179

HC Energia Group

During 2010, the Naturgas goodwill increased 201,799 thousands of Euros as a result of the revaluation of the liability related with the acquisition by Ente Vasco de la Energia (see note 41) of 29.43% of Naturgas Energia share capital.

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

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 31 December 2011 and 2010, is analysed as follows:

Thousands of Euros	EDP Renováveis Group	
	Dec 2011	Dec 2010
Goodwill in EDPR Europe Group	697,691	748,680
Goodwill in EDPR North America Group	611,882	592,915
Goodwill in EDPR BR Group	1,560	1,699
	1,311,133	1,343,294

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 Genesa in the amount of 3,363 thousands of Euros (see note 41) 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 notes 8 and 13).

The variation of EDPR North America goodwill is related to exchange differences.

During 2010, the increase in EDP Renováveis Group includes the amount of 57,781 thousands of thousands of Euros s from the acquisition of the EDPR Italia. During 2011 the decrease in EDP Renováveis Group subgroup is related with the revaluation of the put option of Caja Madrid over Genesa amounting to 68,968 thousands of Euros.

Goodwill impairment test analysis — EDP Group

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

The recoverable amount 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 Brazil - 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 used by the Group in the impairment test analysis range between 6.3% and 7.2% (2010: between 5.6% and 6.4% respectively).

In the generation business, the cash-flow projections correspond to the remaining useful lives of the power plants. In the electricity and gas distribution business, the cash-flows are projected in a four year period, where in the 5th year a perpetuity is used with a 1% growth rate.

The main assumptions on which impairment tests are based are as follows:

- Energy produced by the power plants: the best estimates were prepared taking into consideration future market demand and total installed capacity;
- Prices of electricity, gas and coal: future price curves based on external recognised data bases were prepared with internal knowledge developed historically and considering regulation in force. Contracted prices for future purchases were also used as applicable in each case;
- Operating costs: Operating costs were projected consistent with the company's experience and internal models;
- In the regulated business, namely in the distribution of electricity and gas, the contracted or officially approved remuneration was used, applying the regulated mechanisms for the annual remuneration updates.

The Group has performed a series of sensitivity analyses of the results of impairment tests to changes in some of the key variables, such as (i) uncontracted generation margins and (ii) Discount rate. This sensitivity analysis of considering (i) a 5% decrease in estimated generation margins, or (ii) a +50bps increase on the discount rate did not result in any impairment indicators.

Goodwill impairment test analysis — EDP Renováveis

The future cash flows projection period used is the remaining useful life of the assets which is consistent with the estimated useful life of our wind farms and with the current depreciation method. This is also supported by the long-term off-take contracts in place and possibility of utilizing estimated price curves

The main assumptions on which impairment tests are based are as follows:

- Power produced: net capacity factors used for each CGU utilize wind studies carried out, taking into consideration (i) the installed capacity and the long-term forecasts of wind output and (ii) the regulatory mechanisms that allow for production whenever weather conditions permit;
- Electricity remuneration: approved 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 a pre-determined during 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 sources;
- New capacity: tests were based on the best information available on the wind farms due to come operational in coming years and considered the contracted and expected prices to buy turbines from various suppliers, adjusted by the probability the projects planned are to be successfully completed and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections;
- 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: it is used as a percentage of the initial investment in each CGU, considering inflation;
- Discount rate: the discount rates used reflects the Group's best estimate of the risks specific to each CGU and range as follows:

	2011	2010
EDPR EU	6.1% - 8.6%	5.3% - 7.7%
EDPR NA and EDPR BR	5.0% - 8.3%	6.1% - 9.1%

The Group has performed a series of sensitivity analyses of the results of impairment tests to changes in some of the key variables, such as (i) Net Capacity Factor, (ii) Electricity remuneration, (iii) Capital expenditure in new windfarms, and (iv) Discount rate.

This sensitivity analysis does not lead into any imparity on EDPR EU nor EDPR NA and EDPR BR, apart from Italy where an increased in the discount rate of +25bp's and +50bp's would result in the recognition of an impairment loss between 4.6M€ and 9.0M€, respectively.

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On 28th of January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the premium remuneration for renewable energy capacity not included in the pre-assignment registry. Despite this regulation, the Government has emphasized its commitment towards achieving the 2020 Renewable Energy Target for Spain. Within EDPR's pipeline, wind farms already included in the registry will not be affected by this new regulation. EDPR planned and valued its pipeline using conservative criteria not considering the existence of a new regulatory scheme. Therefore, there is no economic impact either on the value of EDPR's pipeline nor on the overall company.

A sensitivity analysis considering one-year delay in the construction of wind farms affected by this new regulation does not result in relevant impairment losses in the assets value.

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 8.3% in 2011 (9.1% in 2010), 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 (Remuneratory 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 +50bps 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 2011	Dec 2010
Acquisition cost	10,863,358	10,813,169
Effect of equity method (transition to IFRS)	-1,020,632	-1,165,796
Equity investments in subsidiaries	9,842,726	9,647,373
Impairment losses on equity investments in subsidiaries	-133,943	-140,063
	9,708,783	9,507,310

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 2011	Dec 2010
	Net amount	Net amount
Investments in subsidiaries:		
EDP Comercial, S.A.	188,463	188,463
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Energias do Brasil, S.A.	193,909	432,238
EDP Gás, SGPS, S.A.	47,796	47,796
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Investimentos, S.G.P.S., S.A.	-	46,592
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Servicios Financieros España, S.A.	481,695	-
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
Other	33,034	28,335
	9,708,783	9,507,310

The variation in the caption Investments in subsidiaries in company basis (201,473 thousands of Euros) results, essentially, from the acquisition of EDP Servicios Financieros España, S.A. (481,695 thousands of Euros), the liquidation of EDP Investimentos, S.G.P.S., S.A. (46,592 thousands of Euros) and the sale of 13.8% of the share capital of EDP Energias do Brasil, S.A.

On 13 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 Energias do Brasil share capital in the amount of 238,329 thousands of Euros (acquisition cost net of the effect of equity method on the transition date to IFRS).

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Associated companies:				
Investments in associates	160,443	147,008	137	137
Adjustments in investments in associates	-137	-137	-137	-137
Net book value	160,306	146,871	-	-

As at 31 December 2011, for the Group, Investments in associates include goodwill of 44,311 thousands of Euros (31 December 2010: 33,454 thousands of Euros).

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

Thousands of Euros	Group			
	Dec 2011		Dec 2010	
	Cost	Impairment	Cost	Impairment
Associated companies:				
CEM - Companhia de Electricidade de Macau, S.A.	67,923	-	64,294	-
D. E. de Canárias, S.A.	12,372	-	11,566	-
ENEOP - Eólicas de Portugal, S.A.	10,696	-	12,869	-
SeaEnergy Renewables Inch Cape Limited	14,889	-	-	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	29,894	-	26,789	-
Other	24,669	-137	31,490	-137
	160,443	-137	147,008	-137

In 2011, EDPR UK acquired 49% of Seaenergy Renewables Inch Cape Limited share capital, and booked this investment by the equity method. The implicit goodwill is 14,707 thousands of Euros.

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

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Balance as at 1 January	147,008	175,409
Acquisitions / Perimeter entries	14,516	3,904
Disposals	-1,756	-33,229
Share of profit of associates	19,477	23,470
Dividends received	-13,281	-20,074
Exchange differences	3,859	6,523
Changes in the consolidation method	-4,790	-8,995
Transfers / Regularisations	-4,590	-
Balance as at 31 December	160,443	147,008

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

Thousands of Euros	Company			
	Dec 2011		Dec 2010	
	Cost	Impairment	Cost	Impairment
Associated companies				
Other	137	-137	137	-137
	137	-137	137	-137

During 2011, there were no movements in the impairment of Investments in associates.

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Ampla Energia e Serviços, S.A.	-	181,221	-	181,221
Ampla Investimentos e Serviços, S.A.	-	23,191	-	23,191
Banco Comercial Português, S.A.	19,665	72,901	-	-
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	39,361	48,220	39,361	48,220
Rede Energia, S.A.	10,931	18,398	-	-
Tejo Energia, S.A.	29,507	25,253	-	-
Other	71,849	74,781	3,183	4,440
	171,313	443,965	42,544	257,072

The financial investments held in Ampla Energia e Serviços, S.A. and Ampla Investimentos e Serviços, S.A., which at 31 December 2010 amounted to 181,221 thousands of Euros and 23,191 thousands of Euros, respectively, were sold during 2011 and resulted in a capital gain of 9,983 thousands of Euros (see note 14).

The decrease of the investment held in Banco Comercial Português, S.A. in the amount of 53,236 thousands of Euros, results of acquisitions and disposals of shares occurred during the period with a net amount of 4,615 thousands of Euros and an impairment loss recognized in the income statement in the amount of 57,851 thousands of Euros (see note 15).

During 2011, EDP Brasil exercised its call option of 6,602,113 preferred shares of Rede Energia, S.A. through a swap transaction which held in Denerge - Desenvolvimento Energético, S.A., according to the terms defined following the swap of shares held in 2008 with the Rede Group. As at 31 December 2011, as a result, an impairment loss of 5,505 thousands of Euros resulting from the decrease in the value of the investment was booked in the income statements (see note 15).

During 2011, the financial investment held in REN - Redes Energéticas Nacionais, S.G.P.S, S.A., decreased by 8,859 thousands of Euros and the decrease was booked against fair value reserves (see note 33).

As at 31 December 2011, the financial investment held in Tejo Energia, S.A., increased by 4,254 thousands of Euros and the increase was booked against fair value reserves (see note 33).

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The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in a amount of 37,388 thousands of Euros, resulting from its reinsurance activity.

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, S.A.	181,221	-	-68,939	-	-112,282	-	-
Ampla Investimentos e Serviços, S.A.	23,191	-	-5,575	-	-17,616	-	-
Banco Comercial Português, S.A.	72,901	5,726	-1,111	-57,851	-	-	19,665
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	48,220	-	-	-	-8,859	-	39,361
Rede Energia, S.A.	18,398	-	-	-5,505	-461	-1,501	10,931
Tejo Energia, S.A.	25,253	-	-	-	4,254	-	29,507
Other	74,781	9,952	-12,319	-79	-4,553	4,067	71,849
	443,965	15,678	-87,944	-63,435	-139,517	2,566	171,313

In 2010, 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, S.A.	163,644	-	-	-	17,577	-	181,221
Ampla Investimentos e Serviços, S.A.	15,038	-	-	-	8,153	-	23,191
Banco Comercial Português, S.A.	104,118	1,026	-	-4,207	-28,036	-	72,901
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	55,883	-	-	-	-7,663	-	48,220
Rede Energia, S.A.	15,563	-	-	-	478	2,357	18,398
Tejo Energia, S.A.	25,636	-	-	-	-383	-	25,253
Other	63,235	38,464	-32,083	-	510	4,655	74,781
	443,117	39,490	-32,083	-4,207	-9,364	7,012	443,965

Available for sale investments are booked at fair value being the changes from the date of acquisition net of impairment losses recorded against fair value reserves (see note 33). The fair value reserves attributable to the Group as at 31 December 2011 and 2010 are analysed as follows:

Thousands of Euros	Dec 2011	Dec 2010
Ampla Energia e Serviços, S.A.	-	112,282
Ampla Investimentos e Serviços, S.A.	-	17,616
REN - Redes Energéticas Nacionais, S.G.P.S., S.A.	13,541	22,400
Tejo Energia, S.A.	23,152	18,898
Other	6,319	11,333
	43,012	182,529

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 2011	Dec 2010	Dec 2011	Dec 2010
Europe and others				
Tax losses and tax credits	153,868	27,423	-	-
Provisions	488,623	511,822	31,081	-
Financial instruments	54,326	55,267	44,436	55,368
Tangible and intangible fixed assets	225,938	259,979	95,903	36,516
Reinvested gains	-	-	8,040	8,258
Financial and available for sale investments	76,915	35,312	78,437	86,555
Tariff adjustments and tariff deficit	24,000	65,081	218,450	113,038
Reversal of regulatory assets and liabilities	-	10,540	-	-
Allocation of fair value to assets and liabilities	11,878	11,878	642,893	643,300
Accounting revaluations	10,872	2,146	123,485	135,649
Deferred income relating to CMEC	-	-	215,324	245,274
Other temporary differences	14,596	5,796	37,333	32,148
Assets/liabilities compensation of deferred taxes	-816,936	-743,039	-816,936	-743,039
	244,080	242,205	678,446	613,067
Brazil				
Tax losses and tax credits	75,260	69,123	-	-
Provisions	98,913	87,778	-	-
Financial instruments	58,480	95,308	38,856	10,306
Tangible and intangible fixed assets	4,223	3,242	-	146
Allocation of fair value to assets liabilities acquired	664	10,152	158,781	114,715
Accounting revaluations	29,772	7,524	39,988	94,747
Other temporary differences	22	-	20,103	12,225
	267,334	273,127	257,728	232,139
United States of America				
Tax losses and tax credits	520,423	329,722	-	-
Financial instruments	5,806	6,670	-	-
Property, plant and equipment	-	-	221,980	232,414
Allocation of fair value to assets liabilities acquired	-	-	66,902	50,943
Gains from institutional partnerships in USA wind farms	-	-	271,959	76,201
Other temporary differences	16,784	12,300	-	-
Assets/liabilities compensation of deferred taxes	-543,013	-348,692	-543,013	-348,692
	-	-	17,828	10,866
	511,414	515,332	954,002	856,072

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 2011	Dec 2010	Dec 2011	Dec 2010
Tax credits	72,626	-	-	-
Provisions	20,756	9,042	-	-
Financial instruments	22,949	28,442	27,552	31,218
Financial and available for sale investments	1,075	1,608	67,623	78,364
Accounting revaluations	10,350	10,691	13,021	13,132
Other temporary differences	3,039	5,005	4,255	-
	130,795	54,788	112,451	122,714

The deferred tax movement, for the Group and for the Company, in 2011 and 2010 is analysed as follows:

Thousands of Euros	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at 1 January	-340,740	-110,561	-67,926	-80,489
Charges to the profit and loss account	-72,894	-240,928	104,392	6,354
Charges against reserves	50,365	37,433	19,102	6,210
Exchange differences and other variations	-79,319	-26,684	-37,224	-1
Balance at 31 December	-442,588	-340,740	18,344	-67,926

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 Holdings, SA (Santo Antônio do Jari Hydroelectric), 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 exchange differences and other variations.

Taxes recorded against reserves are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Current tax				
Changes in fair value of derivative financial instruments	2,653	-1,782	2,653	-1,782
Gains/losses on the sale of treasury stock	-	-64	-	-64
	2,653	-1,846	2,653	-1,846
Deferred tax				
Financial instruments and fair value	24,989	10,419	2,854	9,330
Actuarial gains and losses	9,141	27,238	-	-
Changes in fair value of financial assets held for sale	16,235	-224	16,248	-3,120
	50,365	37,433	19,102	6,210
	53,018	35,587	21,755	4,364

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

	Group	
	Dec 2011	Dec 2010
Expiry date:		
2011	-	344
2012	617	540
2013	736	1,659
2014	5,233	9,232
2015	20,503	28,971
2016	20,902	2,842
2017 a 2030	1,881,062	1,335,771
Without expiry date	267,667	155,987
Without expiry date but limited to 30% of taxable income of each year	753,659	584,539
	2,950,379	2,119,885

24. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Merchandise	90,673	49,836	-	-
Advances on account of purchases	8,748	4,849	-	-
Finished, intermediate products and sub-products	39,494	41,306	-	-
Raw and subsidiary materials and consumables	124,311	134,318	-	-
Nuclear fuel	15,140	14,090	-	-
Other consumables				
CO ₂ licenses	807	51,745	807	51,745
Other	66,887	60,834	-	-
	346,060	356,978	807	51,745

CO₂ licenses 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).

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Trade receivables - Current:				
Corporate sector and individuals:				
Portugal	796,933	790,442	149,073	46,357
Spain	676,314	727,241	-	-
Brazil	374,868	354,640	-	-
U.S.A.	31,660	27,945	-	-
Other	33,312	20,073	-	-
Public Sector:				
Portugal	58,861	53,815	-	-
Brazil	30,178	32,479	-	-
Spain	41,545	63,041	-	-
	2,043,671	2,069,676	149,073	46,357
Doubtful debts	267 172	276,312	9,960	9,960
Impairment losses	- 267 172	-276,312	-9,960	-9,960
	2,043,671	2,069,676	149,073	46,357
Trade receivables - Non-Current:				
Corporate sector and individuals :				
Brazil	19,577	32,553	-	-
Public Sector:				
Portugal	132,258	137,437	-	-
Brazil	30,948	8,831	-	-
	182,783	178,821	-	-
	-74,173	-61,379	-	-
Impairment losses	108,610	117,442	-	-
	2,152,281	2,187,118	149,073	46,357

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

The movement in **Impairment losses** , in 2010, 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	127,514	-	47,800	-24,384	-20,897	-	130,033
Brazil	52,939	7,605	10,337	-218	-	1,521	72,184
Spain	24,651	-	22,343	-220	-	-753	46,021
Other	6	-	-	-6	-	-	-
Public sector :							
Portugal	90,068	-	1,261	-5,109	-	-	86,220
Brazil	609	70	253	-464	-	-	468
Spain	1,658	-	1,616	-	-	-509	2,765
	297,445	7,675	83,610	-30,401	-20,897	259	337,691

The movement in **Impairment losses** , in 2011, for the **Company** is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Balance at 31 December
Corporate sector and individuals	9,960	-	-	-	9,960
	9,960	-	-	-	9,960

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

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Balance at 31 December
Corporate sector and individuals	9,941	19	-	-	9,960
	9,941	19	-	-	9,960

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

Debtors and other assets from commercial activities are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debtors and other assets from commercial assets - Current:				
Amounts receivable from the Telecommunications business	-	55,640	-	-
Amounts receivable from Spanish tariff expenses	553,268	814,086	-	-
Amounts receivable from Portuguese tariff adjustments - Electricity- Portugal	374,859	394,057	-	-
Receivables relating to other goods and services	98,871	122,951	61,458	45,019
Amounts receivable relating to CMEC	122,080	365,070	-	-
Accrued income relating to energy sales and purchase activity in the market	117,227	156,584	165,968	193,930
Sundry debtors and other operations	245,189	211,541	34,341	28,100
	1,511,494	2,119,929	261,767	267,049
Impairment losses on debtors - Current	-15,878	-74,912	-938	-914
	1,495,616	2,045,017	260,829	266,135
Debtors and other assets - Non-Current:				
Amounts receivable from Portuguese tariff adjustments - Electricity - Portugal	424,787	29,726	-	-
Amounts receivable relating to CMEC	1,012,330	892,628	-	-
Amounts receivable from concessions - IFRIC 12	581,012	468,071	-	-
Sundry debtors and other operations	93,140	50,632	179	126
	2,111,269	1,441,057	179	126
Impairment losses on debtors - Non current	-2,876	-2,858	-	-
	2,108,393	1,438,199	179	126
	3,604,009	3,483,216	261,008	266,261

The amounts receivable from the Telecommunications business, included in 2010, an amount booked in ONI Multimédia, S.A. related with the sale of ONI Way to Vodafone. This sale was made for a deferred price of the shares to be received by ONI Multimedia if Vodafone used tax benefits until 2010. As there was no deduction of tax losses carried by Vodafone, the Group eliminated this amount receivable against the impairment booked.

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 2011, according to the applicable legal framework (see note 3). During 2011, the Spanish Electricity Deficit Amortisation Fund (FADE), launched five bond issuances explicitly guaranteed by the Kingdom of Spain which allowed Hidrocantabrico to receive approximately 504,127 thousands of Euros related with tariff adjustments from previous years (nominal value).

The amounts receivable relating to CMEC totalize 1,134,410 thousands of Euros, which include 1,012,330 thousands of Euros as medium and long term debt and 122,080 thousands of Euros as short term debt. The amount receivable relating to the initial CMEC includes 714,412 thousands of Euros as medium and long term debt and 29,687 thousands of Euros as short term debt, corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the receivable annuity for 2007 to 2011. The remaining 297,918 thousands of Euros in the medium and long term and 92,393 thousands of Euros in the short term correspond to the receivable amounts through the revisibility calculation in 2010 and 2011.

The caption Amounts receivable for concessions - IFRIC 12 in the amount of 581,012 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the Mixed model and regarding the electricity transportation concession in Brazil, resulting from the application of the financial asset model (see note 2 aal). The variation in the period, includes the effect of the depreciation of Real against Euro in the amount of 16,066 thousands of Euros and disposals in the amount of 4,116 thousands of Euros, as well as transfers from intangible assets assigned to concessions in the amount of 133,123 thousands of Euros (see note 18).

The caption Sundry debtors and other operations - Non current includes the amount of 22,112 thousands of Euros related to Brasil tax receivable.

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 2010	559,724	76,127
Receipts through the electric energy tariff	-571,337	-
Tariff adjustment of 2009	20,147	-
Tariff adjustment for the period	295,821	29,726
Interest expense	13,575	-
Transfer from Non-Current to Current	76,127	-76,127
Balance as at 31 December 2010	394,057	29,726
Receipts through the electric energy tariff	-406,135	-
Tariff adjustment of 2010	188,032	131,858
Tariff adjustment for the period	226,421	396,471
Transfer to tariff adjustment payable	2,515	-
Interest expense	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

On 21 September 2011, EDP - Serviço Universal, S.A. by sold without recourse of the rights to receive the full amount of the adjustments to the electricity tariffs related to the over cost of cogeneration produced from renewable sources between 2009 and 2011. The transaction totaled 180,524 thousands of Euros and generated a financial loss of 4,603 thousands of Euros, including transaction costs.

The movements in **Impairment losses on debtors - Current** in 2011, for the **Group**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Charge off	Perimeter Variations / Regularisations	Exchange differences	Balance at 31 December
Other debtors	74,912	1,160	-4,831	-55,778	545	-130	15,878
	74,912	1,160	-4,831	-55,778	545	-130	15,878

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

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Perimeter Variations / Regularisations	Exchange differences	Balance at 31 December
Other debtors	74,191	2,280	-2,666	1,099	8	74,912
	74,191	2,280	-2,666	1,099	8	74,912

The movements in **Impairment losses on debtors - Current** in 2011, for the **Company**, are analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	914	24	-	-	-	938
	914	24	-	-	-	938

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

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of impairment losses	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	908	6	-	-	-	914
	908	6	-	-	-	914

The movements in **Impairment losses on debtors - Non current** in 2011, for the **Group**, are as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	2,858	-	18	-	2,876
	2,858	-	18	-	2,876

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

Thousands of Euros	Balance at 1 January	Charge for the year	Perimeter Variations / Regularisations	Charge off	Balance at 31 December
Other debtors	2,839	-	19	-	2,858
	2,839	-	19	-	2,858

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27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debtors and other assets from commercial assets - Current:				
Loans to subsidiaries	-	-	1,802,680	1,442,620
Dividends	-	-	152,358	368,859
Loans to related parties	122,903	150,936	20,235	19,074
Receivables from the State and concessors	30,565	14,652	-	-
Amounts with RTP - broadcasting charge	8,372	23,170	-	-
Derivative financial instruments	216,817	195,865	246,766	164,419
Subsidiary Companies	-	-	421,855	249,154
Tied deposits (EDPR NA)	8,181	3,182	-	-
Sundry debtors and other operations	118,856	126,804	1,880	1,301
	505,694	514,609	2,645,774	2,245,427
Debtors and other assets - Non-Current:				
Loans to subsidiaries	-	-	4,765,436	5,231,320
Loans to related parties	133,180	19,315	90	6,106
Guarantees and linked deposits	142,722	158,408	3,419	4,419
Derivative financial instruments	104,697	27,188	79,184	151,457
Sundry debtors and other operations	34,374	53,607	-	-
	414,973	258,518	4,848,129	5,393,302
	920,667	773,127	7,493,903	7,638,729

The Derivative financial instruments portfolio current and non current, with an amount of 216,817 thousands of Euros and 104,697 thousands of Euros respectively, correspond to the fair value of trading and hedge portfolios as at 31 December 2011 (see note 44).

28. TAX RECEIVABLE

Tax receivable is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
State and other public entities:				
Income tax	271,353	253,331	77,246	34,854
Value added tax (VAT)	307,087	280,816	81,876	54,221
Turnover tax (Brazil)	30,598	70,609	-	-
Other taxes	35,781	35,729	3,255	3,255
	644,819	640,485	162,377	92,330

The caption Other taxes includes the amount of 27,700 thousands of Euros (31 December 2010: 21,947 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Fixed income securities:				
Listed funds	-	35,335	-	-
Bonds and other listed fixed income securities	1	1	-	-
	1	35,336	-	-
Variable income securities:				
Listed funds	211	409	-	-
	211	409	-	-
	212	35,745	-	-

The variation in this caption is related with the sale of Neomai Inversiones SICAV, S.A. listed funds as a result of the sale of this company during 2011 (see note 5).

30. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Cash:				
Cash in hand	40	72	-	-
Bank deposits:				
Current deposits	475,206	413,831	170,629	28,475
Term deposits	1,219,813	1,038,821	490,980	114,200
Specific demand deposits in relation to institutional partnerships	24,636	76,939	-	-
Other deposits	5,152	19,682	-	-
	1,724,807	1,549,273	661,609	142,675
Other short term investments:				
Banks - Euros	6,677	5,893	-	-
Banks - Other currencies	-	32,925	-	-
	6,677	38,818	-	-
Cash and cash equivalents	1,731,524	1,588,163	661,609	142,675

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

On 31 December 2011, as referred in the note 2 a), EDP Group change the presentation of Specific demand deposits of institutional partnerships in USA. The Group considers this presentation more accurate and give more relevant information of Cash and cash equivalents to the readers. The caption Specific demand deposits of institutional partnerships 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 39). Prior to 2011, amounts included in Specific demand deposits were previously included as a component of restricted cash in Other debtors and other assets - Current - Tied deposits (see note 27). In 2011, EDP Group reclassified this amount since it is expected to be used in the next twelve months. In accordance with IAS 1, the Group has retrospectively reclassified amounts within 2010 comparative figures to conform to this change in presentation. The Group reclassified 24,636 thousands of Euros and 76,939 thousands of Euros as at 31 December 2011 and 2010, respectively, from Other debtors and other assets - Current - Tied deposits to Cash and cash equivalents.

31. 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 23 December 2011, within the context of the implementation of EDP's octave reprivatisation phase the Portuguese State announced the intention to sell 21.35% of the EDP, S.A. share capital to China Three Gorges, Co. This transaction is pending of the regulatory authorities approval whereby on 31 December 2011, the Portuguese State holds directly and indirectly approximately 25.73% of the share capital of EDP, S.A.

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

Share capital and Share premium are analysed as follows:

Thousands of Euros	Group and Company	
	Share capital	Share premium
Balance as at 31 December 2010	3,656,538	503,923
Movements during the year	-	-
Balance as at 31 December 2011	3,656,538	503,923

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

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Net profit attributable to the equity holders of EDP (in Euros)	1,124,662,975	1,078,924,845	785,804,149	725,135,695
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,124,662,975	1,078,924,845		
Weighted average number of ordinary shares outstanding	3,624,423,735	3,622,918,528	3,625,936,735	3,624,431,528
Weighted average number of diluted ordinary shares outstanding	3,625,029,212	3,623,608,780	3,626,542,212	3,625,121,780
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.31	0.30		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.31	0.30		
Basic earnings per share from continuing operations (in Euros)	0.31	0.30		
Diluted earnings per share from continuing operations (in Euros)	0.31	0.30		

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 year, net of changes in treasury stock during the year.

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The average number of shares was determined as follows:

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-32,113, 980	-33,619, 187	-30,600, 980	-32,106, 187
Average number of shares during the period	3,624,423,735	3,622,918,528	3,625,936,735	3,624,431,528
Effect of stock options	605,477	690,252	605,477	690,252
Diluted average number of shares during the period	3,625,029,212	3,623,608,780	3,626,542,212	3,625,121,780

32. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Book value of EDP, S.A. treasury stock (thousands of Euros)	111,430	115,731	105,335	109,636
Number of shares	32,359,146	33,324,941	30,846,146	31,811,941
Market value per share (in Euros)	2.391	2.491	2.391	2.491
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	77,371	83,012	73,753	79,244

Operations performed from 1 January 2011 to 31 December 2011:		
	EDP, S.A.	Energia RE
Volume acquired (number of shares)	2,485,301	-
Purchase price average (in Euros)	2.428	-
Purchase total value (thousands of Euros)	6,034	-
Volume sold (number of shares)	-3,451,096	-
Selling price average (in Euros)	2.672	-
Sold total value (thousands of Euros)	9,222	-
Final position (number of shares)	30,846,146	1,513,000
Highest market price (in Euros)	2.910	-
Lowest market price (in Euros)	2.023	-
Average market price (in Euros)	2.526	-

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.

33. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Legal reserve	539,145	502,888	539,145	502,888
Fair value reserve (cash flow hedge)	-40,625	45,180	4,870	25,722
Tax effect of fair value reserve (cash flow hedge)	13,537	-10,069	-2,402	-7,909
Fair value reserve (available for sale investments)	43,012	182,529	9,166	147,843
Tax effect of fair value reserve (available for sale investments)	-1,652	-17,845	1,051	-15,197
Exchange differences arising on consolidation	121,469	312,823	-	-
Treasury stock reserve (EDP, S.A.)	105,335	109,636	105,335	109,636
Other reserves and retained earnings	2,155,619	1,605,761	1,238,690	1,163,205
	2,935,840	2,730,903	1,895,855	1,926,188

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

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

Fair value reserve (available-for-sale investments)

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

Thousands of Euros	Group	
	Increases	Decreases
Balance as at 31 December 2009	468,046	-276,153
Changes in fair value	28,899	-41,397
Transfer of impairment to profit or loss	-	4,207
Transfer to the income statement relating to assets sold	-1,073	-
Balance as at 30 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 reserve attributable to the EDP Group during the year ended 31 December 2011 are analysed as follows:

Thousands of Euros	Increases	Decreases
Ampla Energia e Serviços, S.A.	-	-105,721
Ampla Investimentos e Serviços, S.A.	-	-13,691
Banco Comercial Português, S.A.	-	-57,851
REN - Redes Energéticas Nacionais, SGPS, S.A.	-	-8,859
Tejo Energia, S.A.	4,254	-
Other	3,406	-3,976
	7,660	-190,098

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 2011		Exchange rates at Dec 2010	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.294	1.392	1.336	1.326
Brazilian Real	BRL	2.416	2.327	2.218	2.331
Macao Pataca	MOP	10.353	10.985	10.697	10.611
Zloty	PLN	4.458	4.121	3.975	3.995
Lei	RON	4.323	4.239	4.262	4.212
Pound Sterling	GBP	0.835	0.868	0.861	0.858

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 14 April 2011, the Shareholders General Meeting of EDP, S.A. approved the dividend distribution to shareholders which occurred on 13 May 2011 of the net profit of 2010 in the amount of 621,611 thousands of Euros, corresponding to a dividend of 0.17 Euros per share (including the treasury stock dividend amounting to 5,030 thousands of Euros).

34. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Non-controlling interests in income statement	207,316	155,676
Non-controlling interests in reserves	3,069,929	2,774,725
	3,277,245	2,930,401

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

Thousands of Euros	Group	
	Dec 2011	Dec 2010
EDP Renováveis Group	1,319,812	1,306,194
Energias do Brasil Group	1,844,400	1,570,666
Other	113,033	53,541
	3,277,245	2,930,401

During 2011, EDP Group generated profits of 207,316 thousands of Euros attributable to non-controlling interests (31 December 2010: 155,676 thousands of Euros).

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The movement booked in non-controlling interests of Brasil Group includes 160,877 thousands of Euros of profits attributable to non-controlling interests, 126,597 thousands of Euros from the negative exchange differences and a decrease of 117,857 thousands of Euros related to dividends paid. In July 2011, the secondary public distribution offer of 21,911,460 shares of EDP - Energias do Brasil, S.A. was concluded, and, as a result, the Group recognised minority interests of 375,676 thousands of Euros. Additionally, during 2011, the effect of changes in actuarial losses net of taxes has originated a decrease in the non-controlling interests of 14,705 thousands of Euros.

35. HYDROLOGICAL ACCOUNT

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

Thousands of Euros	Group and Company	
	Dec 2011	Dec 2010
Balance at the beginning of the year	75,098	112,631
Amounts received / (paid) during the year	-8,036	-41,272
Financial charges	2,080	3,739
Balance at the end of the year	69,142	75,098

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

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

36. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debt and borrowings - Current				
Bank loans:				
EDP, S.A.	45,161	27,284	45,161	27,284
EDP Finance B.V.	358,445	150,000	-	-
EDP Brasil Group	147,014	145,789	-	-
HC Energia Group	907	907	-	-
EDP Renováveis Group	126,041	197,893	-	-
EDP Generation - Portugal	12,745	11,699	-	-
Portgás	33,803	12,820	-	-
	724,116	546,392	45,161	27,284
Non-convertible bond loans:				
EDP, S.A.	-	747,352	-	747,352
EDP Finance B.V.	1,621,314	499,697	-	-
EDP Brasil Group	34,175	92,304	-	-
	1,655,489	1,339,353	-	747,352
Commercial paper:				
EDP, S.A.	311,400	766,900	5,641,400	4,963,900
HC Energia Group	498	70,104	-	-
	311,898	837,004	5,641,400	4,963,900
Other loans:				
Investco preference shares	1,058	-	-	-
EDP Brasil Group	9,176	7,705	-	-
EDP Renováveis Group	3,111	4,569	-	-
EDP Generation - Portugal	1,231	1,228	-	-
	14,576	13,502	-	-
Accrued interest	292,619	265,079	13,824	38,079
Other liabilities:				
Fair value of the issued debt hedged risk		3,121	-	3,121
	2,998,698	3,004,451	5,700,385	5,779,736

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Debts and borrowings - Non-current				
Bank loans:				
EDP, S.A.	1,137,824	870,993	1,137,824	870,993
EDP Finance B.V.	3,972,309	3,590,027	-	-
EDP Brasil Group	794,732	847,051	-	-
HC Energia Group	3,126	4,014	-	-
EDP Renováveis Group	680,350	499,639	-	-
EDP Generation - Portugal	159,738	171,436	-	-
Portgás	43,278	55,142	-	-
	6,791,357	6,038,302	1,137,824	870,993
Non-convertible bond loans:				
EDP, S.A.	630,782	428,838	630,782	428,838
EDP Finance B.V.	7,831,887	8,080,229	-	-
EDP Brasil Group	353,924	288,587	-	-
	8,816,593	8,797,654	630,782	428,838
Other loans:				
Investco preference shares	19,719	22,651	-	-
EDP Brasil Group	46,313	47,886	-	-
EDP Renováveis Group	24,284	26,755	-	-
EDP Generation - Portugal	4,022	5,116	-	-
	94,338	102,408	-	-
	15,702,288	14,938,364	1,768,606	1,299,831
Accrued interest	11,802	-	-	-
Other liabilities:				
Fair value of the issued debt hedged risk	72,321	-51,169	8,921	11,544
	15,786,411	14,887,195	1,777,527	1,311,375
	18,785,109	17,891,646	7,477,912	7,091,111

EDP Group, at EDP, S.A. level, has short-term credit facilities of 205,410 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 190,410 thousands of Euros have a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 650,000 thousands of Euros with guaranteed placement, being fully available as at 31 December 2011. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, of which 1,600,000 thousands of Euros are available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 December 2011 is totally drawn down.

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 2011 and 2010 these loans amounted to 888,947 thousands of Euros and 862,625 thousands of Euros, respectively (amounts already included in the Group's consolidated debt).

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The nominal value of **Bond loans issued and outstanding** , as at 31 December 2011, 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
					650,000	650,000
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 4.25%	n.a.	Jun/12	500,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Oct/07	Fixed rate USD 5.375 %	Net Investment	Nov/12	772,857	-
EDP Finance B.V.	Oct/07	Fixed rate USD 6.00 %	Net Investment	Feb/18	772,857	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii) (i)	Feb/09	Fixed rate EUR 5.5%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	99,800	-
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	772,857	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	77,286	-
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.	Aug/11	Variable Rate (iv)	n.a.	Aug/12	350,000	-
					9,557,239	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
CEJA	Oct/11	110.5% do CDI	n.a.	Oct/13	124,177	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	161,431	-
Escelsa	Jul/07	105.0% of CDI	n.a.	Jul/14	103,481	-
					389,089	-
					10,596,328	650,000

- (i) These issues by EDP Finance BV have associated 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 has associated interest rate swaps.
- (iv) These issues correspond to private placements.

Debt and borrowings by maturity, are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Bank loans and overdrafts:				
Up to 1 year	740,584	562,399	48,146	28,853
From 1 to 5 years	5,422,511	4,644,826	625,655	170,592
More than 5 years	1,380,647	1,393,476	512,169	700,401
	7,543,742	6,600,701	1,185,970	899,846
Bond loans:				
Up to 1 year	1,924,756	1,590,549	4,065	786,380
From 1 to 5 years	5,753,834	4,232,741	339,703	140,382
More than 5 years	3,135,080	4,513,744	300,000	300,000
	10,813,670	10,337,034	643,768	1,226,762
Commercial paper:				
Up to 1 year	318,672	837,607	5,648,174	4,964,503
Other loans:				
Up to 1 year	14,686	13,896	-	-
From 1 to 5 years	61,859	50,866	-	-
More than 5 years	32,480	51,542	-	-
	109,025	116,304	-	-
	18,785,109	17,891,646	7,477,912	7,091,111

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

Thousands of Euros	Dec 2011		Dec 2010	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	2,998,698	2,650,355	3,004,451	2,764,591
Debt and borrowings - Non current	15,786,411	13,939,717	14,887,195	14,634,186
	18,785,109	16,590,072	17,891,646	17,398,777

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. However, the remaining financial liabilities are booked at amortised cost.

As at 31 December 2011, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Debt and borrowings - Non current	-	2 728 345	3 260 393	2 398 809	2 850 657	4 548 207	15,786,411
Debt and borrowings - Current	2,998,698	-	-	-	-	-	2,998,698
	2,998,698	2,728,345	3,260,393	2,398,809	2,850,657	4,548,207	18,785,109

Future payments of capital in debt and interests and guarantees are detailed in note 45.

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

Thousands of Euros	2012	2013	2014	2015	2016	Following years	Total
Bank loans:							
Euro	526,191	2,248,228	426,620	545,037	510,532	917,009	5,173,617
Brazilian Real	115,483	78,161	78,755	85,013	30,590	337,038	725,040
US Dollar	-	-	1,159,286	-	-	-	1,159,286
Others	98,910	79,745	76,384	73,393	30,767	126,600	485,799
	740,584	2,406,134	1,741,045	703,443	571,889	1,380,647	7,543,742
Bond loans:							
Euro	1,104,912	150,000	1,399,567	1,542,276	2,230,784	1,508,548	7,936,087
Brazilian Real	46,987	158,668	99,070	64,572	31,611	-	400,908
US Dollar	772,857	-	-	77,286	-	1,626,532	2,476,675
	1,924,756	308,668	1,498,637	1,684,134	2,262,395	3,135,080	10,813,670
Commercial paper:							
Euro	318,672	-	-	-	-	-	318,672
	318,672	-	-	-	-	-	318,672
Other loans:							
Euro	3,400	2,994	10,694	2,994	9,234	-	29,316
Brazilian Real	8,557	7,726	7,092	6,559	5,460	31,780	67,174
US Dollar	1,050	1,144	1,246	-	-	-	3,440
Others	1,679	1,679	1,679	1,679	1,679	700	9,095
	14,686	13,543	20,711	11,232	16,373	32,480	109,025
	2,998,698	2,728,345	3,260,393	2,398,809	2,850,657	4,548,207	18,785,109

37. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Provisions for social liabilities and benefits	1,003,943	1,104,406	-	-
Provisions for medical liabilities and other benefits	819,215	800,473	-	-
	1,823,158	1,904,879	-	-

Provisions for social liabilities and benefits as at 31 December 2011 include 994,661 thousands of Euros relating to retirement pension defined benefit plans (31 December 2010: 1,093,075 thousands of Euros) and 9,282 thousands of Euros (31 December 2010: 11,331 thousands of Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	1,104,406	1,109,347	-	-
Charge for the year	61,784	56,705	-	-
Pre-retirements (curtailments)	15,183	31,248	-	-
Actuarial (gains)/losses	-21,562	88,582	-	-
Charge-off	-155,592	-186,690	-	-
Transfers, reclassifications and exchange differences	-276	5,214	-	-
Balance at the end of the year	1,003,943	1,104,406	-	-

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Pre-retirements (curtailments) are related with costs of rationalising human resources and result from 56 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following of the Carregado Generation Center decommissioning process and of EDP Distribuição.

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	800,473	770,357	-	-
Charge for the year	50,619	49,201	-	-
Pre-retirements (curtailments)	614	1,916	-	-
Benefits Reduction	1,308	-4,805	-	-
Actuarial (gains)/losses	9,757	19,333	-	-
Charge-off	-41,710	-42,851	-	-
Transfers, reclassifications and exchange differences	-1,846	7,322	-	-
Balance at the end of the year	819,215	800,473	-	-

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 2011 gains of 11,805 thousands of Euros and in 2010 losses of 107,915 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.

As at 31 December 2011 and 2010 the number of participants covered by the pension plans was as follows:

	Portugal 2011	Spain 2011	Brazil 2011	Portugal 2010	Spain 2010	Brazil 2010
Number of participants:						
Retirees and pensioners	18,010	1,564	1,669	18,205	1,644	1,507
Active workers	6,168	1,348	1,690	6,384	1,294	1,975
	24,178	2,912	3,359	24,589	2,938	3,482

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

	Dec 2011				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	5.00%	not applicable	11.10%	11.10%	11.10%
Discount rate	5.00%	3.40%	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 Disabled	RP-2000 Disabled	RP-2000 Disabled
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
	Dec 2010				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	5.60%	not applicable	11.63%	11.63%	11.63%
Discount rate	5.00%	3.40%	10.75%	10.75%	10.75%
Salary increase rate	3.70%	2,75% (CPI + 0,5%); In 2011 - 3% (CPI + 0,75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age >60 -- TV88/90 // Age<=60 years -- TV99/01	PERM/F-2000P	RP-2000 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 2011.

The liability for retirement pensions and related coverage for the Group, as at 31 December 2011 and 2010 is analysed as follows:

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

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

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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	2011	2010	2009	2008	2007
Provision for Pension Plans					
Liability at the end of the year	2,206,529	2,340,207	2,302,307	2,192,985	2,217,351
Fair value of plan assets at the end of the year	-1,252,622	-1,290,865	-1,233,762	-1,146,273	-1,389,997
Asset ceiling	40,754	43,733	27,436	20,841	-
Provision at the end of the year	994,661	1,093,075	1,095,981	1,067,553	827,354

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	2011	2010	2009	2008	2007
Experience adjustments for the Plan liabilities	-53,764	11,939	-9,112	-33,781	7,315
Experience adjustments for the Plan assets	-70,732	-33,724	13,676	-136,929	-12,027

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	2011	2010	2009	2008	2007
Experience adjustments for the Plan liabilities	-12,478	-3,238	2,701	4,693	4,907
Experience adjustments for the Plan assets	35,706	4,244	5,160	-18,938	16,401

The past service liability of the pension plans for the Group, as at 31 December 2011 and 2010 is as follows:

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

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

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

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

Thousands of Euros	Dec 2010			
	Portugal	Spain	Brazil	Group
Cost for the year				
Current service cost	13,357	710	-572	13,495
Curtailments / settlements	31,248	-	-	31,248
Operational component (see note 10)	44,605	710	-572	44,743
Interest cost	98,244	4,630	26,525	129,399
Expected return on plan assets	-59,053	-	-27,136	-86,189
Financial component (see note 15)	39,191	4,630	-611	43,210
Net cost for the year	83,796	5,340	-1,183	87,953

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

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

The actuarial gains/losses in Brazil include the amount of 632 thousands of Euros (1,470 thousands of BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2010: 11,881 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 40,754 thousands of Euros, converted at closing rate of BRL (98,457 thousands of BRL). As at 31 December 2010 the value of the asset ceiling was 43,733 thousands of Euros.

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

As at 31 December 2011 and 2010, the assets of the pension fund in Portugal are analysed as follows:

Thousands of Euros	Fund assets by nature					
	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	10,466	524,803	194,954	159,777	51,238	941,238
31 December 2010	19,256	548,353	233,230	165,430	47,560	1,013,829

%	Fund assets by nature					
	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	1.11%	55.76%	20.71%	16.98%	5.44%	100.00%
31 December 2010	1.90%	54.09%	23.00%	16.32%	4.69%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousands of Euros at 31 December 2011 (124,722 thousands of Euros at 31 December 2010). Bonds include 4,916 thousands of Euros (4,046 thousands of Euros as at 31 December 2010) relating to bonds issued by EDP Finance B.V.

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

Thousands of Euros	2011	2010
Shares:		
EDP Renováveis	5,849	4,554
EDP S.A.	27	-
	5,876	4,554

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Pension fund assets in Brazil as at 31 December 2011 and 2010 are analysed as follows:

Thousands of Euros	Fund assets by nature					
	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	-	272,074	31,949	1,281	6,080	311,384
31 December 2010	-	226,577	42,779	1,255	6,425	277,036

%	Fund assets by nature					
	Cash	Bonds	Shares	Property	Other	Total
31 December 2011	-	87.38%	10.26%	0.41%	1.95%	100.00%
31 December 2010	-	81.79%	15.44%	0.45%	2.32%	100.00%

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

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

The expected return rate of assets for 2012 and subsequent years, in accordance with expectations in January 2012, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

	2011		Expected return rate for 2012 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Portugal				
Bonds	55.80%	4.10%	55.40%	2.90%
Shares	20.70%	8.00%	23.60%	6.80%
Hedge Funds	3.10%	5.70%	3.10%	3.90%
Property	17.00%	6.40%	16.00%	4.50%
Other	3.40%	8.30%	1.90%	6.50%
Total	100.00%	5.60%	100.00%	5.00%

The real return rate of assets in 2011 was negative in 1.39% (2010: positive in 2.55%).

	2011		Expected return rate for 2012 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
Brazil				
Bonds	82.40%	10.84%	82.40%	10.22%
Shares	14.40%	16.31%	14.40%	16.27%
Property	0.60%	10.77%	0.60%	10.01%
Other	2.60%	10.77%	2.60%	10.77%
Total	100.00%	11.63%	100.00%	11.10%

As at 31 December 2011 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

Expected future benefits to be paid			
Portugal	Pensions	Medical plans and other benefits	Total
2012	188,432	36,651	225,083
2013	181,590	37,390	218,980
2014	175,031	38,160	213,191
2015	165,601	39,264	204,865
2016	156,996	40,256	197,252
2017	150,515	41,686	192,201
2018	141,718	42,890	184,608
2019	136,068	44,157	180,225
2020	129,399	45,473	174,872
2021	120,101	46,855	166,956

In 2011, no contributions to the pension funds were made (31 December 2010: 31,043 thousands of Euros and were fully paid in cash).

In 2011, the pensions paid by the funds in Portugal totalled 57,060 thousands of Euros (31 December 2010: 54,529 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2012	11,429
2013	12,257
2014	12,488
2015	7,238
2016	5,598
2017	4,925
2018	4,206
2019	3,489
2020	2,774
2021	2,061

In 2011, the pensions paid by the Funds in Spain totalled 10,239 thousands of Euros (10,689 thousands of Euros in December 2010).

The amount of 90,599 thousands of Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 42,057 thousands of Euros (31 December 2010: 40,478 thousands of Euros) relating to provisions for revision of the collective labour agreement. The provision includes 48,542 thousands of Euros (31 December 2010: 52,434 thousands of Euros) related to responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2012	15,543	4,407	421	20,371
2013	16,773	4,857	259	21,889
2014	18,108	5,321	160	23,589
2015	19,491	5,824	224	25,539
2016	20,877	6,352	305	27,534
2017	22,921	6,850	150	29,921
2018	24,671	7,444	272	32,387
2019	26,263	8,058	166	34,487
2020	27,913	8,677	141	36,731
2021	29,745	9,425	91	39,261

The contributions made to the Pension funds in 2011 amounted to 7,522 thousands of Euros (31 December 2010: 7,888 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2011 totalled 16,010 thousands of Euros (31 December 2010: 15,372 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 2011		Dec 2010	
	Portugal	Brazil	Portugal	Brazil
Discount rate	5.00%	10.25%	5.00%	10.75%
Annual increase rate of medical service costs	4.00%	11% (b)	4.00%	9,5% (b)
Estimated administrative expenses per beneficiary per year (Euros)	200€ / year	not applicable	175	not applicable
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational	Age >60 -- TV88/90 // Age<=60 years - - 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% 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 2011 and 2010 is as follows:

	Dec 2011		Dec 2010	
	Portugal	Brazil	Portugal	Brazil
Number of participants				
Retirees and pensioners	18,010	1,980	18,205	1,918
Current employees	6,168	1,205	6,384	1,068
	24,178	3,185	24,589	2,986

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

Thousands of Euros	2011	2010	2009	2008	2007
Provision for medical care					
Liability at the end of the year	819,215	800,473	770,357	750,982	779,784
Provision at the end of the year	819,215	800,473	770,357	750,982	779,784

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	2011	2010	2009	2008	2007
Experience adjustments for the Medical Plan liabilities	35,051	15,249	57,164	-4,160	-69,385
	35,051	15,249	57,164	-4,160	-69,385

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	2011	2010	2009	2008	2007
Experience adjustments for the Medical Plan liabilities	-2,469	-7,931	-9,771	2,717	1,542
	-2,469	-7,931	-9,771	2,717	1,542

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

Thousands of Euros	Dec 2011			Dec 2010		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Evolution of the liability						
Liability at the beginning of the year	758,314	42,159	800,473	741,722	28,635	770,357
Current service cost	6,860	598	7,458	6,965	145	7,110
Current interest cost	37,442	5,719	43,161	37,629	4,463	42,092
Benefits reduction	-	1,308	1,308	-	-4,805	-4,805
Benefits paid	-36,903	-4,807	-41,710	-37,885	-4,966	-42,851
Curtailments / settlements	852	-238	614	1,916	-	1,916
Actuarial gains and losses	-28,172	37,929	9,757	4,911	14,422	19,333
Currency fluctuation	-	-4,956	-4,956	-	4,265	4,265
Other and "mútua"	3,110	-	3,110	3,056	-	3,056
Liability at end of the year	741,503	77,712	819,215	758,314	42,159	800,473
Provision at end of the year	741,503	77,712	819,215	758,314	42,159	800,473

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 2011			Dec 2010		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the year						
Current service cost	6,860	598	7,458	6,965	145	7,110
Curtailment	852	-238	614	1,916	-	1,916
Operational component (see note 10)	7,712	360	8,072	8,881	145	9,026
Interest cost	37,442	5,719	43,161	37,629	4,463	42,092
Financial component (see note 15)	37,442	5,719	43,161	37,629	4,463	42,092
Net cost for the year	45,154	6,079	51,233	46,510	4,608	51,118

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	741,503	795,075	697,362
2011 cost for the year	43,066	46,642	40,170

Medical Care Plan and Other Benefits in Brazil includes liabilities of 85,707 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	87,365	98,822	77,789
2011 cost for the year	9,704	10,507	9,038

In 31 December 2011, following the change in accounting policy described in note 2 a), with the purpose of aligning the accounting policies and practices of the EDP Group regarding the utilities sector of electricity and gas in Europe, 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 financials components related to pensions liabilities, medical liabilities and other benefits in the amount of 44,926 thousands of Euros (31 December 2010: 43,210 thousands of Euros) and 43,161 thousands of Euros (31 December 2010: 42,092 thousands of Euros), respectively were reclassified from personnel costs and employee benefits to financial costs (see notes 10 and 15).

38. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Provisions for liabilities and charges:				
Provision for legal and labour matters and other contingencies	87,143	92,406	-	-
Provision for customer guarantees under current operations	37,867	108,480	-	-
Provision for other liabilities and charges	290,139	230,308	72,172	21,867
	415,149	431,194	72,172	21,867

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	92,406	94,520	-	-
Charge for the year	33,779	19,423	-	-
Reversals	-13,559	-16,676	-	-
Charge-off for the year	-56,972	-10,005	-	-
Other and exchange differences	31,489	5,144	-	-
Balance at the end of the year	87,143	92,406	-	-

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 of 87,143 thousands of Euros, includes provisions for litigation in progress and other labour contingencies of 79,529 thousands of Euros (31 December 2010: 76,392 thousands of Euros), relates essentially to:

- Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 19,498 thousands of Euros (31 December 2010: 18,207 thousands of Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;
- The Municipal Council of Póvoa do Varzim has brought up a legal action of 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 which has made a counterclaim request of approximately 11,200 thousands of Euros.
- There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the thoroughfare for the years 2004 to 2008, in a total amount of 10,170 thousands of Euros;
- The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused;
- The provisions for legal litigations includes in 30 June 2011 the amount of 32,071 thousands of Euros booked by Bandeirante related with a process from the customer White Martins, S.A. related with the existence of any reflex effects in the electric power tariffs charged by the subsidiary Bandeirante during the period in force of Portarias 38/1986 and 45/1986 of the extinguished Departamento Nacional de Águas e Energia Eléctrica (DNAEE) ("Plano do Cruzado"), meanwhile the customer White Martins proceeded with the withdrawal of the legal deposit in the amount of 27,349 thousands of Euros. During the third quarter the provision above mentioned was partly charge-off. In 31 December 2011, the value of provision to cover this contingency amounted to 4,722 thousands of Euros.

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	108,480	28,561	-	-
Charge for the year	6,165	85,698	-	-
Reversals	-23,614	-680	-	-
Charge-off for the year	-38,804	-14,366	-	-
Other and exchange differences	-14,360	9,267	-	-
Balance at the end of the year	37,867	108,480	-	-

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Provisions for customer guarantees under current operations of 37,867 thousands of Euros (31 December 2010: 108,480 thousands of Euros) includes essentially provisions for commercial losses.

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

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Balance at the beginning of the year	230,308	221,302	21,867	18,637
Changes in the consolidation perimeter	-	723	-	-
Charge for the year	31,811	29,024	56,463	7,927
Reversals	-33,890	-13,211	-6,163	-2,509
Charge-off for the year	-14,519	-7,218	-	-1,425
Other and exchange differences	76,429	-312	5	-763
Balance at the end of the year	290,139	230,308	72,172	21,867

As at 31 December 2011, Provision for other liabilities and charges on a consolidated basis of 290,139 thousands of Euros (December 2010: 230,308 thousands of Euros) includes the following situations:

- i) The Group holds a provision of 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 57,694 thousands of Euros (31 December 2010: 53,156 thousands of Euros) to cover the costs of returning the sites to their original state, from which 34,523 thousands of Euros referring to the wind farms of the EDPR NA Group, 22,275 thousands of Euros to the wind farms of the EDPR EU Group and 896 thousands of Euros to the wind farms of the EDPR 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 2011, the provision which amounts to 43,215 thousands of Euros (31 December 2010: 11,392 thousands of Euros) and 15,608 thousands of Euros (31 December 2010: 7,386 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.

As at 31 December 2011, "Provision for other liabilities and charges" on a company basis, of 72,172 thousands of Euros (31 December 2010: 21,867 thousands of Euros), includes 40,784 thousands of Euros related to a provision to cover for the negative equity of subsidiary companies, booked during the year against financial costs - Impairment for financial investments (see note 15).

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of an 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 Group 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 30 September of 2011, the more relevant situations considered as possible contingencies are described as follows:

- i) Bandeirante is involved in a second lawsuit with the client White Martins, S.A. in the amount of 25,650 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 in the courts as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints.
- ii) Escelsa is involved in litigation, related with the increase of the electricity tariffs, authorized by DNAEE Amministratives Orders n. 38 and 45 of 27 February and 4 March of 1986.
- iii) Investco is involved in a legal actions of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional S.G.P.S., related with 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 2011, the amount of this tax contingency totals 212 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).

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 final phase. On the last 11 January 2012, EDP Group was notified by the portuguese tax authorities of the final decision regarding this litigation, and therefore decided to present an administrative appeal.

39. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

The caption Institutional partnership in USA wind farms is analysed as follows:

	Group	
	Dec 2011	Dec 2010
Deferred income related to benefits provided	773,252	635,271
Liabilities arising from institutional partnerships in USA wind farms	1,023,557	1,008,777
	1,796,809	1,644,048

EDPR NA books the receipts of institutional investors associated with wind projects as non-current liabilities under "Liabilities arising from institutional partnerships in US wind farms". This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 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).

40. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

Trade and other payables from commercial activities are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Trade and other payables from commercial activities - Current:				
Suppliers	1,110,659	1,182,508	250,114	119,507
Accrued costs related with supplies	371,858	338,633	180,632	199,835
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	788,496	858,306	5,342	2,414
Holiday pay, bonus and other charges with employees	154,622	129,825	14,861	8,533
CO ₂ emission licenses	185,154	170,919	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	67,473	173,831	-	-
Amounts payable for tariff adjustments - Spain	39,624	55,009	-	-
Other creditors and sundry operations	578,794	580,263	57,744	100,862
	3,296,680	3,489,294	508,693	431,151
Trade and other payables from commercial activities - Non-Current				
Government grants for investment in fixed assets	541,850	563,477	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	12,376	61,557	-	-
Energy sales contracts - EDPR NA	61,664	71,991	-	-
Deferred income - CMEC	377,508	377,508	-	-
Amounts payable for concessions	247,933	265,341	-	-
Other creditors and sundry operations	48,105	76,173	3,410	3,797
	1,289,436	1,416,047	3,410	3,797
	4,586,116	4,905,341	512,103	434,948

The caption CO₂ emission licenses includes 108,426 thousands of Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 76,728 thousands of Euros related to the HC Energia Group in Spain, regarding the CO₂ consumptions made during the year.

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2010: 14,317 thousands of Euros).

Deferred income - CMEC non current includes 377,508 thousands of Euros (31 December 2010: 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 2011 and including financial expenses (31 December 2011: 17,974 thousands of Euros) (see note 15).

Government grants for investment in fixed assets non-current corresponds 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 NA acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash 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 under Other operational income (see note 8).

Amounts payable for concessions refers 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 152,259 thousands of Euros as at 31 December 2011 (31 December 2010: 168,049 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 95,674 thousands of Euros as at 31 December 2011 (31 December 2010: 97,292 thousands of Euros).

Amounts payable for tariff adjustments - Portugal current and non-current of 67,473 thousands of Euros and 12,376 thousands of Euros, respectively (31 December 2010: 173,831 thousands of Euros in current and 61,557 thousands of Euros in non current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2009 and 2010 for the regulated companies in Portugal.

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2010	1,056,236	88,479
Payment through the electricity tariff	-1,080,476	-
Tariff adjustment of 2009	14,378	-
Tariff adjustment of the period	69,480	61,557
Interest expense	25,734	-
Transfer from Non-Current to Current	88,479	-88,479
Balance as at 31 December 2010	173,831	61,557
Payment through the electricity tariff	-175,952	-
Tariff adjustment of 2010	-	1,754
Tariff adjustment of the period	-	12,135
Interest expense	3,768	241
Transfer of tariff adjustment to receive	2,515	-
Transfer from Non-Current to Current	63,311	-63,311
Balance as at 31 December 2011	67,473	12,376

41. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Other liabilities and other payables - Current:				
Payables - related companies	128,587	90,258	-	-
Derivative financial instruments	111,857	27,310	75,745	87,216
Creditors - Group companies	-	-	1,288,583	467,188
Put options over non-controlling interest liabilities	-	234,754	-	-
Amounts payable for the acquisition of companies	215,524	210,852	-	-
Other creditors and sundry operations	79,109	120,364	29,203	-
	535,077	683,538	1,393,531	554,404
Other liabilities and other payables - Non-Current				
Payables to associates	94,259	144,554	-	-
Put options over non-controlling interest liabilities	89,651	123,492	-	-
Derivative financial instruments	95,719	169,383	-	-
Payables - Group companies	-	-	2,436,252	3,207,855
Amounts payable for the acquisition and Success fees	48,675	287,480	-	-
Other creditors and sundry operations	32,797	34,813	11,062	11,062
	361,101	759,722	2,447,314	3,218,917
	896,178	1,443,260	3,840,845	3,773,321

The caption Creditors - Group companies - Current on a Company basis includes 885,752 thousands of Euros (31 December 2010: 99,506 thousands of Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 198,714 thousands of Euros, 19,920 thousands of Euros and 145,187 thousands of Euros, relating to debt financing obtained from EDP Renováveis, EDP Renewables Europe e Naturgás Energia Grupo, S.A., respectively (see note 47).

The caption Payables - Group companies non current on a company basis, of 2,436,252 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 EDPRA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

As at 31 December 2010 the liabilities arising from written Put options over non-controlling interests - Current includes the liability for the put option contracted with Caja Madrid for a 20% interest in the Genesa Group in the amount of 234,754 thousands of Euros equivalent to 20% of Genesa's equity value. During the first semester of 2011 EDP Group paid this liability, considering the exercise of the put option by Caja Madrid. According to the terms of Genesa's share purchase agreement, 50% of any capital gains arising from the sale of the shareholding acquired, following the exercise of the option, within 24 months, must be shared in 50% with Caja Madrid.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC from EVE of 29.43% of the share capital of Naturgas; (ii) HC will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholder position. As a consequence of the above mentioned agreement, as at 31 December 2011 the captions amounts payable for the acquisition includes the amounts of 214,767 thousands of Euros (31 December 2010: 210,852 thousands of Euros in current and 210,859 thousands of Euros in non-current).

In the caption Put options over non-controlling interests liabilities non-current at 31 December 2011 the Group books the put options related to interests held by non-controlling interest. This caption include the reduction of the estimated payable amount for the exercise of the put option contracted in 2010 with Energia in Natura for a interest in the EDPR Italia group in the amount of 34,625 thousands of Euros (see note 8) and the increase of 1,923 thousands of Euros regarding with the put option of Cajastur to EDP od 3.13 % of HC Energia share capital.

Amounts payable for the acquisition and Success fees refers to the contingent price to be paid for the acquisition of Relax Wind Group, EDP Renewables Romania Group, Greenwind, Elektrownia Wiatrowa Kresy and Elebrás. The decrease on this caption results from of the contingent price reduction associated with the exercise of the put option of Energia in Natura to EDP in the amount of 17,070 thousands of Euros (the operation is analised in note 8).

42. TAX PAYABLE

Tax payable is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
State and other public entities:				
Income tax	167,316	149,183	1,158	-
Withholding tax	65,999	59,045	213	234
Social Security contributions	11,473	10,183	33	19
Value added tax (VAT)	97,835	62,531	307	935
Turnover tax (Brazil)	59,596	78,846	-	-
Social tax (Brazil)	36,952	49,309	-	-
Other taxes	107,635	143,259	11	-
	546,806	552,356	1,722	1,188

As at 31 December 2011, Other taxes include foreign taxes regarding HC Energia Group of 53,539 thousands of Euros, Naturgas Group of 34,656 thousands of Euros (31 December 2010: HC Energia Group 51,196 thousands of Euros and Naturgás Group of 35,140 thousands of Euros) and Energias do Brazil Group of 13,437 thousands of Euros (31 December 2010: 51,364 thousands of Euros).

43. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Assets classified as held for sale				
Electricity transport equipment - Hidrocontábrico	-	30,952	-	-
Assets of the business of gas transmission - Naturgas	201,924	-	-	-
	201,924	30,952	-	-
Liabilities classified as held for sale				
Liabilities of the business of gas transmission - Naturgas	-21,329	-	-	-
	-21,329	-	-	-
	180,595	30,952	-	-

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

As a result of negotiations in progress related with the sale of gas transmission network of Naturgás Energia, assets and liabilities associated with this negotiation were reclassified to assets and liabilities held for sale. This reclassification was made only for presentation purposes, without changing the measurement criteria of these assets, as it is expected that the fair value less sell costs is higher than the book value of assets and liabilities, in accordance with IFRS 5. The Assets of the business of gas transmission relate mostly to tangible fixed assets in operation and in progress in the amount of 157,931 thousands of Euros (see note 17).

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44. DERIVATIVE FINANCIAL INSTRUMENTS

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

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
	7,807	-	-	77,008	-	77,008
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
	149,507	-52,177	-	1,177,911	730,314	1,908,225
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
	62,175	-130,407	1,629,620	282,366	488,350	2,400,336
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	-	-	-	-
	102,025	-24,992	3,231,341	593,336	699,800	4,524,477
	321,514	-207,576	4,860,961	2,130,621	1,918,464	8,910,046

In 2010 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	-	-1,074	-	59,627	-	59,627
	-	-1,074	-	59,627	-	59,627
Fair value hedge						
Interest rate swaps	86,470	-	750,000	1,250,000	-	2,000,000
Cross-currency interest rate swaps	-	-64,492	-	-	730,313	730,313
	86,470	-64,492	750,000	1,250,000	730,313	2,730,313
Cash flow hedge						
Commodities swaps	48,337	-7,750	690,479	57,968	-	748,447
Interest rate swaps	328	-26,962	106,102	169,197	288,748	564,047
Foreign exchange forwards	2,143	-36,203	476,597	253,468	-	730,065
	50,808	-70,915	1,273,178	480,633	288,748	2,042,559
Trading						
Commodities swaps	30,431	-4,789	2,261,956	269	-	2,262,225
Interest rate swaps	28,188	-28,411	489,976	-	845,683	1,335,659
Cross-currency interest rate swaps	13,299	-5,335	-	23,450	92,039	115,489
Currency forwards	3,580	-10,787	228,834	48,100	-	276,934
Commodities forwards	9,847	-10,367	735,631	-	-	735,631
OMIP futures	430	-523	77,852	-	-	77,852
	85,775	-60,212	3,794,249	71,819	937,722	4,803,790
	223,053	-196,693	5,817,427	1,862,079	1,956,783	9,636,289

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 41), 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.

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

Thousands of Euros	Type of hedge	Hedging instrument	Hedged risk	2011		2010	
				Changes in fair value		Changes in fair value	
				Instrument	Risk	Instrument	Risk
	Fair value	Interest rate swap	Interest rate	10,234	-10,234	-17,553	17,553
	Fair value	Cross-currency interest rate swaps	Exchange and interest rate	103,147	-103,147	49,210	-49,210
	Cash flow hedge	Interest rate swap	Interest rate	-44,899	-	-3,009	-
	Cash flow hedge	Currency forwards	Exchange rate	16,673	-	-12,629	-
	Cash flow hedge	OMIP futures	Commodity prices	-700	-	-	-
	Cash flow hedge	Commodities swaps	Commodity prices	-19,199	-	-44,209	-
				65,256	-113,381	-28,190	-31,657

The changes in the fair value reserve related to cash flow hedges in 2011 and 2010 were as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Balance at the beginning of the year	45,180	80,444
Fair value changes	-18,966	15,170
Transfers to results from hedging of financial liabilities and commodity prices	-69,383	-50,434
Effect of sales without a loss of control of EDP Brasil	2,544	-
Balance at the end of the year	-40,625	45,180

The gains and losses on the financial instruments portfolio booked in the income statement in 2011 and 2010 are as follows:

Thousands of Euros	Group		Company	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Derivatives held for trading	8,667	-44,787	-4,118	-2,487
Fair value hedges				
Derivatives	113,381	31,657	-7,407	-28,596
Hedged liabilities	-113,381	-31,657	7,407	28,596
Cash flow hedges				
Transfer to results from hedging of financial liabilities	7,459	-410	-	-
Transfer to results from hedging of commodity prices	61,924	50,844	28,234	27,094
Ineffectiveness	-397	44	-397	44
	77,653	5,691	23,719	24,651

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2011 are as follows:

	Group			
	Notional	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,574,715	EUR	[5,01% - 0,88%]	[5,5% - 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 and interest rate contracts				
CIRS (currency interest rate swaps)	730,313	EUR / GBP	[5,54% - 3,26%]	[8,63% - 6,63%]
CIRS (currency interest rate swaps)	1,902	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	[4,2% - 4,18%]	3.51%
Exchange rate contracts				
Currency forwards	253,896	BRL / USD		

notes to the consolidated and company financial statements for the years ended 31 december 2011 and 2010

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

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

45. COMMITMENTS

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

Thousands of Euros

Type	Group		Company	
	Dec 2011	Dec 2010	Dec 2011	Dec 2010
Guarantees of a financial nature				
EDP, S.A.	268,890	381,332	268,890	381,332
HC Energia Group	33,083	36,271	-	-
EDP Brasil Group	8,653	13,244	-	-
EDP Renováveis Group	5,656	24,999	-	-
Other (Portugal)	3,711	3,711	-	-
	319,993	459,557	268,890	381,332
Guarantees of an operating nature				
EDP, S.A.	770,668	911,218	770,668	911,218
HC Energia Group	357,709	348,543	-	-
EDP Brasil Group	123,507	120,663	-	-
EDP Renováveis Group	2,434,720	1,893,862	-	-
Other (Portugal)	10,094	32,280	-	-
	3,696,698	3,306,566	770,668	911,218
Total	4,016,691	3,766,123	1,039,558	1,292,550
Real guarantees	13,338	13,335	-	-

The financial guarantees contracted include, at 31 December 2011 and 31 December 2010, 231,525 thousands of Euros and 358,631 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 211,788 thousands of Euros at 31 December 2011 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 82,199 thousands of Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2011 and 31 December 2010, 470,161 thousands of Euros and 553,274 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2011 and 31 December 2010 these loans amounted to 888,947 thousands of Euros and 862,625 thousands of Euros, respectively, and are included in the Group's consolidated debt.

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

	Dec 2011				
	Capital outstanding by maturity				
Thousands of Euros	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 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

	Dec 2010				
	Capital outstanding by maturity				
Thousands of Euros	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 interest)	21,455,155	3,446,010	5,684,521	5,209,027	7,115,597
Finance lease commitments	7,572	3,003	4,006	563	-
Operating lease commitments	786,941	48,044	88,283	86,720	563,894
Purchase obligations	46,402,428	5,691,622	9,597,757	6,865,314	24,247,735
Other long term commitments	3,141,480	325,959	583,033	690,677	1,541,811
	71,793,576	9,514,638	15,957,600	12,852,301	33,469,037

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

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

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 37).

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

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.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 option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Santa Quitéria Energia, S.L.U (previous designed as Veinco Energia Limpia, S.L.) a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicações Industriais de Energias Limpas, S.L. This option can be exercised until 18 April 2014;
- 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 are able to build, develop and operate 350 MW in Italy.
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., holds a call option over the remain shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the 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.L., a call option of 2.67% of the share capital of Greenvoug 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 Greenvoug and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros.

46. 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 acreation 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 Executive Board of Directors and can only be exercised after two years of service.

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2009	1,012,397	2.21
Options exercised	406,920	
Options granted	-	
Balance as at 31 December 2010	605,477	2.22
Options exercised	-	
Options granted	-	
Balance as at 31 December 2011	605,477	2.22

Information regarding stock options as at 31 December 2011, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
605,477	2.22	1.94	605,477	426,772

During the year ending 31 December 2011 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During the year ended at 31 December 2011, EDP Group granted treasury stocks to employees (736,881 shares) totalling 2,046 thousands of Euros.

47. RELATED PARTIES

Main shareholders and shares held by company officers

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

	Nr. of Shares	% Capital	% Voting
Parpública Group	932,150,782	25.49%	19.81%
Iberdrola - Participações, SGPS, S.A.	248,437,516	6.79%	6.79%
Caixa Geral de Depósitos Group	8,752,109	0.24%	0.19%
Liberbank Group (ex-Caja de Ahorros de Asturias Group)	183,257,513	5.01%	5.01%
José de Mello - SGPS, S.A.	176,322,036	4.82%	4.82%
Senhora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,995,561	3.36%	3.36%
Sonatrach	81,713,076	2.23%	2.23%
Norges Bank	119,018,155	3.25%	3.25%
Banco Espírito Santo Group	80,110,820	2.19%	2.19%
Qatar Holding LLC	73,800,000	2.02%	2.02%
EDP Group (Treasury stock)	32,359,146	0.88%	-
Remaining shareholders	1,449,189,002	39.66%	-
	3,656,537,715	100.00%	

The number of shares of EDP S.A. held by company officers in 2011 and 2010 are as follows:

	2011 Nr. of shares	2010 Nr. of shares
General and Supervisory Board		
António de Almeida	100	-
Alberto João Coraceiro de Castro	4,578	4,578
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	6,622
Rui Eduardo Rodrigues Pena	1,445	1,445
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	57,845	57,745
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	31,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	100,000	62,497
Nuno Maria Pestana de Almeida Alves	100,000	80,000
	290,116	222,613

Remuneration of company officers

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

The remuneration cost of the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2011 was as follows:

Thousands of Euros	EBD	GSC
President	1,044	522
Members	5,052	836
	6,096	1,358

The remuneration of the members of the Executive Board of Directors includes a variable component of 1,683 thousands of Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

During 2011 the costs incurred with the fees of the Statutory Auditor was 180,000 thousands of Euros.

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

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

Balances and transactions with subsidiaries and associates

As at 31 December 2011, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	7,796	255,000	12,691	275,487
EDP Comercial	48,371	40,000	96,364	184,735
EDP Distribuição	170,354	2,028,125	52,562	2,251,041
EDP Finance BV	-	116,561	349	116,910
EDP Gás -SGPS	25,541	107,400	3,561	136,502
EDP Gestão da Produção	1,327	3,825,275	256,409	4,083,011
EDP Imobiliária e Participações	-	177,700	775	178,475
EDP Renováveis	-	-	237,918	237,918
Hidroeléctrica del Cantábrico	1,494	87,173	47,083	135,750
Other	26,112	45,502	111,908	183,522
	280,995	6,682,736	819,620	7,783,351

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

Thousands of Euros	Intra-Group Financial Mov.	Loans Granted	Other Receivables	Total
Companies				
Balwerk	4,330	265,000	10,466	279,796
EDP Comercial	32,156	54,551	35,957	122,664
EDP Distribuição	218,007	1,599,125	124,990	1,942,122
EDP Finance BV	-	190,195	725,833	916,028
EDP Gás - SGPS	9,458	107,400	1,260	118,118
EDP Gestão da Produção	49,966	3,668,964	252,335	3,971,265
EDP Imobiliária e Participações	3,272	175,298	413	178,983
EDP Renováveis	-	-	161,909	161,909
Hidroeléctrica del Cantábrico	1,841	131,313	7,371	140,525
Other	6,119	50,311	74,091	130,521
	325,149	6,242,157	1,394,625	7,961,931

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

Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,288,505	34,686	3,323,191
EDP Gestão da Produção	-	-	255,870	255,870
EDP Renováveis	-	198,714	9,872	208,586
EDP Serviço Universal	-	-	115,617	115,617
Naturgás	-	145,187	-	145,187
Other	7,819	23,755	143,943	175,517
	7,819	3,656,161	559,988	4,223,968

notes to the consolidated and company financial statements for the years ended 31 december 2011 and 2010

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

Thousands of Euros	Intra-Group Financial Mov.	Loans Obtained	Other Payables	Total
Companies				
EDP Finance BV	-	3,274,969	44,458	3,319,427
EDP Gás III SGPS	62,488	-	277	62,765
EDP Gestão da Produção	-	-	168,342	168,342
EDP Renováveis Europe	-	55,398	-	55,398
EDP Renováveis	-	170,387	-	170,387
EDP Serviço Universal	-	-	230,712	230,712
Naturgás	-	84,492	-	84,492
Other	59,753	6	127,449	187,208
	122,241	3,585,252	571,238	4,278,731

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

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	-176,885	-4,730	-181,615
EDP Gestão da Produção	-677	-	-1,179,509	-1,180,186
EDP Renováveis	-	-935	-27,098	-28,033
Hidroeléctrica del Cantábrico	-	-	-95,991	-95,991
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

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

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Costs	Total
Companies				
EDP Finance BV	-	-183,957	-12,066	-196,023
EDP Gestão da Produção	-43	-	-902,490	-902,533
Hidroeléctrica del Cantábrico	-	-	-62,375	-62,375
Other	-360	-992	-136,266	-137,618
	-403	-184,949	-1,113,197	-1,298,549

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

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
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 Gestão da Produção	757	214,147	104,928	319,832
EDP Renováveis	-	588	73,950	74,538
Hidroeléctrica del Cantábrico	-	-	117,792	117,792
Other	991	23,263	106,416	130,670
	15,252	310,093	1,135,909	1,461,254

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

Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
Companies				
EDP Comercial	677	1,410	390,304	392,391
EDP Distribuição	7,245	39,861	37,810	84,916
EDP Gás.Com	-	-	63,070	63,070
EDP Gestão da Produção	2,007	206,868	44,975	253,850
EDP Renováveis	-	-	155,083	155,083
Other	645	20,804	160,232	181,681
	10,574	268,943	851,474	1,130,991

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

Thousands of Euros	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

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

Thousands of Euros	Assets	Liabilities	Net Value
Associates	144,794	3,600	141,194
Jointly controlled entities	30,696	12,822	17,874
	175,490	16,422	159,068

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

Thousands of Euros	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

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

Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	9,502	3,334	-887	-9
Jointly controlled entities	53,821	5,432	-23,638	-7,835
	63,323	8,766	-24,525	-7,844

48. 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 2011 and 2010, 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 2011			31 December 2010		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	1.36%	0.58%	10.41%	1.01%	0.30%	10.90%
6 months	1.62%	0.81%	10.15%	1.23%	0.46%	11.61%
1 year	1.95%	1.13%	10.04%	1.51%	0.78%	12.04%
2 years	1.31%	0.73%	10.48%	1.56%	0.79%	12.27%
3 years	1.36%	0.82%	10.75%	1.89%	1.26%	12.15%
4 years	1.54%	1.01%	10.92%	2.20%	1.74%	12.04%
5 years	1.72%	1.23%	10.98%	2.49%	2.17%	11.95%
6 years	1.91%	1.45%	11.05%	2.74%	2.53%	11.89%
7 years	2.07%	1.64%	11.05%	2.93%	2.83%	11.85%
8 years	2.19%	1.80%	11.07%	3.09%	3.06%	11.87%
9 years	2.29%	1.93%	11.17%	3.21%	3.25%	11.88%
10 years	2.38%	2.03%	11.22%	3.32%	3.41%	11.90%

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Fair value of assets and liabilities as at 31 December 2011 and 2010 is analysed as follows:

Thousands of Euros	Group Dec 2011			Group Dec 2010		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	171,313	171,313	-	443,965	443,965	-
Trade receivables	2,152,281	2,152,281	-	2,187,118	2,187,118	-
Debtors and other assets from commercial activities	3,604,009	3,604,009	-	3,483,216	3,483,216	-
Other Debtors and other assets	599,153	599,153	-	550,074	550,074	-
Derivative financial instruments	321,514	321,514	-	223,053	223,053	-
Financial assets at fair value through profit or loss	212	212	-	35,745	35,745	-
Cash and cash equivalents (assets)	1,731,524	1,731,524	-	1,588,163	1,588,163	-
	8,580,006	8,580,006	-	8,511,334	8,511,334	-
Financial liabilities						
Loans	18,785,109	16,590,072	-2,195,037	17,891,646	17,398,777	-492,869
Property, plant and equipment suppliers and accruals - Subcontracts (EDPR NA)	1,899,155	1,899,155	-	2,040,814	2,040,814	-
Institutional Partnerships in USA Wind Farms	1,796,809	1,796,809	-	1,644,048	1,644,048	-
Trade and other payables from commercial activities	2,686,961	2,686,961	-	2,864,527	2,864,527	-
Other liabilities and other payables	688,602	688,602	-	1,246,567	1,246,567	-
Derivative financial instruments	207,576	207,576	-	196,693	196,693	-
	26,064,212	23,869,175	-2,195,037	25,884,295	25,391,426	-492,869

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

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

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

Thousands of Euros	31 December 2011			31 December 2010		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	69,957	37,388	63,968	302,342	49,725	91,898
Derivative financial instruments	-	321,514	-	-	223,053	-
Financial assets at fair value through profit or loss	212	-	-	35,745	-	-
	70,169	358,902	63,968	338,087	272,778	91,898
Financial liabilities						
Derivative financial instruments	-	207,576	-	-	196,693	-
	-	207,576	-	-	196,693	-

As at 31 December 2011 and 2010, the movement in assets and liabilities included in Level 3 is analysed as follows:

Financial assets available for sale		
	Dec 2011	Dec 2010
Balance at beginning of year	91,898	71,902
Change in fair value reserve	-17,934	7,964
Acquisitions	2,952	-
Disposals	-16,894	-
Impairment	-121	-
Transfers and other changes	4,067	12,032
Balance at year end	63,968	91,898

49. CO₂ LICENSES

The movements in the portfolio of CO₂ licenses are analysed as follows:

CO ₂ (Ton)	Group	
	Dec 2011	Dec 2010
CO ₂ licenses as at 1 January	240,239	415,685
Licenses granted free of charge	17,970,369	15,877,527
Licenses purchased	11,638,492	6,740,686
Licenses transferred (from own consumption to trading)	-3,087,262	-8,094,155
	26,761,838	14,939,743
Licenses to be returned (consumed)	16,862,610	14,699,504
Excess/(Lack) of licenses	9,899,228	240,239

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 18 and 24).

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	3,931,328	954,739
Licenses acquired in the market	7,129,846	6,280,700
Emission licenses transferred to the trading portfolio	3,087,262	8,094,155
Licenses sold	-14,031,516	-11,398,266
CO ₂ licenses held for trading on 31 December	116,920	3,931,328
CO ₂ licenses for trading (in thousand Euros)	807	51,745

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.

50. SUBSEQUENT EVENTS

Imputation to China Three Gorges

On 30 December 2011, China Three Gorges Corporation ("CTG") notified EDP that it has entered into a Strategic Direct Sale Agreement with Parpública - Participações Públicas (SGPS), S.A. for the acquisition of 780,633,782 ordinary shares of EDP, which correspond to 21.35% of EDP's share capital and 21.35% of the respective voting rights. The imputation of a qualifying holding results from the signature of said agreement within the context of the implementation of EDP's 8th reprivatization phase.

The referred acquisition of shares is subject to the prior satisfaction of conditions, namely the obtaining of approvals from relevant regulatory authorities from certain jurisdictions.

Although the acquisition of the above mentioned stake has not been concluded, Portuguese Law deems relevant, for certain purposes, the attribution of voting rights, as a result of the execution of a purchase agreement over listed companies' shares. Accordingly, as of the date hereof and until completion of the acquisition process, the attribution of voting rights inherent to the 780,633,782 shares, does not involve the actual exercise of those rights nor the ownership of any stake in the share capital of EDP by CTG.

Standard & Poor's downgrades EDP to "BB+" with negative outlook

On 1 February 2011, Standard & Poor's Ratings Services ("S&P") downgraded the long-term and short-term corporate credit ratings on EDP - Energias de Portugal S.A. ("EDP") and EDP Finance B.V from "BBB" to "BB+" with a negative outlook.

This downgrade follows S&P's downgrade of the Republic of Portugal to "BB" with negative outlook.

Moody's Downgrades EDP to "Ba1" with negative outlook

Moody's Investors Service ("Moody's") downgraded EDP- Energias de Portugal SA ("EDP"), its finance subsidiary EDP Finance BV ("EDP Finance") and its spanish subsidiary, Hidroelectrica del Cabalabrico ("HC Energia") to "Ba1" from "Baa3". Concurrently, Moody's downgraded the short term ratings of EDP, EDP Finance and HC Energia to "Not-prime" from "Prime-3". The assigned outlook on all affected ratings is negative.

This downgrade follows Moody's downgrade of the Republic of Portugal to "Ba3" with negative outlook.

EDP's General Shareholders Meeting

In the General Shareholders Meetings held on 20 February 2012, the shareholders have approved the following resolutions:

1. Amendment of EDP By-Laws, in order not to be regarded as a legal person that is a competitor of EDP or the existence of other relations with an entity being competitor of EDP, the shareholder that individually holds at least 20% of the share capital of EDP, and that, directly or through a legal person which is in a domain relationship with it, enters into and maintains a medium or long term strategic partnership of business cooperation in the activities of generation, distribution or supply of electricity or natural gas, approved in accordance with legal and corporate provisions, with prior favorable opinion of the General and Supervisory Board.
2. Amendment of the EDP By-Laws to reflect the increase of the limit for the cast votes from the current 20% to 25% of the share capital.
3. Election of the members of EDP's General and Supervisory Board for the three year period 2012-2014.
4. Election of the members of EDP's Executive Board of Directors for the three year period 2012-2014.

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51. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements can be analysed as follows:

IAS 24 (Revised) - Related Party Disclosures

The International Accounting Standards Board (IASB) issued in November 2009, the IAS 24 (Revised) - Related Party Disclosures, with effective date of mandatory application on 1 January 2011, being allowed its early adoption.

This revised version simplifies the disclosure requirements for government related parties and clarifies the definition of a related party. Therefore, this standard establishes that the companies disclose in its financial statements the information regarding the transactions with related parties. In broad terms, two parties are related to each other if one party controls, or significantly influences, the other party.

The principal changes are the following:

- partial exemption of the requirements on the paragraph 18 for transactions with government related entities ;
- simplification of "Related Party" definition.

No significant impact in the Group resulted from the adoption of this amendment.

IFRIC 14 (Amendment) - Prepayments of a Minimum Funding Requirement

The International Accounting Standards Board (IASB), issued in November 2009, amendments to IFRIC 14 — Prepayments of a Minimum Funding Requirement, with effective date of mandatory application on 1 January 2011, being early adoption allowed. These amendments were adopted by European Union in July 2010.

The amendment to IFRIC 14, is it self an interpretation of IAS 19 Employee Benefits. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

No significant impact in the Group resulted from the adoption of this interpretation.

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments

The International Accounting Standard Board (IASB), issued in November 2009, the IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, with effective date of mandatory application for the exercises beginning after 30 June 2010, being early adoption allowed.

This interpretation clarifies how an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially.

No significant impact in the Group resulted from the adoption of this interpretation.

Annual Improvement Project

In May 2010, IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 3 - Business Combinations, effective from 1 January 2011. This changes clarifies that: (i) contingent consideration balances arising from business combinations whose acquisition dates preceded the date when an entity first applied this standard should not be adjusted; (ii) if a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the acquirer shall include the amount of that adjustment in the cost of the combination at the acquisition data if the adjustment is probable and can be measured reliably; and (iii) a business combination agreement may allow for adjustments to the cost of the combination that are contingent on one or more future events.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IFRS 7 - Financial Instruments: Disclosures, effective from 1 January 2011. This amendment simplifies the quantitative disclosures, since that is no longer necessary: (i) disclose the carrying amount of financial assets that would otherwise be past due or impaired and whose terms have been renegotiated , and (ii) describe the collateral held by the entity as security and other credit enhancements and, unless impracticable, an estimate of fair value related to financial assets renegotiated.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 1 - Presentation of Financial Assets, effective from 1 January 2011. The amendment establishes that the statement of changes in equity for each component of equity, a reconciliation between the carrying at the beginning and the end of the period, separately disclosing changes resulting from: (i) profit or loss; (ii) other comprehensive income; and (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

No significant impact in the Group resulted from the adoption of this change.

- Changes to IAS 34 - Interim Financial Reporting, effective from 1 January 2011. The amendment clarifies and emphasis the information that must be disclosed at the interim financial reporting.

No significant impact in the Group resulted from the adoption of this change.

Standards, amendments and interpretations issued but not yet effective for the Group

IFRS 1 (Amendment) - First-Time Adoption of International Financial Reporting Standards

The International Accounting Standards Board (IASB), issued in December 2010, amendments to IFRS 1 — First-Time Adoption of International Financial Reporting standards, with effective date of mandatory application of 1 July 2011, being early adoption allowed. These amendments have not been adopted by the European Union.

The amendment to IFRS 1, introduces a specific exemption for the first adoption of IFRS for entities operating in economies previously classified as hyper-inflationary, so that when the date of transition is after or is the date on which the functional currency stabilises, the entity can choose to measure on the transition date, all assets and liabilities held at the time, at fair value.

No significant impact is expected in the Group from the adoption of this change.

IFRS 7 (Amendment) - Financial Instruments: Disclosures - Offsetting Financial Assets

The International Accounting Standards Board (IASB), issued in December 2011, amendments to IFRS 7 — Financial Instruments: Disclosures, 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 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 7 - 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, with effective date of mandatory application of 1 July 2011, being early adoption allowed.

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.

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 proceeds 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.

The adoption of this amendment will only have impact on the financial statement disclosures.

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; and

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- 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. However, guidance is provided on the limited circumstances in which the cost of such an instrument may be an appropriate approximation of fair value;

- 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.

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 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

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, the concept of "de facto control" was introduced.

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 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

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 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

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 has not yet been adopted by the European Union.

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 - 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. These amendments have not yet been adopted by the European Union.

The principal changes are the following:

- the amendments retain the option to present profit or loss and other comprehensive income neither a single continuous statement or in two separate but consecutive statements;
- items of other comprehensive are required to be grouped into those that will and will not subsequently be reclassified to profit or loss; and
- tax on items of other comprehensive income is required to be allocated on the same basis.

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. These amendments have not yet been adopted by the European Union.

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 2013, being allowed its early adoption. This amendment has not yet been adopted by the European Union.

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 2013, being allowed its early adoption. This amendment has not yet been adopted by the European Union.

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

The International Accounting Standards Board (IASB) issued in December 2011, IAS 32 (Amended) - Financial Instruments: Presentation, 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.

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.

52. EDP BRANCH IN SPAIN

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

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

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

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

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

Thousands of Euros	EDP Branch	
	Dec 2011	Dec 2010
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.	481,695	-
Other	60	60
Deferred tax assets	70,114	-
Other debtors and others assets	79,794	144,566
Total Non-Current Assets	5,553,350	5,066,313
Trade receivables	13,573	15,253
Debtors and other assets	387,595	343,553
Tax receivable	37,306	20,211
Cash and cash equivalents	11,649	15,661
Total Current Assets	450,123	394,678
Total Assets	6,003,473	5,460,991
Equity	2,269,465	1,797,905
Financial debt	2,436,252	3,207,855
Deferred tax liabilities	4,255	-
Total Non-Current Liabilities	2,440,507	3,207,855
Financial debt	-	33
Trade and other payables	1,293,150	454,192
Tax payable	351	1,006
Total Current Liabilities	1,293,501	455,231
Total Liabilities	3,734,008	3,663,086
Total Equity and Liabilities	6,003,473	5,460,991

53. 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 2011 and 2010 are analysed as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Air and climate protection	19,301	47,108
Biodiversity and landscape protection	15,078	16,831
Waste management	680	2,250
Research and development in the environmental area	37	508
Soil, subterranean and surface water protection	1,940	866
Residual water management	382	349
Noise and radiation reduction	93	107
Other environmental management and protection activities	10,675	6,923
	48,186	74,942

Investments recognised in Air and climate protection as Property, plant and equipment in 2011 include costs incurred by EDP Produção of 18,674 thousands of Euros. The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2011, have a net book value of 274 millions of Euros.

During the year, the Group recognised expenses that are analysed as follows:

Thousands of Euros	Group	
	Dec 2011	Dec 2010
Air and climate protection	3,200	8,624
Soil, subterranean and surface water protection	5,823	2,992
Waste management	2,966	2,433
Biodiversity and landscape protection	949	352
Residual water management	5,235	2,957
Research and development in the environmental area	3,079	1,487
Noise and radiation reduction	94	138
Other environmental management and protection activities	7,791	4,452
Other expenses	99	99
	29,236	23,534

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 43,215 thousands of Euros and 15,608 thousands of Euros as at 31 December 2011, for the electric power plants located in Portugal and Spain, respectively. According to the accounting policy referred in note 2 o), these provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2011, the provisions amount to 57,694 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 22,877 thousands of Euros (see note 38).

During the year 2011, EDP Group incurred in fines and other penalties for breaching environmental regulations of 4 thousands of Euros.

Environmental income recognised in 2011 relates to the sale of environmental subproducts of 4,742 thousands of Euros, the sale of environmental waste of 2,186 thousands of Euros and public environmental protection incentives of 2,084 thousands of Euros.

54. SEGMENTAL REPORTING

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

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

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

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

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

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

The segments defined by the Group are the following (see Annex II):

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Segment Definition

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

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.

55. 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.

ANNEX I. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2011 are as follows:

Subsidiaries	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
Portugal									
Group Parent Company and Related Activities:									
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5,000 EUR	289,855	275,615	14,240	25,018	12,747	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435 EUR	3,004	2,965	39	211	-252	52.07%	-
EDP Estudos e Consultoria, S.A.	Lisbon	50,000 EUR	17,724	13,086	4,638	44,741	1,533	100.00%	100.00%
EDP - Energias de Portugal, S.A.	Lisbon	3,656,537,715 EUR	15,422,026	8,417,438	7,004,588	3,912,666	790,939	100.00%	-
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000 EUR	160,223	203,328	-43,106	5,431	-50,976	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000 EUR	19,781	17,684	2,097	6,226	-125	100.00%	100.00%
EDP Investments and Services, S.L.	Madrid	3,006 EUR	264,086	136,749	127,337	38,663	32,918	100.00%	-
EDP Gás - S.G.P.S., S.A.	Lisbon	120,000,000 EUR	246,939	113,450	133,490	31,330	16,836	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000 EUR	70,828	59,011	11,818	59,631	3,375	100.00%	100.00%
EDP Ventures, S.G.P.S., S.A.	Lisbon	50,000 EUR	6,225	4,540	1,685	3	-275	100.00%	-
EDP Internacional S.A.	Lisbon	50,000 EUR	25,177	20,883	4,294	19,270	3,215	100.00%	100.00%
Labeltec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000 EUR	13,287	9,067	4,221	10,894	-209	100.00%	100.00%
Sávida - Medicina Apoiada, S.A.	Lisbon	450,000 EUR	23,959	18,248	5,711	34,476	1,565	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000 EUR	261	196	65	372	4	100.00%	-
Electricity - Portugal:									
Electricity Generation:									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505 EUR	7,810,735	5,607,704	2,203,030	1,815,843	379,890	100.00%	100.00%
Energin, S.A.	Lisbon	50,000 EUR	29,334	28,568	765	43,186	511	65.00%	-
FSIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000 EUR	40,026	41,255	-1,228	24,847	-1,564	51.00%	-
Greenvough - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeirado-Ermiã, S.A.	Oliveira de Frades	1,000,000 EUR	60,097	42,310	17,787	334	-40	100.00%	-
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000 EUR	519,538	487,795	31,744	67,265	11,526	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortogua	500,000 EUR	5,065	4,142	922	7,998	-318	100.00%	-
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100 EUR	145,565	147,392	-1,827	23,579	5,864	100.00%	-
Saporgen, S.A.	Lisbon	50,000 EUR	32,168	22,246	9,922	55,094	3,339	82.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000 EUR	2,959	2,295	663	3,951	-438	100.00%	-
Renewable Energies:									
EDP Renováveis Portugal, S.A.	Oporto	7,500,000 EUR	820,154	726,724	93,430	139,654	36,405	77.53%	-
Eólica da Alagoa, S.A.	Arcos Valdevez	50,000 EUR	11,414	8,395	3,019	3,057	1,240	46.52%	-
Eólica de Montenegrelo, Lda	Vila Pouca de Aguiar	50,000 EUR	27,960	21,431	6,530	4,623	1,435	38.84%	-
Eólica da Serra dos Alturos, S.A.	Boticas	50,000 EUR	16,235	13,045	3,190	2,350	632	38.84%	-
Malhadizes, S.A	Oporto	50,000 EUR	22,640	22,094	546	4,832	396	77.53%	-
Electricity Distribution:									
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000 EUR	4,776,190	4,166,894	609,296	3,912,183	221,902	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica, S.A.	Lisbon	50,000 EUR	1,262	1,291	-29	-	-64	100.00%	-
Electricity Supply:									
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,814,695 EUR	242,205	258,651	-16,446	911,230	-31,564	100.00%	100.00%
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Massama	50,000 EUR	19,549	25,788	-6,239	8,480	-6,343	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000 EUR	2,809	1,991	818	5,660	357	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000 EUR	1,971,565	1,931,685	39,880	3,828,063	5,975	100.00%	-
Home Energy II, S.A.	Oliveira de Frades	50,000 EUR	2,391	3,075	-685	4,723	-2,111	100.00%	-
Gas Supply and Distribution:									
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000 EUR	118,614	110,313	8,302	523,309	12,847	100.00%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998 EUR	8,276	4,321	3,956	3,919	831	71.97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996 EUR	37,152	25,506	11,646	92,644	6,026	71.97%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299,400 EUR	14,920	14,086	834	392	87	60.00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150 EUR	395,621	284,791	110,830	110,942	24,245	71.97%	-
Related Activities:									
EDP Soluções Comerciais, S.A.	Lisbon	50,000 EUR	118,409	108,006	10,403	168,413	7,834	100.00%	100.00%
Other Activities:									
EDP - Projectos S.G.P.S., S.A.	Lisbon	50,000 EUR	313	1,410	-1,098	-	-571	100.00%	100.00%
FCIE - Forum da Comércio, Transacções Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500,000 EUR	4	516	-512	-	-3	80.00%	-
Oni Multimédia - Serviços Interactivos, S.A.	Lisbon	50,000 EUR	1,738	64,650	-62,912	114	-115	100.00%	-
OPTEP S.G.P.S., S.A.	Lisbon	5,500,000 EUR	23,991	1,223	22,768	1,332	1,221	100.00%	-
SGORWE-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000 EUR	313	282	30	2	-320	91.00%	-
Spain									
Parent Company and Related Activities:									
EDP Renováveis, S.A.	Oviedo	4,361,540,810 EUR	8,544,080	3,384,545	5,159,535	406,674	59,018	77.53%	62.02%
EDP Renewables Europe, S.L.	Oviedo	30,000,000 EUR	4,792,671	4,669,431	123,240	227,516	-30,623	77.53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421,739,790 EUR	4,991,814	2,853,627	2,138,186	2,100,372	99,988	100.00%	96.60%
Electricity - Spain:									
Electricity Generation:									
Ceprastur, AIE	Oviedo	360,607 EUR	419	11	408	1	-3	44.01%	-
Cogeneración Bergora, A.I.E.	Bergora	450,000 EUR	1,293	421	872	2,047	125	50.00%	-
Cogeneración Montjuic, S.L.U.	Bilbao	1,250,000 EUR	3,393	746	2,647	81	38	100.00%	-
Cogeneración Serantes, S.L.U.	Bilbao	2,750,000 EUR	11,544	6,477	5,067	573	373	70.00%	-
Electrica de la Ribera del Ebro, S.A.	Castejón	5,000,000 EUR	656,602	644,265	12,336	144,685	-18,554	100.00%	-
Energía e Industria de Toledo, S.A.	Oviedo	2,139,603 EUR	3,601	5,514	-1,913	6,355	422	90.00%	-
Central Termica Ciclo Combinado Grupa, S.L.	Oviedo	2,117,000 EUR	183,902	230,005	-46,103	97,416	-19,201	75.00%	-
HC Soluciones Comerciales, S.A.	Oviedo	60,300 EUR	30,108	22,576	7,532	51,126	7,441	100.00%	-
Hidrocantábrico Servicios, S.A.	Oviedo	60,150 EUR	1,884	1,474	410	6,571	279	100.00%	-
Millenium Energy, S.L.	Bilbao	2,830,247 EUR	621,196	643,594	-22,398	4,559	-23,377	100.00%	-
Patrimonial de La Ribera del Ebro, S.L.	Castejón	150,000,000 EUR	696,199	15,425	680,774	36,405	23,912	100.00%	-
Rasacal Cogeneración, S.A.	Madrid	60,200 EUR	7	423	-416	-	-	46.52%	-
Ciclo Combinado Solo 5, S.L.	Oviedo	21,000,000 EUR	319,189	15,534	303,655	6,913	-12,134	100.00%	-
HC Tudela Cogeneración, S.L.	Oviedo	306,030 EUR	9,922	9,610	312	4,496	12	50.10%	-
Renewable Energies:									
Acampo Arias,S.L.	Zaragoza	3,314,300 EUR	24,354	21,380	2,974	3,173	255	76.12%	-
Aprofttament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350 EUR	1,309	113	1,196	701	-21	37.75%	-
Agrupación Eólica, S.L.U.	Zaragoza	649,836 EUR	55,262	14,757	40,505	8,743	5,877	77.53%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288 EUR	1,387	1	1,386	663	661	47.68%	-

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Subsidiaries	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
Spain									
Electricity - Spain:									
Renewable Energies:									
Parque Eólico Plano de Artoja, S.L.U.	Zaragoza	12,024 EUR	67	59	8	-	-1	77.53%	-
Campania Eólica Campo de Borja, S.A.	Zaragoza	857,945 EUR	1,493	265	1,228	591	211	58.79%	-
Cia. Eléctrica de Energías Renovables Alternativas, S.A.U.	Zaragoza	69,116 EUR	75	20	55	-	-	77.53%	-
Corporación Empresarial de Renovables Alternativas, S.L.U.	Zaragoza	86,480 EUR	86	1	84	-	-	77.53%	-
Hidroeléctrico Cogeneración, S.L.	Oviedo	5,829,200 EUR	63,364	52,348	11,015	34,099	2,341	100.00%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	3,005 EUR	52,714	52,706	8	2,417	-	46.52%	-
Parc Eólic de Coll de la Garganta, S.L.	Barcelona	1,693,010 EUR	47,824	46,835	989	2,866	-704	77.53%	-
Eólica Curiscoo Pumar, S.A.	Madrid	60,200 EUR	80,696	79,759	937	10,952	863	77.53%	-
Desarrollo Eólico Almarthal, S.A.U.	Cádiz	2,061,190 EUR	19,369	14,142	5,227	4,370	1,324	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cádiz	1,712,369 EUR	11,206	6,711	4,495	3,298	1,256	77.53%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5,992,600 EUR	47,695	25,364	22,331	1,988	565	46.52%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100 EUR	9,223	1,278	7,945	3,187	495	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000 EUR	85,554	67,752	17,801	16,709	4,609	77.53%	-
Desarrollos Eólicos de Galicia, S.A.	La Coruna	6,130,200 EUR	13,127	2,639	10,488	3,819	645	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000 EUR	68,097	49,655	18,442	16,801	5,919	77.53%	-
Desarrollos Eólicos Promoción, S.A.	Seville	8,061,000 EUR	93,056	59,660	33,397	24,043	23,723	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950 EUR	33,982	21,600	12,382	8,305	2,973	73.72%	-
Desarrollos Eólicos, S.A.	Seville	1,056,225 EUR	26,874	10,522	16,352	7,980	-621	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cádiz	5,799,650 EUR	14,582	3,744	10,838	6,156	2,642	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100 EUR	275	215	60	26	-	39.54%	-
Eólica Don Quijote, S.L.	Albacete	3,006 EUR	50,523	47,632	2,892	10,390	2,888	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000 EUR	31,281	30,105	1,176	5,656	995	77.53%	-
EDP Renováveis Cantábrico, S.L.	Madrid	300,000 EUR	1,657	1,372	285	14	-15	77.53%	-
Eólica Alfaz, S.L.	Madrid	8,480,000 EUR	161,923	152,157	9,766	24,112	2,471	64.91%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980 EUR	26,377	16,867	9,510	6,501	2,094	60.08%	-
Eólica Campallano S.A.	Madrid	6,559,994 EUR	96,556	69,416	27,140	21,128	5,514	58.15%	-
Eneroliva, S.A.	Seville	75,120 EUR	209	141	68	-	-	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	4,610,000 EUR	43,556	42,112	1,443	3,694	-1,522	77.53%	-
Hidroeléctrica Fuentetamosa, S.L.	Oviedo	77,036 EUR	330	51	280	106	18	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	10,000 EUR	368	361	7	4	-3	77.53%	-
Parques de Generación Eólica, S.L.	Burgos	1,924,000 EUR	35,617	33,929	1,687	5,493	292	46.52%	-
Generaciones Especiales I, S.L.	Madrid	28,562,170 EUR	682,966	394,412	288,554	109,806	90,664	77.53%	-
Ceasa Promociones Eólicas, S.L.U.	Zaragoza	1,205,029 EUR	42,525	35,451	7,075	47,499	1,192	77.53%	-
Eólica Guadaleba, S.L.	Seville	1,460,000 EUR	201,066	188,786	12,279	32,248	4,868	77.53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60,701 EUR	469	574	-105	71	-19	58.15%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728 EUR	29,057	26,537	2,520	4,694	426	77.53%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970 EUR	147,673	127,741	19,932	16,974	-2,106	46.20%	-
Industrias Medioambientales Río Carrón, S.A.	Madrid	15,124 EUR	7	602	-595	-	-	69.78%	-
Eólica La Janda, S.L.	Madrid	2,050,000 EUR	164,765	157,789	6,976	25,980	2,378	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000 EUR	36,127	33,625	2,503	6,203	1,181	77.53%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050 EUR	26,657	21,657	5,000	6,171	1,906	77.53%	-
Energía Eólica La Manchuela, S.L.U.	Madrid	1,141,900 EUR	21,401	18,067	3,334	4,125	1,032	77.53%	-
Parc Eólic Molinars, S.L.	Girona	3,006 EUR	233	230	3	-	-	41.87%	-
Molino de Caragleyes,S.L.	Zaragoza	180,300 EUR	489	251	238	186	53	62.02%	-
Parque Eólico Montes de Castejón, S.L.	Zaragoza	12,024 EUR	49	40	9	-	-	77.53%	-
Muxia I e II	La Coruna	23,480,000 EUR	23,465	70	23,395	856	-82	77.53%	-
Naturneo Energía, S.L.	Bilbao	3,020 EUR	3	2	1	-	-1	86.44%	-
NEO Energía Aragón, S.L.	Madrid	10,000 EUR	10	2	8	-	-	77.53%	-
NEO Catalunya, S.L.	Barcelona	10,000 EUR	76,098	77,658	-1,560	2,034	-254	77.53%	-
Desarrollo Eólico Santa Quiteria, S.L.	Huesca	63,006 EUR	25,996	11,134	14,862	7,133	2,720	65.09%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000 EUR	46,195	37,019	9,176	8,911	2,356	77.53%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680 EUR	52,445	24,384	28,061	11,332	2,283	77.53%	-
Parque Eólico la Solanera, S.L.	Zaragoza	2,000,000 EUR	18,728	13,137	5,591	5,059	1,834	50.27%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,444,956 EUR	36,008	19,267	16,741	11,626	4,030	47.29%	-
Santa Quiteria Energía, S.L.U.	Zaragoza	3,043 EUR	8,260	7,491	769	395	299	77.53%	-
Eólica de Radona, S.L.	Madrid	6,888,000 EUR	61,221	56,976	4,246	6,121	-1,424	77.53%	-
Sieso Renovables Canarias, S.L.	Gran Canaria	3,006 EUR	1	1	-	-	-	77.53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102 EUR	33,281	31,005	2,276	6,466	1,326	69.78%	-
Hidroeléctrica del Rumbiar, S.L.	Madrid	276,460 EUR	967	907	60	14	-185	62.02%	-
Eólica Sierra de Avila, S.L.	Madrid	4,627,466 EUR	119,635	118,375	1,261	9,550	-1,711	77.53%	-
Sierra de la Peña, S.A.	Madrid	3,294,000 EUR	62,626	53,493	9,133	11,159	2,080	65.82%	-
Sinoe Inversiones Eólicas S.A.	Madrid	6,010,000 EUR	146,176	118,775	27,401	18,501	13,721	77.53%	-
Sotromal, S.A.	Soria	112,880 EUR	30	206	-176	-	-	69.78%	-
Parc Eólic de Torre Madrina, S.L.	Barcelona	3,005 EUR	88,268	88,931	-663	7,505	-671	46.52%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200 EUR	55	40	16	-	-	62.02%	-
Bon Vent de Corbera, S.L.	Barcelona	3,330,000 EUR	76,963	76,731	232	8,865	-478	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	90,000 EUR	77,169	75,911	1,257	5,737	1,202	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000 EUR	73,850	71,315	2,534	9,394	-122	77.53%	-
Parc Eólic de Vilalba dels Arcs, S.L.	Barcelona	3,006 EUR	45,341	44,318	1,023	5,648	338	46.52%	-
Parc Eólic Serra Valtorera, S.L.	Barcelona	1,283,010 EUR	34,649	34,310	339	3,193	-410	77.53%	-
Electricity Distribution:									
Electra de Llobregat Energía, S.L.	Barcelona	150,000 EUR	5,256	7,203	-1,948	199	-267	75.00%	-
Iberenergía, S.A.	Oviedo	60,200 EUR	61	8	53	-	-	100.00%	100.00%
Gas Supply and Distribution:									
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185 EUR	147,455	93,568	53,888	19,735	2,284	94.98%	-
EDP Servicios Financieros España, S.A.	Oviedo	5,078,029 EUR	741,170	235,670	505,500	37,244	18,889	100.00%	100.00%
Naturgas Energía Transporte, S.A.U.	Bilbao	12,880,200 EUR	171,445	103,325	68,120	29,081	10,617	95.00%	-
HC Energía Gas, S.L.	Oviedo	214,293,400 EUR	1,025,663	60,536	965,127	434,670	34,325	100.00%	-
HC Naturgas Último Recurso, S.A.	Oviedo	750,000 EUR	21,564	20,430	1,135	37,476	111	97.50%	-
HC Naturgas Servicios Energeticos S.L.	Oviedo	60,000 EUR	1,959	2,108	-149	1,388	-199	97.50%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200 EUR	16,511	15,184	1,327	27,768	1,255	95.00%	-
Naturgas Energía Grupo, S.A.	Bilbao	316,516,400 EUR	1,592,451	509,917	1,082,534	303,985	18,276	95.00%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100,000,000 EUR	1,770,963	285,888	1,485,075	234,959	104,395	95.00%	-
Naturgas Energía Comercializadora, S.A.	Bilbao	8,255,306 EUR	476,759	476,661	99	1,226,234	-1,229	95.00%	-
Naturgas Energía Participaciones, S.A.U.	Bilbao	300,500 EUR	7,801	7,297	503	334	143	95.00%	-
Naturgas Energía Comercializadoras Último Recurso, S.A.	Bilbao	2,000,000 EUR	2,027	6	2,021	24	15	95.00%	-
Naturgas Energía Servicios Comunes, S.A.	Bilbao	191,010 EUR	837	531	306	1,580	103	95.00%	-
Electricity Supply:									
EDP Energía Ibérica, S.A.	Madrid	60,200 EUR	17	13,376	-13,359	-	-	100.00%	-
HC Naturgas Comercializadora de Último Recurso, S.A.	Oviedo	750,000 EUR	48,824	50,556	-1,732	151,853	-2,079	97.50%	-
Hidroeléctrico Distribución Eléctrica, S.A.U.	Oviedo	44,002,000 EUR	904,423	591,232	313,191	301,773	104,468	100.00%	-
Hidroeléctrico Energía, S.A.U.	Oviedo	1,000,000 EUR	478,228	448,494	29,734	1,573,350	-4,230	100.00%	-

Subsidiaries	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
Spain									
Electricity - Spain:									
Other Activities:									
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247 EUR	477	2,192	-1,715	1,320	-501	90.00%	-
Iniciativas Tecnológicas de Valorizacón Energética de Residuos S.A.	Oviedo	2,996,022 EUR	10,690	8,307	2,384	15,056	319	100.00%	-
Renovamed, S.A.	Oviedo	60,200 EUR	258	1,406	-1,148	886	-115	75.00%	-
Sinova Medoambiental, SA	Oviedo	2,687,364 EUR	16,894	11,491	5,403	16,930	877	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3,731,202 EUR	18,658	5,050	13,608	18,501	1,575	88.00%	-
Brazil									
Parent Company and Related Activities:									
EDP Energias do Brasil, S.A.	Sao Paulo	3,182,715,954 BRL	2,032,753	117,753	1,915,000	234,374	146,122	51.09%	11.23%
Energset, S.A.	Sao Paulo	263,435,676 BRL	320,550	107,437	213,113	93,455	44,225	51.09%	-
Escelsapar	Espirito Santo	2,800,000 BRL	2,228	2,855	-628	1	-303	51.09%	-
Ewrecy Participações Ltda	Sao Paulo	21,512,267 BRL	12,313	782	11,531	3,055	2,019	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000 BRL	76,215	33,072	43,144	10,546	4,260	51.09%	-
Electricity - Brazil:									
Electricity Generation:									
Costa Rica Energética, Lda.	Sao Paulo	14,318,185 BRL	10,649	876	9,773	7,907	5,849	26.06%	-
Elebros Projetos, Ltda	Sao Paulo	77,604,268 BRL	144,353	109,483	34,869	22,176	3,511	65.63%	-
Enercouto, S.A.	Sao Paulo	5,316,118 BRL	2,102	211	1,891	-	-73	51.09%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748 BRL	877,414	333,827	543,587	162,130	67,347	30.65%	-
Investco, S.A.	Sao Paulo	804,458,842 BRL	577,609	131,044	446,565	90,032	33,606	20.83%	-
Companhia Energética do Jari - Ceja	Sao Paulo	20,126,746 BRL	173,296	176,076	-2,780	5,255	-2,957	51.09%	-
Omega Engenharia e Assessoria, Ltda	Rio Grande do Sul	5,331,318 BRL	4,054	1,941	2,113	-	-83	51.09%	-
Pantanol Energética, Ltda	Sao Paulo	23,390,369 BRL	36,382	5,494	30,889	19,390	11,866	51.09%	-
Lajeado Energia S.A.	Sao Paulo	756,867,541 BRL	659,873	82,316	577,558	217,260	79,658	28.54%	-
ECE Participações, S.A.	Sao Paulo	32,975,545 BRL	61,908	48,652	13,256	628	-193	51.09%	-
Renewable Energies:									
Central Nacional de Energia Eólica, S.A.	Sao Paulo	14,035,000 BRL	15,154	8,569	6,585	3,577	803	65.63%	-
EDP Renovaveis Brasil, SA	Sao Paulo	69,935,347 BRL	78,550	54,869	23,681	5,440	-2,689	65.63%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100 BRL	101	7,147	-7,046	-	-4,908	47.00%	-
Electricity Distribution:									
Banderante Energia, S.A.	Sao Paulo	254,628,684 BRL	1,091,609	748,879	342,731	1,172,440	92,451	51.09%	-
Escelsa - Espirito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630 BRL	933,641	628,980	304,661	754,213	48,906	51.09%	-
Electricity Supply:									
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,284,758 BRL	68,869	48,302	20,568	398,413	9,809	51.09%	-
France									
Electricity - France:									
Renewable Energies:									
Parc Eolien D'Ardennes	Elbeuf	1,000 EUR	76	233	-157	2	-16	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	37,001 EUR	11,232	12,500	-1,268	1,874	192	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	16	44	-28	-	-	77.53%	-
Eolienne de Callengeville, S.A.S.	Elbeuf	37,004 EUR	30	22	8	-	-4	77.53%	-
C.E. Canet-Pont de Solars, S.A.S.	Paris	125,000 EUR	15,780	15,905	-125	2,521	303	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000 EUR	76	151	-75	-	-5	77.53%	-
EDP Renewables France, S.A.S.	Paris	48,526,642 EUR	295,557	262,559	32,998	23,786	-4,960	77.53%	-
Eolienne D'Etalondes, S.A.R.L.	Elbeuf	1,000 EUR	15	47	-33	-	-2	77.53%	-
C.E. Guellos Noyal-Ponthy, S.A.S.	Paris	2,261,000 EUR	8,587	3,991	4,596	1,453	485	77.53%	-
Parc Eolien de La Hettraye, S.A.S.	Elbeuf	37,004 EUR	11	10	1	-	-4	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000 EUR	14,090	14,165	-75	1,546	-56	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000 EUR	15	58	-43	-	-2	77.53%	-
Mardelle, S.A.R.L.	Toulouse	1,000 EUR	8,753	9,046	-294	1,061	-91	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000 EUR	16,001	12,042	3,959	2,699	714	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000 EUR	140	301	-162	3	-	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000 EUR	4,385	4,446	-61	507	46	77.53%	-
Plouvien Breiz, S.A.S.	Corhaix	40,000 EUR	11,712	13,602	-1,890	1,387	-130	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000 EUR	18,082	18,722	-640	2,153	-293	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000 EUR	12,808	12,121	687	2,016	801	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000 EUR	14,844	12,430	2,414	2,356	369	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000 EUR	33	67	-34	-	-1	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000 EUR	9,597	9,702	-105	1,148	-65	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000 EUR	15,126	12,093	3,032	2,738	786	77.53%	-
C.E. NEO Truc L'Homme, S.A.S.	Paris	37,500 EUR	88	62	26	18	-1	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	1,000 EUR	17,949	18,376	-427	2,277	-143	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003 EUR	13,978	15,219	-1,242	2,610	560	77.53%	-
Parc Eolien des Votines, S.A.S.	Elbeuf	37,004 EUR	13,502	15,168	-1,666	2,282	312	77.53%	-
United Kingdom									
Electricity - United Kingdom:									
Renewable Energies:									
EDPR UK Limited	Cardiff	100,000 GBP	29,299	29,490	-191	6,630	454	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909 GBP	20,748	10,003	10,745	1,457	23	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1 GBP	-	-	-	-	-	51.66%	-
Poland									
Electricity - Poland:									
Renewable Energies:									
EDP Renewables Polska, S.P. ZO.O	Warsaw	434,845,000 PLN	223,931	128,063	95,868	100,407	-1,343	77.53%	-
Elektrownia Wiatrowa Kresy I, S.P. ZO.O	Warsaw	70,000 PLN	8,684	8,927	-244	372	-202	77.53%	-
Masovia Wind Farm I, S.P. ZO.O	Warsaw	1,257,500 PLN	7,626	3,411	4,215	103	-36	77.53%	-
Relax Wind Park I, S.P. ZO.O	Warsaw	2,140,000 PLN	186,727	182,614	4,113	31,217	2,169	74.76%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	440,000 PLN	768	749	18	30	-30	77.53%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	420,000 PLN	16,270	16,418	-148	525	-114	77.53%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	390,000 PLN	685	808	-123	12	-108	77.53%	-
Karpacka Mala Energetyka, SP. ZO.O.	Warsaw	50,000 PLN	238	263	-24	8	-22	77.53%	-
Farma Wiatrowa Starozreby, SP. ZO.O.	Warsaw	465,500 PLN	1,544	1,490	54	62	-33	77.53%	-

notes to the consolidated
and company financial statements
for the years ended 31 december 2011 and 2010

Subsidiaries	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
United States of America									
Parent Company:									
EDP Renewables North America, L.L.C.	Texas	4,238,753,714 USD	3,319,331	217,685	3,101,645	29,580	-47,410	77.53%	-
Electricity - United States of America:									
Renewable Energies:									
BC2 Maple Ridge Holdings, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Cloud West Wind Project, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Five-Spot, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III, L.L.C.	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Oklahoma	- USD	-	-	-	-	-	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%	-
Chateaugay River Wind Farm, L.L.C.	New York	- 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%	-
Ford Wind Farm, L.L.C.	Illinois	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	- 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 Parhandle 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, Freeport Windpower I, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Oklahoma	- USD	-	-	-	-	-	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%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Sardinia Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Whistling Wind VII Energy Center, L.L.C.	Wisconsin	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	- 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%	-
AZ Solar, L.L.C.	Arizona	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners, L.L.C.	California	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	- USD	-	-	-	-	-	77.53%	-
The Nook Wind Power Project, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	- USD	-	-	-	-	-	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	- USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	- USD	-	-	-	-	-	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%	-
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%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	- USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	- USD	-	-	-	-	-	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
Rio Blanco Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Hidalgo Wind Farm, L.L.C.	Texas	- USD	-	-	-	-	-	77.53%	-
Stone Wind Power, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm IV, L.L.C.	Ohio	- USD	-	-	-	-	-	77.53%	-
Rush County Wind Farm, L.L.C.	Kansas	- USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, LP.	California	5,990 USD	-	-	-	-	-	77.53%	-
Last Lakes Wind Farm, L.L.C.	Iowa	201,673,408 USD	144,458	2,550	141,908	3,728	-7,009	77.53%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	5,230,021 USD	4,052	25	4,027	-	-1	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	4,406,864 USD	2,568	19	2,549	-	-14	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	166,201,914 USD	141,911	2,051	139,860	15,701	7,050	77.53%	-
Horizon Wind Energy International	Texas	24,693 USD	222	-	222	1	1	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	203,084,742 USD	151,381	3,131	148,250	3,344	-7,873	77.53%	-
Marble River, L.L.C.	New York	250,980,906 USD	199,028	5,214	193,813	-	-21	77.53%	-
Blackstone Wind Farm, L.L.C.	Illinois	154,744,432 USD	153,771	40,780	112,991	8,234	-2,399	77.53%	-
Aroastook Wind Energy, L.L.C.	Maine	13,072,504 USD	10,019	7	10,011	-	-7	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	5,601,961 USD	4,328	33	4,295	-	-	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,815,278 USD	2,971	40	2,931	-	-11	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502 USD	-	-	-	-	-2	77.53%	-

Subsidiaries	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
United States of America									
Electricity - United States of America:									
Renewable Energies:									
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003 USD	-	-	-	-	-	77.53%	-
Slinson Mills Wind Farm, L.L.C.	Colorado	3,119,115 USD	2,335	-	2,335	-	2	77.53%	-
OPQ Property, L.L.C.	Illinois	- USD	114	2	113	7	6	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	286,505,191 USD	296,438	82,827	213,611	16,566	-2,086	77.53%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	90,185,436 USD	117,138	34,307	82,831	14,300	5,489	77.53%	-
High Trail Wind Farm, L.L.C.	Illinois	365,763,838 USD	297,063	6,605	290,458	25,131	4,129	77.53%	-
Madison Windpower, L.L.C.	New York	11,564,090 USD	6,159	470	5,689	616	-929	77.53%	-
Mesquite Wind, L.L.C.	Texas	242,630,091 USD	233,478	23,931	209,547	23,241	4,259	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	367,972,148 USD	292,236	-	292,236	3,446	136	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	156,528,876 USD	143,100	9,713	133,387	15,022	3,493	77.53%	-
Telocasset Wind Power Partners, L.L.C.	Oregon	124,056,172 USD	130,844	15,575	115,269	14,911	5,139	77.53%	-
Post Oak Wind, L.L.C.	Texas	275,782,563 USD	260,696	15,858	244,838	24,391	3,329	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	145,388,814 USD	122,155	10,250	111,905	9,669	352	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	389,131,552 USD	301,691	3,994	297,698	24,390	3,492	77.53%	-
Cloud County Wind Farm	Kansas	307,488,828 USD	243,088	3,273	239,815	17,955	1,250	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	568,602,221 USD	438,504	5,322	433,182	32,640	2,455	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	168,765,954 USD	138,839	4,403	134,436	13,207	1,716	77.53%	-
Rail Splitter, L.L.C.	Illinois	233,746,541 USD	171,807	4,107	167,700	6,789	-5,062	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	195,823,377 USD	151,217	1,770	149,447	7,037	-600	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	5,279,310 USD	4,080	1	4,079	-	-1	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	124,705,172 USD	135,719	39,214	96,505	7,157	45	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	300,807,442 USD	325,022	99,092	225,930	15,183	-6,281	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	1,399,894 USD	1,136	58	1,078	-	-	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	145,886,375 USD	159,918	48,340	111,578	8,467	-1,130	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	9,911,095 USD	8,456	805	7,651	-	-9	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	553,039 USD	428	3	426	-	-2	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	5,704,155 USD	4,424	17	4,407	-	-1	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	101,603,095 USD	170,664	89,882	80,781	6,771	2,262	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	13,982,363 USD	10,888	92	10,795	-	-10	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	5,376,664 USD	4,213	68	4,145	-	-2	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	2,056,341 USD	2,101	517	1,584	-	-5	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	3,062,564 USD	2,377	11	2,366	-	-1	77.53%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	51,953,628 USD	140,908	100,743	40,164	211	12	77.53%	-
Paulding Wind Farm III, L.L.C.	Ohio	4,127,200 USD	3,173	13	3,160	-	-30	77.53%	-
2007 Vento I, L.L.C.	Texas	1,071,443,307 USD	835,085	3,203	831,882	4,029	1,014	77.53%	-
2007 Vento II	Texas	947,735,457 USD	730,672	906	729,766	2	-350	77.53%	-
2008 Vento III	Texas	1,055,609,083 USD	814,456	599	813,857	3	-698	77.53%	-
2009 Vento IV, L.L.C.	Texas	234,063,075 USD	180,659	-	180,659	-	-79	77.53%	-
2009 Vento V, L.L.C.	Texas	166,418,101 USD	128,454	71	128,383	-	-112	77.53%	-
2009 Vento VI, L.L.C.	Texas	201,889,026 USD	155,872	-	155,872	144	76	77.53%	-
2010 Vento VII, L.L.C.	Texas	195,952,937 USD	151,345	-	151,345	130	62	77.53%	-
2010 Vento VIII, L.L.C.	Texas	203,192,141 USD	156,956	-	156,956	-	-71	77.53%	-
2010 Vento IX, L.L.C.	Texas	101,648,095 USD	78,525	-	78,525	-	-35	77.53%	-
2011 Vento X, L.L.C.	Texas	51,953,628 USD	40,153	19	40,133	-	-19	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	1,265,028,074 USD	2,393,919	1,346,616	1,047,303	38,766	22,716	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	14,216,799 USD	466,204	399,385	66,818	32,216	19,119	77.53%	-
Horizon Wind Ventures IC, L.L.C.	Texas	7,750,244 USD	396,147	376,707	19,440	26,317	7,327	77.53%	-
Horizon Wind Ventures II, L.L.C.	Texas	141,814,133 USD	181,931	70,269	111,663	2,011	1,151	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	68,834,189 USD	129,011	74,987	54,025	6,346	1,411	77.53%	-
Horizon Wind Ventures VI, L.L.C.	Texas	113,394,039 USD	157,468	71,578	85,890	1,260	27	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	112,908,922 USD	152,948	65,720	87,227	1,318	544	77.53%	-
Horizon Wind Ventures VIII, L.L.C.	Texas	104,867,437 USD	157,723	77,163	80,560	1,476	-102	77.53%	-
Horizon Wind Ventures IX, L.L.C.	Texas	- USD	89,394	92,131	-2,737	107	-2,737	77.53%	-
EDPR Wind Ventures X, L.L.C.	Texas	- USD	75,393	75,437	-44	96	-44	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	250,988,661 USD	193,972	-	193,972	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	- USD	-	-	-	-	-	77.53%	-

Other Countries									
Related Activities:									
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000 MOP	145	-	145	-	-	100.00%	-
EDP Finance BV	Amsterdam	2,000,000 EUR	14,576,995	14,467,664	109,332	809,746	43,907	100.00%	100.00%
EDP ASIA - Investimento e Consultadoria , Limitada	Macao	200,000 MOP	65,026	13	65,013	8,131	8,180	100.00%	100.00%
EDP Finance Company (Ireland), Ltd	Dublin	1,000,001 EUR	586	351	235	-	-45	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	3,000,000 EUR	59,408	35,505	23,903	16,663	5,448	100.00%	100.00%

Electricity - Other Countries:									
Renewable Energies:									
Villo Castelli Wind, S.R.L.	Verbania	- EUR	-	-	-	-	-	77.53%	-
Cernavoda Power, S.R.L.	Bucharest	40,317,400 LEI	211,189	214,940	-3,751	17,755	-7,384	65.90%	-
EDP Renewables Canada, Ltd	Ontario	3,000,000 CAD	4,415	3,266	1,150	67	-1,019	77.53%	-
EDP Renewables Italia, S.R.L.	Verbania	21,335,000 EUR	52,732	24,654	28,078	23,759	-2,422	77.53%	-
EDP Renewables Romania, S.R.L.	Bucharest	28,650,270 LEI	238,980	242,305	-3,326	17,852	-7,969	65.90%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000 EUR	85,556	55,385	30,171	13,317	3,381	54.27%	-
Pestera Wind Farm, S.A.	Bucharest	24,287 EUR	76,497	78,870	-2,373	3,113	-430	65.90%	-
Pochidia Wind Farm, S.A.	Bucharest	24,287 EUR	25	3	22	-	-2	65.90%	-
Repano Wind S.R.L.	Verbania	11,000 EUR	398	263	135	66	-10	77.53%	-
Re Plus - S.R.L.	Roma	100,000 EUR	2,851	2,340	511	-	-603	62.02%	-
Tarcan, BV	Amsterdam	20,000 EUR	17,277	8,353	8,924	2,780	2,266	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	- EUR	1,171	1,175	-4	1	-4	65.90%	-

notes to the consolidated
and company financial statements
for the years ended 31 december 2011 and 2010

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 Energéticos Canarios, 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%	-
Fiat 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%	-
Fiat 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 da 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%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2010 are as follows:

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-10 Euro'000 *	Current Assets 31-Dec-10 Euro'000 *	Non-current Liabilities 31-Dec-10 Euro'000 *	Current Liabilities 31-Dec-10 Euro'000 *	Equity 31-Dec-10 Euro'000 *	Total Income 31-Dec-10 Euro'000 *	Total Costs 31-Dec-10 Euro'000 *	Net Profit/(Loss) 31-Dec-10 Euro'000 *	% Group	% Company
Arquiled - Proj. Iluminação, S.A.	Lisbon	166,700 EUR	217	965	85	608	488	788	-908	-120	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000 EUR	159	71	167	72	-9	34	-45	-11	35.21%	-
Bioastur, AIE	Gijón	60,101 EUR	43	896	-	730	209	1,829	-1,898	-69	50.00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1,208,010 EUR	211	3,856	-	2,353	1,713	3,642	-3,575	67	50.00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165 EUR	49,736	8,604	26,168	6,993	25,180	16,808	-10,103	6,705	38.76%	-
Desarrollos Energéticos Canarios, S.A.	Las Palmas	15,025 EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50,000 EUR	82,759	7,210	81,804	4,777	3,387	18,107	-17,005	1,102	50.00%	40.00%
Evolución 2000, S.L.	Albacete	117,994 EUR	24,435	7,102	20,293	4,073	7,172	4,988	-3,490	1,498	38.11%	-
Futurocompact, Lda	Lisbon	5,000 EUR	9	1	-	-	11	-	-	-	40.01%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1,003,006 EUR	2,241	2,164	168	1,743	2,494	836	-467	369	47.50%	-
Tébar Eólica, S.A.	Cuenca	4,720,400 EUR	16,135	5,398	14,611	1,900	5,022	4,044	-3,433	611	38.76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	3,201	-	3,201	-	1,392	-1,392	-	60.00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Ródão	50,000 EUR	8,027	1,722	22	9,538	190	4,134	-3,906	228	50.00%	-
Porto da Pecém Geração de Energia S.A.	Ceara	610,473,962 BRL	561,039	31,334	438,098	47,802	106,473	12,935	-30,748	-17,813	32.46%	-
Fiat Rock Windpower II, L.L.C.	Portland	207,447,187 USD	64,868	1,026	437	55	65,402	2,908	-5,132	-2,224	38.76%	-
Fiat Rock Windpower, L.L.C.	Portland	522,818,885 USD	162,186	3,686	1,146	43	164,682	11,813	-15,578	-3,765	38.76%	-
CIDE HC Energia, S.A.	Madrid	500,000 EUR	144	21,480	-	21,349	275	119,135	-119,224	-89	50.00%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	2,635	-	2,635	-	853	-853	-	55.00%	-
WINDPLUS, S.A.	Lisbon	85,750 EUR	2,332	261	1,418	1,061	114	-	-10	-10	41.63%	-

* Corresponding to the proportion held by the EDP Group

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'00	Equity 31-Dec-11 Euro'000	Total Income 31-Dec-11 Euro'000	Net Profit/(Loss) 31-Dec-11 Euro'000	% Group	% Company
Aproftament D'Energies 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%	-
Carriço 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%	-
Edegr-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%	-
Geoterceiro - 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%	-
Inkolán, A.I.E.	Bilbao	60,101 EUR	298	138	160	-	-	13.57%	-
Inverasturios - 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	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.	Charmeca da Caparica	9,000,000 EUR	181,064	127,525	53,539	38,069	8,753	19.83%	-
Setgás Comercializadora, S.A.	Charmeca da Caparica	50,000 EUR	10,856	7,322	3,534	33,542	816	19.83%	-

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
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, 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 associated companies included in the consolidation under the equity method as at 31 December 2010 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-10 Euro'000	Liabilities 31-Dec-10 Euro'000	Equity 31-Dec-10 Euro'000	Total Income 31-Dec-10 Euro'000	Net Profit/(Loss) 31-Dec-10 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020 EUR	26,420	22,917	3,503	-	-	14.71%	-
Biomassas del Pirineo, S.A.	Huesca	454,896 EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000 EUR	15,932	14,199	1,733	22,786	-1,416	35.00%	-
CEM, S.A.	Macao	580,000,000 MOP	475,796	215,486	260,310	421,066	48,216	21.19%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000 EUR	137	-115	252	-	-	23.26%	-
D.E. de Canárias, S.A.	Gran Canaria	4,291,140 EUR	12,190	820	11,369	4,041	1,242	34.69%	-
Ederg-Produção Hidroelétrica, Lda.	Lisbon	1,000,000 EUR	917	-	917	-	-34	25.00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	25,247,525 EUR	917,038	881,252	35,786	43,998	5,917	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000 EUR	28,797	24,344	4,454	1,413	1	49.90%	-
Hidroastur, S.A.	Oviedo	4,808,000 EUR	6,899	-	6,899	-	-	19.38%	-
Inkolan, A.I.E.	Bilbao	60,101 EUR	298	138	160	472	-	13.57%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3,005,000 EUR	5,582	-	5,582	229	33	20.00%	-
Kosarkuntza, A.I.E.	Bilbao	1,502,500 EUR	8,680	5,235	3,445	9,490	907	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400 EUR	31,893	27,520	4,373	5,174	-69	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021 EUR	27,089	10,926	16,163	10,989	-	32.56%	-
Portines - Terminal Multipurpose de Sines, S.A.	Sines	10,000,000 EUR	18,988	3,241	15,747	14,908	3,535	39.60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000 EUR	177,690	132,899	44,791	27,953	8,712	19.83%	-
Sodecoan, S.L.	Seville	6,010 EUR	3	-	3	-	-	38.76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000 EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	1,021,700 EUR	2,706	409	2,297	1,460	699	38.00%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2011, 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%	-

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EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2011

ANNEX II

	Iberian Generation				Iberian Distribution *			Iberian Supply				Electricity			EDP Renováveis
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Adjustments	Total	Europe	U.S.A.	Other operations	
Thousands of Euros															
Turnover	2,742,390	2,128,926	-72,550	4,798,766	5,028,617	180,708	5,209,325	1,069,402	1,852,476	-694	2,921,184	665,155	306,350		20,247
Revenues from external customers	1,816,365	769,275	-	2,585,640	4,620,464	-	4,620,464	916,299	1,813,571	-	2,729,870	612,013	306,350		20,247
Revenues from transactions with other operating segments															
	926,025	1,359,651	-72,550	2,213,126	408,153	180,708	588,861	153,103	38,905	-694	191,314	53,142	-	-	-
Cost of electricity	-696,521	-1,325,451	-	-2,021,972	-3,727,397	-	-3,727,397	-906,734	-1,728,810	-	-2,635,544	-8,040	-3,460		-783
Cost of gas	-	22	-	22	-	-	-	-5,984	-5,406	-	-11,390	-	-	-	-
Change in inventories and cost of raw materials and consumables used	-921,684	-422,053	62,178	-1,281,559	-5,758	-1,356	-7,114	-6,638	-29,874	-	-36,512	-22,252	-	-	-
	1,124,185	381,444	-10,372	1,495,257	1,295,462	179,352	1,474,814	150,046	88,386	-694	237,738	634,863	302,890		19,464
Revenue from assets assigned to concessions	1,943	-	-	1,943	266,141	-	266,141	-	-	-	-	-	-	-	-
Expenditure with assets assigned to concessions	-1,943	-	-	-1,943	-266,141	-	-266,141	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)															
Other operating income	16,326	15,002	-	31,328	82,114	80,285	162,399	9,997	5,016	-	15,013	62,556	129,322		7,500
Supplies and services	-99,617	-60,375	1,972	-158,020	-317,277	-50,246	-367,523	-122,581	-51,009	1,045	-172,545	-106,654	-101,262		-20,460
Personnel costs and employee benefits	-90,355	-32,871	-	-123,226	-129,257	-21,200	-150,457	-43,256	-9,811	-	-53,067	-22,842	-25,936		-12,054
Other operating expenses	-15,491	-43,089	513	-58,067	-280,339	-6,661	-287,000	-15,425	-25,348	-351	-41,124	-28,648	-34,839		-3,162
	-189,137	-121,333	2,485	-307,985	-644,759	2,178	-642,581	-171,265	-81,152	694	-251,723	-95,588	-32,715		-28,176
	935,048	260,111	-7,887	1,187,272	650,703	181,530	832,233	-21,219	7,234	-	-13,985	539,275	270,175		-8,712
Provisions	1,711	4,361	-	6,072	1,647	4,085	5,732	3,891	850	-	4,741	266	-	-	-
Depreciation, amortisation expense and impairment	-286,776	-161,156	-	-447,932	-244,783	-35,956	-280,739	-15,067	-6,311	-	-21,378	-252,228	-209,653		-5,375
Compensation of amortisation and depreciation	1,894	443	-	2,337	98	1,155	1,253	19	-	-	19	1,296	13,690		-
	651,877	103,759	-7,887	747,749	407,665	150,814	558,479	-32,376	1,773	-	-30,603	288,609	74,212		-14,087
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	-	-	-	-	-	10,499	-	-	-
Other financial income	421,997	42,139	-72,315	391,821	1,844	1	1,845	8	158	-	166	21,744	8,299		123,348
Interest revenue	2,202	8,839	-	11,041	33,719	318	34,037	616	1,648	-	2,264	14,207	539		275,551
Other financial expenses	-395,657	-13,538	85,699	-323,496	-61,582	-680	-62,262	-2,294	-196	-	-2,490	-38,173	-72,098		-135,809
Interest expense	-159,355	-42,743	-	-202,098	-83,090	-6,517	-89,607	-3,249	-11,826	-	-15,075	-281,619	1,283		-168,377
Share of profit in associates	258	426	-	684	-	-	-	-	-	-	-	4,795	-	-	-
Profit before income tax	521,322	98,882	5,497	625,701	298,556	143,936	442,492	-37,295	-8,443	-	-45,738	20,062	12,235		80,626
Income tax expense	-163,149	-32,744	-612	-196,505	-70,841	-41,452	-112,293	5,569	3,227	-	8,796	3,987	-5,813		-25,381
Net profit for the year	358,173	66,138	4,885	429,196	227,715	102,484	330,199	-31,726	-5,216	-	-36,942	24,049	6,422		55,245
Attributable to:															
Equity holders of EDP	358,208	69,102	4,885	432,195	227,744	100,299	328,043	-31,726	-4,993	-	-36,719	20,727	6,422		56,502
Non-controlling interest	-35	-2,964	-	-2,999	-29	2,185	2,156	-	-223	-	-223	3,322	-		-1,257
Net profit for the year	358,173	66,138	4,885	429,196	227,715	102,484	330,199	-31,726	-5,216	-	-36,942	24,049	6,422		55,245
Assets															
Property, plant and equipment	4,261,214	1,856,805	-	6,118,019	96,149	736,201	832,350	36,798	13,917	-	50,715	5,081,977	5,162,441		167,811
Intangible assets + Goodwill	1,875,061	650,232	-	2,525,293	2,346,777	235,843	2,582,620	4,244	-	-	4,244	700,185	618,437		2,319
Investments in associates	1,118	1,786	-	2,904	-	-	-	-	-	-	-	49,504	1,877		-
Current assets	683,048	874,323	-	1,557,371	1,246,061	166,090	1,412,151	276,074	549,018	-694	824,398	657,036	137,865		712,687
Equity and Liabilities															
Equity + non-controlling interest	2,219,447	2,145,522	-156,903	4,208,066	543,796	519,297	1,063,093	-17,062	31,719	-	14,657	443,043	3,332,379		5,198,309
Current liabilities	2,047,301	927,625	-	2,974,926	821,669	196,788	1,018,457	319,793	492,445	-694	811,544	881,470	396,278		360,356
Other information:															
Increase of the period															
Property, plant and equipment	439,407	12,553	-	451,960	12,655	96,260	108,915	8,358	7,734	-	16,092	362,867	407,894		59,949
Intangible assets + Goodwill	276,638	21,405	-	298,043	266,141	-	266,141	3,732	-	-	3,732	5	-		4
Material non-cash items:															
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-		-

* Includes Last Resource Supply in Portugal

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 857,454 thousands of Euros in Portugal, 132,317 thousands of Euros out of Portugal and -90,558 thousands of Euros related with adjustments between segments.

Gas														
EDP Brasil								Iberian Activity						EDP Group
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total	Other operations **	Adjustments	
-	991,752	469,773	1,684,220	392,966	3,378	-237,392	2,312,945	629,515	1,633,582	-97,324	2,165,773	275,689	-3,554,583	15,120,851
-	938,610	254,434	1,680,407	375,647	2,197	-	2,312,685	402,865	1,476,889	-	1,879,754	25,302	-5,326	15,086,999
-	53,142	215,339	3,813	17,319	1,181	-237,392	260	226,650	156,693	-97,324	286,019	250,387	-3,549,257	33,852
-	-12,283	-79,684	-1,066,476	-376,031	-	237,337	-1,284,854	-	-204,791	-	-204,791	-	2,566,468	-7,320,373
-	-	-	-	-	-	-	-	-536,089	-1,100,258	96,434	-1,539,913	-	223,213	-1,328,068
-	-22,252	1,172	99	-	-	385	1,656	-131	-11,543	-	-11,674	-12,599	334,119	-1,035,935
-	957,217	391,261	617,843	16,935	3,378	330	1,029,747	93,295	316,990	-890	409,395	263,090	-430,783	5,436,475
-	-	-	139,081	-	-	-	139,081	33,381	-	-	33,381	-	-	440,546
-	-	-	-139,081	-	-	-	-139,081	-33,381	-	-	-33,381	-	-	-440,546
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-3,224	196,154	9,116	5,352	3,335	-	-	17,803	4,493	14,616	-139	18,970	42,952	-70,277	414,342
3,307	-225,069	-28,103	-140,950	-1,990	-13,506	58	-184,491	-14,983	-50,942	1,107	-64,818	-186,516	457,934	-901,048
-	-60,832	-18,224	-90,327	-2,847	-10,178	-	-121,576	-5,418	-26,547	-	-31,965	-112,495	-18,718	-634,900
-83	-66,732	-3,612	-47,682	-1,675	-6,775	-	-59,744	-5,356	-15,120	-78	-20,554	-28,514	2,454	-559,281
-	-156,479	-40,823	-273,607	-3,177	-30,459	58	-348,008	-21,264	-77,993	890	-98,367	-284,573	408,829	-1,680,887
-	800,738	350,438	344,236	13,758	-27,081	388	681,739	72,031	238,997	-	311,028	-21,483	-21,954	3,755,588
-	266	-3,393	-18,469	290	5,334	-4,516	-20,754	1,964	12,293	-	14,257	-11,005	-1	-692
-1,237	-468,493	-67,357	-99,911	-181	-10,361	1,495	-176,315	-12,553	-59,587	-	-72,140	-16,369	-33,794	-1,517,160
-	14,986	455	10,987	-	29,133	-3,732	36,843	-	1,290	-	1,290	250	-27,324	29,654
-1,237	347,497	280,143	236,843	13,867	-2,975	-6,365	521,513	61,442	192,993	-	254,435	-48,607	-83,073	2,267,390
-	10,499	-	-	-	-	-	-	-	-	-	-	120,740	-110,362	20,877
-122,592	30,799	50,596	22,307	1,168	262,204	-277,617	58,658	9,836	13,626	-7,150	16,312	774,874	-773,625	500,850
-259,541	30,756	15,961	50,734	945	10,427	-3,498	74,569	2,011	3,282	-	5,293	719,943	-559,905	317,998
126,718	-119,362	-73,709	-57,190	-769	-15,667	-1,595	-148,930	-10,151	-14,690	7,150	-17,691	-185,349	133,154	-726,426
262,390	-186,323	-43,098	-60,354	-184	-3,640	3,852	-103,424	-8,389	-37,251	-	-45,640	-723,896	558,254	-807,809
1	4,796	-	-	-	-	-1,257	-1,257	3,375	143	-	3,518	10,480	1,256	19,477
5,739	118,662	229,893	192,340	15,027	250,349	-286,480	401,129	58,124	158,103	-	216,227	668,185	-834,301	1,592,357
-831	-28,038	-17,750	-45,554	-4,841	-23,443	-	-91,588	-13,742	-29,563	-	-43,305	215,635	-13,080	-260,378
4,908	90,624	212,143	146,786	10,186	226,906	-286,480	309,541	44,382	128,540	-	172,922	883,820	-847,381	1,331,979
4,953	88,604	120,100	146,786	10,186	235,206	-286,480	225,798	34,069	116,172	-	150,241	899,213	-962,712	1,124,663
-45	2,020	92,043	-	-	-8,300	-	83,743	10,313	12,368	-	22,681	-15,393	115,331	207,316
4,908	90,624	212,143	146,786	10,186	226,906	-286,480	309,541	44,382	128,540	-	172,922	883,820	-847,381	1,331,979
42,392	10,454,621	2,334,817	169	235	1,288	-61	2,336,448	6,476	661,052	-	667,528	269,186	-20,554	20,708,313
12,723	1,333,664	572,869	877,478	269	153,641	-40,409	1,563,848	380,397	704,055	-	1,084,452	393,012	640,602	10,127,735
-	51,381	-	-	-	13,020	-2,363	10,657	31,062	3,470	-	34,532	235,966	-175,134	160,306
-617,036	890,552	286,804	649,756	60,608	232,138	-118,976	1,110,330	149,505	839,411	-10,610	978,306	4,416,456	-4,220,044	6,969,520
-3,520,006	5,453,725	1,738,543	647,391	20,568	1,564,503	-1,239,628	2,731,377	264,485	1,878,690	-	2,143,175	5,487,254	-9,714,568	11,386,779
-554,925	1,083,179	451,106	704,213	46,431	93,972	-117,728	1,177,994	170,263	511,705	-10,610	671,358	3,968,607	-4,307,475	7,398,590
-	830,710	196,619	-	15	725	-	197,359	4,303	51,896	-	56,199	99,734	-25,369	1,735,600
-	9	257,285	139,081	50	90	-	396,506	33,381	837	-	34,218	162,862	-	1,161,511
-	-	-	-	-	-5,505	-	-5,505	-	-	-	-	-57,930	-	-63,435

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EDP Group Activity by Business Segment

Information by Business Segment — 31 December 2010

	Iberian Generation				Iberian Distribution *			Iberian Supply			Electricity		
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	EDP Renováveis
Thousands of Euros													
Turnover	2,378,934	1,765,913	-13,166	4,131,681	5,099,338	183,595	5,282,933	887,766	1,887,596	2,775,362	565,203	276,494	4,222
Revenues from external customers	1,776,377	565,893	4,965	2,347,235	4,806,553	-	4,806,553	737,579	1,771,488	2,509,067	476,529	276,494	3,359
Revenues from transactions with other operating segments	602,557	1,200,020	-18,131	1,784,446	292,785	183,595	476,380	150,187	116,108	266,295	88,674	-	863
Cost of electricity	-519,041	-1,037,238	-	-1,556,279	-3,751,449	115	-3,751,334	-694,126	-1,770,244	-2,464,370	-1,262	-1,525	-130
Cost of gas	-	-255	-	-255	-	-	-	-752	-5,776	-6,528	-	-	-
Change in inventories and cost of raw materials and consumables used	-641,252	-405,864	22,454	-1,024,662	-6,833	91	-6,742	-5,051	-26,229	-31,280	-1,709	-	-
	1,218,641	322,556	9,288	1,550,485	1,341,056	183,801	1,524,857	187,837	85,347	273,184	562,232	274,969	4,092
Revenue from assets assigned to concessions	4,323	-	-	4,323	234,595	-	234,595	-	-	-	-	-	-
Expenditure with assets assigned to concessions	-4,323	-	-	-4,323	-234,595	-	-234,595	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
Other operating income / (expenses)													
Other operating income	8,937	3,504	-	12,441	61,719	33,312	95,031	7,755	32,201	39,956	26,882	153,027	1,197
Supplies and services	-97,355	-58,618	1,902	-154,071	-322,136	-53,820	-375,956	-118,215	-43,899	-162,114	-87,409	-93,026	-17,684
Personnel costs and employee benefits	-86,846	-33,249	1,582	-118,513	-171,802	-21,531	-193,333	-39,317	-9,347	-48,664	-20,124	-24,333	-10,387
Other operating expenses	-18,126	-23,314	220	-41,220	-286,800	-5,050	-291,850	-10,748	-31,525	-42,273	-19,913	-22,303	-14,681
	-193,390	-111,677	3,704	-301,363	-719,019	-47,089	-766,108	-160,525	-52,570	-213,095	-100,564	13,365	-41,555
	1,025,251	210,879	12,992	1,249,122	622,037	136,712	758,749	27,312	32,777	60,089	461,668	288,334	-37,463
Provisions	-433	-29,132	-	-29,565	-4,804	-1,004	-5,808	-11,549	-12,961	-24,510	155	-	-
Depreciation, amortisation expense and impairment	-294,614	-134,106	-	-428,720	-243,217	-34,329	-277,546	-16,898	-3,731	-20,629	-209,185	-222,263	-1,883
Compensation of amortisation and depreciation	7,905	452	-	8,357	-	1,112	1,112	19	19	19	1,536	9,869	-
	738,109	48,093	12,992	799,194	374,016	102,491	476,507	-1,116	16,085	14,969	254,174	75,940	-39,346
Gain/(losses) on the sale of financial assets	-	7	-	7	-	-	-	-	-	-	-	-	-
Other financial income	458,363	29,360	-50,312	437,411	470	-	470	15	346	361	18,123	6,131	126,875
	830	7,269	-	8,099	29,777	194	29,971	184	234	418	8,268	308	246,828
Interest revenue													
Other financial expenses	-427,427	-33,290	74,650	-386,067	-59,620	-1,776	-61,396	-1,979	-412	-2,391	-28,526	-73,355	-127,773
Interest expense	-171,690	-33,618	-	-205,308	-66,275	-2,518	-68,793	-2,237	-4,394	-6,631	-227,435	3,400	-144,171
Share of profit in associates	-504	227	-	-277	-	-	-	-	-	-	5,036	-	-
Profit before Income tax	597,681	18,048	37,330	653,059	278,368	98,391	376,759	-5,133	11,859	6,726	29,640	12,424	62,413
Income tax expense	-168,329	-13,272	-13,724	-195,325	-35,170	-30,344	-65,514	281	-4,290	-4,009	-12,785	-	-21,002
Net profit for the year	429,352	4,776	23,606	457,734	243,198	68,047	311,245	-4,852	7,569	2,717	16,855	12,424	41,411
Attributable to:													
Equity holders of EDP	428,565	8,182	23,606	460,353	243,198	65,934	309,132	-4,081	7,396	3,315	12,920	12,424	42,511
Non-controlling interest	787	-3,406	-	-2,619	-	2,113	2,113	-771	173	-598	3,935	-	-1,100
Net profit for the year	429,352	4,776	23,606	457,734	243,198	68,047	311,245	-4,852	7,569	2,717	16,855	12,424	41,411
Assets													
Property, plant and equipment	4,076,026	1,978,069	-	6,054,095	102,978	676,118	779,096	43,913	12,491	56,404	5,000,280	4,814,548	125,479
Intangible assets + Goodwill	1,774,621	577,719	-	2,352,340	2,397,877	235,865	2,633,742	512	4	516	751,975	600,317	1,718
Investments in associates	836	1,565	-	2,401	-	-	-	-	70	70	44,054	1,817	-
Current assets	833,779	1,143,934	-417	1,977,296	1,490,740	125,622	1,616,362	247,306	534,688	781,994	759,626	199,503	679,763
Equity and Liabilities													
Equity + non-controlling interest	2,157,999	2,100,706	-156,903	4,101,802	414,554	471,611	886,165	9,007	-143,126	-134,119	442,303	3,146,741	5,141,393
Current liabilities	810,804	1,387,548	-417	2,197,935	1,345,532	360,600	1,706,132	189,126	463,595	652,721	1,071,940	428,332	180,192
Other information:													
Increase of the period													
Property, plant and equipment	345,534	89,359	-	434,893	13,388	59,281	72,669	7,862	4,938	12,800	607,287	765,650	79,504
Intangible assets + Goodwill	222,216	17,589	-	239,805	234,595	329	234,924	-	1	1	58,233	2,185	314
Material non-cash items:													
Impairment of available for sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-	-

* Includes Last Resource Supply in Portugal

** The Net profit for the year attributable to equity holders of EDP in the segment "Other operations" is analysed as follows: 695,814 thousands of Euros in Portugal, 132,686 thousands of Euros out of Portugal and -9,694 thousands of Euros related with adjustments between segments.

EDP Brasil								Gas Iberian Activity				Other operations **		EDP Group
Adjustments	Total	Generation	Distribution	Supply	Other operations	Adjustments	Total	Portugal	Spain	Adjustments	Total		Adjustments	
-863	845,056	429,749	1,609,529	311,441	2,651	-205,740	2,147,630	551,088	1,333,598	-197,900	1,686,786	222,040	-2,920,746	14,170,742
-	756,382	236,515	1,605,820	303,523	1,772	-	2,147,630	282,207	1,242,658	-	1,524,865	14,453	31,458	14,137,643
-863	88,674	193,234	3,709	7,918	879	-205,740	-	268,881	90,940	-197,900	161,921	207,587	-2,952,204	33,099
-	-2,917	-72,844	-1,007,459	-299,158	-	205,740	-1,173,721	-	-187,372	-	-187,372	-	2,327,732	-6,808,261
-	-	-	-	-	-	-	-	-458,211	-843,830	198,438	-1,103,603	-	165,116	-945,270
212	-1,497	-20	-868	-	-10	-	-898	-	-8,184	-	-8,184	-1,521	61,904	-1,012,880
-651	840,642	356,885	601,202	12,283	2,641	-	973,011	92,877	294,212	538	387,627	220,519	-365,994	5,404,331
-	-	-	113,579	-	-	-	113,579	39,520	-	-	39,520	-	-	392,017
-	-	-	-113,579	-	-	-	-113,579	-39,520	-	-	-39,520	-	-	-392,017
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-1,076	180,030	341	12,187	3,780	2,961	-60	19,209	4,818	7,415	-36	12,197	67,265	-105,240	320,889
1,908	-196,211	-25,436	-129,892	-2,032	-15,048	117	-171,691	-13,539	-56,662	1,041	-69,160	180,356	447,303	-862,256
-	-54,844	-17,216	-73,346	-2,760	-9,402	-	-102,724	-4,964	-25,154	-	-30,118	-110,394	15,122	-643,468
31	-56,866	-659	-30,167	-728	-6,002	-2,397	-39,953	-3,794	-23,761	-32	-27,587	-23,241	1,606	-521,384
863	-127,891	-42,970	-220,618	-1,740	-27,491	-2,340	-295,159	-17,479	-98,162	973	-114,668	-246,726	358,791	-1,706,219
212	712,751	313,915	380,584	10,543	-24,850	-2,340	677,852	75,398	196,050	1,511	272,959	-26,207	-7,203	3,698,112
-	155	-696	-3,268	-	1,165	-5,511	-8,310	-3,793	-33,370	-	-37,163	-26,578	28,201	-103,578
-1,072	-434,403	-65,262	-80,538	-71	-6,924	-7,779	-160,574	-11,353	-62,489	-	-73,842	-17,440	-55,848	-1,469,002
1	11,406	-	-	-	-	-	-	-	1,282	-	1,282	103	-	22,279
-859	289,909	247,957	296,778	10,472	-30,609	-15,630	508,968	60,252	101,473	1,511	163,236	-70,122	-34,850	2,147,811
-	-	-	-	-	-	-	-	-	-846	-	-846	62,764	-1,104	60,821
-116,755	34,374	19,214	16,128	548	216,463	-214,653	37,700	1,296	1,065	-	2,361	990,585	-991,858	511,404
-245,473	9,931	11,212	71,218	713	10,198	-3,484	89,857	1,307	988	-	2,295	669,619	-500,851	309,339
119,592	-110,062	-68,677	-52,461	-1,157	-16,277	8,994	-129,578	-1,902	-2,768	-1,511	-6,181	-224,707	175,100	-745,282
259,815	-108,391	-48,606	-46,542	-71	-336	-	-95,555	-6,043	-1,252	-	-7,295	-653,447	499,690	-645,730
-	5,036	-	-	-	-	-1,100	-1,100	2,879	280	-	3,159	15,552	1,100	23,470
16,320	120,797	161,100	285,121	10,505	179,439	-225,873	410,292	57,789	98,940	-	156,729	790,244	-852,773	1,661,833
-3,972	-37,759	-19,903	-88,968	-3,328	2,735	2,645	-106,819	-16,623	-26,840	-	-43,463	23,648	2,009	-427,232
12,348	83,038	141,197	196,153	7,177	182,174	-223,228	303,473	41,166	72,100	-	113,266	813,892	-850,764	1,234,601
12,348	80,203	84,657	196,153	7,177	182,174	-223,228	246,933	33,392	66,824	-	100,216	818,806	-940,033	1,078,925
-	2,835	56,540	-	-	-	-	56,540	7,774	5,276	-	13,050	-4,914	89,269	155,676
12,348	83,038	141,197	196,153	7,177	182,174	-223,228	303,473	41,166	72,100	-	113,266	813,892	-850,764	1,234,601
41,464	9,981,771	2,393,016	201	308	854	-61	2,394,318	2,620	825,679	-	828,299	212,199	17,401	20,323,583
12,723	1,366,733	361,644	968,774	432	147,405	-37,339	1,440,916	363,099	704,543	-	1,067,642	317,414	784,015	9,963,318
-	45,871	1,267	-	-	11,358	-1,299	11,326	26,789	3,877	-	30,666	658,107	-601,570	146,871
-378,327	1,260,565	275,912	809,403	51,482	250,008	-109,798	1,277,007	144,160	521,714	-26,928	638,946	3,481,394	-3,751,939	7,281,625
-3,336,926	5,393,511	1,746,295	757,366	20,051	1,655,012	-1,270,196	2,908,528	270,013	1,777,728	-	2,047,741	6,000,567	-10,419,236	10,784,959
-388,290	1,292,174	352,153	812,680	39,023	89,778	-113,344	1,180,290	138,886	654,880	-25,864	767,902	3,519,791	-3,587,306	7,729,639
-	1,452,441	266,162	-	85	13	-	266,260	56	58,066	-	58,122	96,374	-	2,393,559
-	60,732	3,045	113,581	-	62	-	116,688	40,370	201,799	-	242,169	59,961	-	954,280
-	-	-	-	-	-	-	-	-	-	-	-	-4,207	-	-4,207

annexes

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1. corporate bodies biographies

Alberto João Coraceiro de Castro, Vice-Chairman until 20th February 2012. 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 cocoprnsultant 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, Vice-Chairman of the Board of Directors of Associação para o Museu dos Transportes e Comunicações. He was designated for the first time Vice-Chairman of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009, and 20th February 2012.

Ana Maria Machado Fernandes, Chairman until 20th February 2012. 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 (1989-1991). 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 (1996-1998). 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.

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 (1963-1965); Financial Director and Secretary General of Maragra – Marracuene Agrícola Açucareira (1966-1971); and Director and Vice-Chairman of the Instituto de Crédito de Moçambique (1971-1974). In Portugal, he was Governor and President of Banco de Angola (1974-1978); Secretary of State of Treasury (1978-1980 and 1983-1985); Chairman of the União de Bancos Portugueses (until 1991); consultant to Banco de Portugal (until 1992); consultant to Associação Industrial Portuense (1991-96); Chairman of the EDP Board of Directors (1996-1998); Board Director of the European Bank for Reconstruction and Development (1998-2004); Chairman of the EDP Audit Committee (2003-2004) and Chairman of OMIP and OMIClear (2004-2006). In terms of academic activities, he was an invited lecturer to Universidade de Lourenço Marques (1971-1974) and Universidade Autónoma de Lisboa (1992-1999). Since 2009, he is President of the ISEG School Council. He was designated for the first time Chairman of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009.

António Fernando Melo Martins da Costa He was born on December 13th, 1954. He holds a degree in Civil Engineering and an MBA from the University of Oporto (1976) and an MBA from the Escola de Gestão of Oporto, and has also completed executive education studies at INSEAD (Fontainebleau, França - 1995), PADE from AESE (Lisbon 2000) and the AMP of the Wharton School (Philadelphia, EUA - 2003). From 1976 until 1989 he lectured at the Superior Engineering Institute of Porto. He joined hydraulic generation at EDP in 1981. From 1989 to 2003 he was General Manager of Millennium bcp Bank and Executive Board Member on several companies for insurance, pensions and asset management of BCP Group. He was also Director of Eureko BV (Netherlands), Chairman of Eureko Polska and Executive Vice-Chairman of PZU (Poland) between 1999 and 2002. He was the CEO and Vice-Chairman of the Board of Directors of Energias do Brasil (2003-2007). During this period he was also Vice-Chairman of Portuguese Chamber of Commerce in Brazil and Chairman of ABRADDEE. He is a member of the Executive Board of Directors of EDP since 2006. In 2007, he became Chairman and CEO of Horizon Wind Energy, in the USA, and a Member of the Executive Commission of EDP Renováveis since 2008. In 2009 he was appointed Chairman of the Board of Directors of EDP Internacional and EDP Soluções Comerciais. On the Executive Board of Directors of EDP he is responsible for the management area of distribution. He is a founding member of the Portuguese Institute of 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.

António Luís Guerra Nunes Mexia, Chairman. He was born on July 12th, 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 also a member of the governing boards of Universidade Nova de Lisboa and of Universidade Católica, where he was Director (1982-1995). 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 Petrolgal, 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 (1992-1998), 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 and, on February 2012 he appointed member of the Boards of Directors of the mentioned 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.

António Manuel Barreto Pita de Abreu He was born on March 17th, 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 1977 he has worked in the electricity sector, where until 2006 he occupied 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 Termoelétrica 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; Chairman of the Board of OniTelecom and Edinfor; Vice-Chairman of the Board of Turbogás and a voting member of the Board of Directors of EDA (Electricidade dos Açores). Currently, he is Director-Chairman of the Board of EDP – Energias do Brasil and member of FIESP. 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 Sarmento Gomes Mota He was 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 designated Member of the EDP General and Supervisory Board on 15th April 2009 and reappointed on 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 (1984-1988); 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 (1987-1989) and Chairman of the Companhia do Aeroporto de Macau (1989-1991). He was a director of the Champalimaud Group (1992-1999) 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. He was Vice-Chairman of Estoril Sol and Finansol, non-Executive Chairman of Willis Portugal-Corretores de Seguros (2003-2005) and Director of the Board of Seng Heng Bank. From 2005 until 2007 he was Chairman of the Board of Caixa Geral de Depósitos. He is currently 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 designated for the first time Member of the EDP General and Supervisory Board on 10th April 2008 and he was reappointed on 15th April 2009, and 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 (1986-1988); an advisor to the Government of Macao's Deputy Secretary for Administration and Justice (1988-1990); a senior legal consultant of the Tourism Fund (1990-1992) and Director of Interfina and several of its subsidiary companies (1992-1995). 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 (1997-1999). 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 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, and 20th February 2012.

Eduardo de Almeida Catroga, Chairman appointed on 20th February 2012. 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 (1994-1995). 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 Chairman of the Board of Directors of the SAPEC Group, Member of the Board of Nutrinveste, Member of the Board of Banco Finantia and President of the 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.

Farid Boukhalfa 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. He was designated Member of the EDP General and Supervisory Board, representing Sonatrach, on 4th February 2010, ending the office on 20th February 2012.

Felipe Fernández Fernández, Was born on 21st December 1952 in Salas, Asturias. He has a degree in Economics and Business Administration, in 1975, from the Faculty of CC.EE. at Universidade of Bilbao. He lectured Statistics and Econometric Analysis at the School of Economics and Business, at Universidade of Oviedo between 1979 and 1984. He was Chairman of CUOTA (Commission of Urban Planning and Territory Planning of Asturias) between January 1990 and July 1991. From July 1986 to January 1990 he was a member of the Board of Directors and Vice-Chairman of the Society Asturian of Economic Studies and Industrial Studies. He was also Member of the Board of Directors and Vice-Chairman of the construction company SEDES, S.A. between May 1988 and January 1990. He was Member of the Board of Directors and the Executive Committee of Caja de Ahorros de Asturias (October 1986 - January 1990). Regional Director of Economy and Planning of the Principality of Asturias (1984 – 1990). Advisor for Territory Planning, Urbanism and Habitation of the Principality of Asturias. (January 1990 – July 1991). He was Adviser for Rural and Fisheries of the Principality of Asturias (July 1991 – June 1993). Between 1993 and 1998 he was Head of Management Control of HidroCantábrico. Head of Management Control, Supply and Quality (1998 – 2001). Chairman of Gás de Asturias (June 2001-February 2003). Between June 2001 and June 2002 he was the Head of the Areas of Support and Control of HidroCantábrico. Between

June 2002 and January 2004. he was Head of Administration and Finance of HidroCantábrico. Chairman of Capital, Sole Director of HidroCantábrico Servicios, Adviser for Naturcorp, Gas de Asturias, SINAIE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias. He is currently Head of Business Corporation of Liberbank, Principal Manager of Caja de Ahorros de Asturias. Chairman of Infocaja, Adviser for HC Energía, Ahorro Corporación, Indra, Tudela Veguín and Sociedad Promotora de las Comunicaciones de Asturias (SPTA). He was appointed as Member of the General and Supervisory Board of EDP, representing Cajastur Inversiones, S.A., on 20th February 2012.

Fernando Manuel Barbosa Faria de Oliveira He was born on 10th October 1941. He has a degree in Mechanical Engineering from IST. He was Secretary of State for Foreign Trade (1980-1983), Assistant Secretary of State to the Deputy Prime Minister (1985), Secretary of State of Finance and Treasury (1988-1989), Assistant Secretary of State for Finance (1989-1990) and Minister for Trade and Tourism (1990-1995). He was a Member of the Board of Directors of Siderurgia Nacional (1980-1983); of IPE – Investimentos e Participações Empresariais, SA (1983-2002); of BFE – Banco de Fomento Exterior (1990); of HPP – Hospitais Privados de Portugal, SGPS, SA (2003-2005); of Carlton Life (2003-2005); of Banco Caixa Geral, Spain (CEO from 2005-2007). Since 2008, he is Chairman of the Board of Directors and CEO of the Caixa Geral de Depósitos and PARCAIXA SGPS. He was also a non-executive Member of the Board of EGF - Empresa Geral de Fomento (1988), of CELBI - Celulose da Beira Industrial (1987-1988); of ICEP (Portuguese Institute for Foreign Trade) (1986-88); and of TAP (1998-2006). He was Member of the Advisory Board of the National Administration Institute and of APAD – Portuguese Development Aid Agency (2000-2002); Member of the Executive Board of UCCLA (Union of Portuguese-speaking Capital Cities) (2000-2002); and Chairman of the Advisory Board of ELO – the Portuguese Association for Economic Development and Cooperation (2001-2005). He was designated for the first time Member of the EDP General and Supervisory Board on 10th April 2008 and he was reappointed on 15th April 2009.

Fernando Maria Masaveu Herrero He was born in Oviedo in 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.

Ilídio da Costa Leite de Pinho He was born on 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 (1979-1983) and President of the City Hall Assembly of Vale de Cambra (1993-1997). 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 associations. Member of the “Trilateral Commission” (1988-1996). Was founder and Chairman of the Board of Directors of COLEP. Was founder of NACIONALGÁS, S.A., LUSITÂNIA GÁS, 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.” (2000-2005). 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. He was designated Member of the EDP General and Supervisory Board 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 Parpública (since May 2010) and non-executive Director of AdP (since June 2010). He was designated Member of the EDP General and Supervisory Board, representing Parpública, on 28th April 2011 and ended his office on 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 1988 to 1995 he worked at Banco Português do Atlântico, occupying the positions of Supervisor for the International Credit Division, Head of the International Credit Division, Department Director, Deputy Central Director for International Management and Central Director of Financial Management and Retail Commerce South. From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Director of Financial Management, General Manager of Large 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. From 2002 to 2003, in Banco Português de Negócios, he was the Chairman of BPN Serviços ACE, Director of BPN SGPS, Director of Sociedade Lusa de Negócios and a member of the Board of Banco Efisa. He is still a voting Member of the OMEL Board of Directors. From 2003 to 2005 he worked at EDP as Director-General and Administrator of EDP Produção. In 2005 he was named Appointed Adviser at HC Energía, Chairman of Genesa and Director 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.

João Marques da Cruz Born on May 23rd, 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 on 20th February 2012 as member of the Executive Board of Directors.

Jorge Braga de Macedo He was born on December, 1st 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 (IICT) and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada. He was designated Member of the EDP General and Supervisory Board 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 Energia 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.

José Manuel dos Santos Fernandes He was 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 a Board Member of AFICOR (1983-2007); General Director of MIDA (1974-1990); Director (1972-74) and Member of the Board of Metalúrgica Costa Nêry S.A. (1974-1975); 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 Manufature Portugal (2005). He was Executive Vice-president (2001-2004) and President of the General Meeting of CIP (2004-2007). He was also CIP's representative at the National Counsel for Environment and Sustainable Development (2000-2002). He was Vice-president of the AIP (1984-1998) 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 (1987-1990) 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 EDP General and Supervisory Board on 15th April 2009, ending the office on 20th February 2012.

José Maria Espírito Santo Silva 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 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, ending the office 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 professor and head of ISEG's Economics department. He was an expert at INII (1968-1975); Vice-president of IAPMEI's Consultative Council (1975-1980); Executive Vice-president of TAP (1996-1998); CEO of RTP (1999-2001); Vice-president and General Manager of Portugal Global SGPS (2001-2002); 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) and of the UTL General Counsel (since 2009). 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 EDP General and Supervisory Board, representing Cajastur Inversiones, on 2nd June 2008 and he was reappointed on 15th April 2009, ending the office on 20th February 2012.

Luís Filipe da Conceição Pereira He has 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 Honorary Order “Grã-Cruz da Ordem de Mérito” by President of Republic of Portugal. He was designated Member of the EDP General and Supervisory Board, representing José de Mello Energy, on 26th April 2011 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 organisations 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 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 and 20th February 2012.

Maria Celeste Ferreira Lopes Cardona Born in June 30th, 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 granted 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 designated for the first time Member of the EDP General and Supervisory Board on 20th February 2012.

Miguel Stilwell de Andrade 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 Hidrocontábrica; 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 Brazil IPO in 2005; and the EDP Renewables IPO in 2008. Between 2009 and 2011, he was also Chairman of InovGrid ACE. Until 20th February 2012 he was a member of EDP Distribution Board of Directors, having been nominated in January 2009. He is also a non executive member of the Board of Directors of EDP Innovation, EDP Ventures and EDP Gas Distribution. He was appointed on 20th February 2012 as member of the Executive Board of Directors.

Mohamed Ali Al-Fahim He was born on 4th 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 designated Member of the EDP General and Supervisory Board, representing Senfara, on 16th April 2010 and 20th February 2012.

Nuno Maria Pestana de Almeida Alves He was born on April 1st, 1958. He received an undergraduate degree in Engineering and Naval Construction in 1980 and an MBA in 1985 from the University of Michigan. He began his professional career in 1988 as Supervisor in the Studies and Planning Directorate at Banco Comercial Português, where he took on the role of Sub-Director of Financial Investment in 1990. In 1991, he became Director of Investor Relations. In 1994, he became the Director of Private Retail Coordination. In 1996, he served as Director of Capital Markets for Banco CIFS, the investment bank of Banco Comercial Português, and was promoted to Director of Investment Banking in 1997. In 1999, he became Chairman of the Board of Directors of CIFS Dealer, where he remained until 2000, when he became Director of Millenniumbcp Investimento (formerly Banco CIFS), responsible for Capital Markets and Treasury of the BCP Group. He has served as Director-General of BCP from 2000 to 2006. 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.

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 post-graduate degree 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. He represented 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 Centraliser, 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 President of the Board of the Portuguese Association

of Publishers and Booksellers. He also teaches the discipline of Strategy at Universidade Católica Portuguesa. 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 designated Member of the EDP General and Supervisory Board on 20th February 2012.

Ricardo José Minotti 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 (1958-1968). 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 (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 reorganisation 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 (1971-1988). He was a member of the Board of Companhia Eléctrica do Alentejo e Algarve (1975-1976). Between 1957 and 1975 he developed work on hydropower generation as part of the Zêzere Hydroelectric and CPE. He was designated Member of the EDP General and Supervisory Board on 15th April 2009, ending the office on 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 (1976-1983). From 1964 to 1975 he was a legal consultant and director of various companies within the SACOR Group. He was designated for the first time Member of the EDP General and Supervisory Board on 12th April 2007 and he was reappointed on 15th April 2009 and 20th February 2012.

Vasco Joaquim Rocha Vieira He has born on August 16th, 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 he 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 and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa. He was designated Member of the EDP General and Supervisory Board 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 (1994 -) as well as Vice-Rector at Universidade Técnica de Lisboa (2007 -). He is a Member of the Economic and Social Council (2007 -) and Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre (2005 -). He served as Chairman of the ISEG Directive Council (2003-2006) 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 (1997 -). He is Chairman of the Management and Business Administration Degrees Evaluation Committee (2001-2002). 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 (2007 -). He is currently Chairman of the Gaptec / UTL Department (2007 -) and was Director of Promindústria – Sociedade de Investimento SA (1994-1996). He was President of the Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais (2003-2007). 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 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 and 20th February 2012.

2. final references

The Executive Board of Directors expresses its gratitude to all those who have contributed and followed the activity of EDP during 2011.

First of all, we thank the shareholders for the support and confidence given to the current Executive Board of Directors and to each of its members.

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 to the activity of the Executive Board of Directors.

EDP's current governance model is fully consolidated and is an example in overseeing the management activity and 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 wishes to thank members of the governmental bodies of countries in which EDP is present and that have assisted EDP for the benefit of the economic and social development of their respective nations.

In the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the energy sector regulators. Particularly to 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 the 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 other entities that have related with EDP during 2011, namely:

- CMVM, Euronext Lisbon, Interbolsa, CNMV, CVM and BOVESPA;
- EDP Group companies' external auditors;
- Financial and bonds institutions and ratings agencies;
- Scientific, academic and technical institutions;
- The Portuguese association of Electricity Sector Companies – ELECPOR;
- Asociacion Española de la Industria Eléctrica – UNESA;
- European Wind Energy Association – EWEA and American Wind Energy Association – AWEA;
- The National Association of Portuguese Municipalities and Town Councils;
- Agência Portuguesa do Ambiente and Instituto Nacional da Água;
- Environmental and social non-governmental organizations.

A particular acknowledgment is due to the EDP Group clients. We reaffirm our commitment towards excellence in providing services and fulfilling their needs. It is, and will remain, as a constant priority of the entire EDP Group.

The Board's gratitude is also extended to the suppliers, which are our partners in the implementation of the strategic plan, as well as to the various media bodies that followed closely the company during 2011. The coverage made to the various EDP activities is a driver that demands additional accuracy and professionalism from all those who cooperate with the Company.

Finally, a special thank you to all EDP employees, whose contribution, commitment, competence and energy were crucial elements to the results achieved by the Company.

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

António Fernando Melo Martins da Costa

António Manuel Barreto Pita de Abreu

João Manuel Manso Neto

João Marques da Cruz

Miguel Stilwell de Andrade

Nuno Maria Pestana de Almeida Alves

3. proposal for the appropriation of profit

Under the terms of the Article 30 of the Company Constitution, the Executive Board of Directors proposes that the Net Profit is appropriated as follows:

APPROPRIATION OF PROFIT (EUROS)

COMPANY NET PROFIT	2011
Legal Reserve	€ 39,290,207.47
Dividends	€ 676,459,477.28
Donations to Fundação edp	€ 7,200,000.00
Retained earnings	€ 62,854,464.58
Net Profit	€ 785,804,149.33

The dividend proposed is EUR 0.185 per share.

4. sustainability report

4.1. reporting principles

EDP's Annual Report combines economic and financial aspects, along with social and environmental performance, 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 2011 along with the most important events occurred in the first quarter of 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 Energía, EDP no Brasil and EDP Renováveis are also published and may complement information about the sustainability performance of those companies.

Detailed information about contents and organization of EDP's Annual Report is available in www.edp.pt/Sustainability/Reports.

4.2. 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 group; Establish stakeholder communication channels and integrate their concern; Report performance in a credible, objective way in its economical, environmental and social dimensions.

During 2009, EDP started a thorough process to assess the company's maturity level, in its strategic, procedural and operational approach, against AA1000APS (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 renewable; HC Energía and EDP Brazil. Within different maturity stages, the challenge is to guaranty a strategic alignment along with specific approaches to local expectations. It is EDP 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.

verification according to AA1000APS (2008)

EDP asked KPMG the verification according to AA1000APS (2008), Type 2. The verification process includes not only the information disclosed in the 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/stakeholders/dialog is available a list with the main stakeholder segments of EDP, as well as the description of the main practices in place, according with AA1000 standard.

principle of inclusion

A stakeholder is all and any agent with influence and being influenced by the company 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 plans ongoing. It is believed that its results will contribute to a continuous improvement of EDP's sustainability performance. During 2011, a training plan for all employees, whose duties involve contact with stakeholders outside the company, was prepared. It is intended to promote a relationship with local communities, around EDP enterprises, bilateral and continuous enlarged in time. Portugal's Geography is fully planned to be covered during 2012.

In 2012, the aim is also to strengthen synergies between the Group companies, not only through the initiatives that have been implemented, but also through new processes and challenges. Accordingly, EDP will present a new strategy and a new model of stakeholder relations, involving the Group's several companies, meeting the expectations of EDP stakeholders, keeping the foundations in the International Standard AA 1000 and in 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.

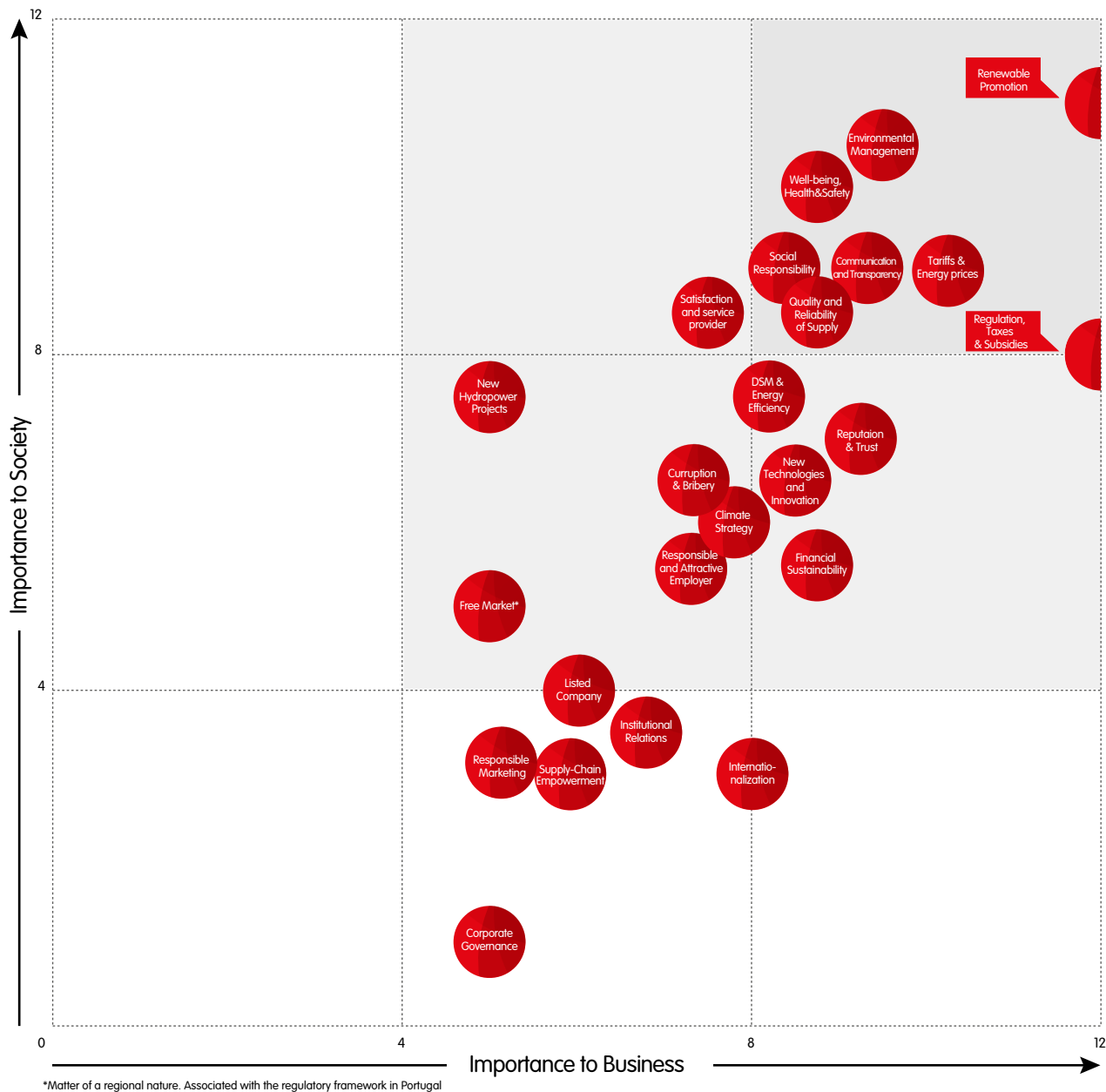
EDP's material issues were identified through the Accountability's methodology, which ensures a balanced and cleared assessment of data collected internally and throughout the different channels opened for different stakeholders:

STAKEHOLDER	MAIN CONSULTATION CHANNELS	TOPICS OF MOST RELEVANCE IN 2011
INVESTORS	Dedicated telephone line and e-mail Consultation evaluations General Road Shows Investor Days Conference calls and road shows on specific themes;	Macro-economic context Rating Debt Regulation in countries where EDP operates Privatisation EDP Group strategy
CUSTOMERS	Focus Groups Mystery Customer Direct telephone line and electronic address Customer Ombudsman (Portugal) Customer Manager (companies) Customer Day	Useful information in good time Advising on more efficient consumption Problem solving capacity Social Tariff
EMPLOYEES	Studies of working environment Performance Evaluation Process Workers' committees/P&S Direct line to the Chairman of the EBD EBD meets with employees Ethics Ombudsman Channel for whistleblowing	Workplace environment, job stability Balancing employment and family life Remuneration for work; Professional Achievement Opportunity for professional development Career evolution
SUPPLIERS	Sustainability Forum Regular questionnaires Supplier Day Regular meetings with ongoing building/supply contracts (Portugal) Ethics Ombudsman	Price policy and quality of service Promoting renewable energy Strengthening communication channels Internationalisation of the company Development of supply chain in terms of sustainability
REGULATORS AND GOVERNMENTAL INSTITUTIONS	Channels formally created Representation on various committees and Sectoral associations	Market liberalisation Tariffs and prices Environmental Management
NGOS	Consultation channel Collaboration agreements Surveys Officially established committees	Climate change and environmental protection with particular focus on biodiversity Energy efficiency and new technology Promoting renewable energy Responsible marketing Business ethics and transparency in action
LOCAL COMMUNITIES	COMPRO project Surveys of EMAS facilities	Environmental management and promotion Infrastructure safety conditions Efficiency in consumption and supply Promoting renewable energy Development of new technology
ACADEMIC WORLD	Co-Creation Initiative Partnerships and collaboration agreements with universities Seminars and conferences	Innovation and new technology Efficient management of demand and the management of energy supply New products and value added services
MEDIA	Telephone line Market surveys Media Day Meetings with the EBD with specific themes Press conferences	Image of EDP; Promoting renewable energy New hydroelectric projects; Tariffs and energy prices Quality and security of electricity supply Social and environmental responsibility

The proximity and dialogue that EDP holds with its stakeholders allows it to identify the group's cross-cutting issues of greatest importance to the business and define the substance with which each subject should be reflected in the management strategy of the company and, in particular, on its sustainability agenda.

Materiality was defined at the end of 2011, based on the following segments of stakeholders, the main channels of engagement and perceived expectations.

EDP MATERIALITY MATRIX



The following significant changes occurred from the previous year:

- **Climate strategy:** It is one of the subjects that changed most significantly from the previous year. This difference can be explained by the importance given to **energy efficiency and demand management** and the **promotion of renewable energy sources**, which have strongly contributed as a response to climate change concerns. This issue is described in this report in the Performance section, chapter Environment – Climate Change and chapter Client and Product – Energy Efficiency.

- **Social Responsibility:** It is a theme appearing for the first time and conveys concerns with the social field, business ethics and respect for human rights. A new specific entry for ethics issues was included this year in the Performance section and in chapter Community, where the company's efforts to promote social innovation is synthesized.
- **Tariffs and prices; Regulation, taxes and subsidies:** This is of increasing importance, given the context of economic and financial crisis existing in Europe. This issue is approached in the Performance section, chapter Client and Product, as well in the Strategic Framework section, chapter Regulatory Framework.
- **Communication and transparency:** Given the widespread increase in the distrust of institutions, and particularly companies, stakeholders increasingly value a transparent posture and credible and timely communication. From a business standpoint, transparency is associated with the internal sustainability strategy adopted by the company, namely through its Sustainable Development Principles reviewed during 2011.

principle of response

Organization ensures the principles of response through the improvement of its sustainability performance, as a result action plans and decisions, in a continuous dialog with its stakeholders.

EDP has a set of policies, with objectives and goals framed in processes and initiatives where engagement with stakeholders is continuously being reinforced. Improve the focus of these initiatives in the material issues, ensuring the right stakeholders are involved will allow the company to be more effective in achieving those goals, common to those stakeholders.

main initiatives during 2011

During 2008, EDP carried out a thorough identification of all its stakeholders and since then, has ongoing:

- a revision of the above mentioned process, having approved already a corporate Coordination Area for Stakeholder Relations (see Corporate Governance – EDP's Functional Structure).
- In 2011,
 - The Executive Board met with the Environmental and Sustainability Board – an external advisory statutory body (see section Corporate Governance – Corporate Governance Structure);
 - A workshop with experts on different suitability subjects was conducted to discuss about sustainability strategies and material issues for the company;
 - Satisfaction surveys were conducted and the reinforcement of the investors' engagement channels was performed;
 - Meetings and workshops were promoted with media, suppliers and public authorities;
 - An internal training session was conducted to clarify AA1000 principles, as well as to reinforce the use of these principles on stakeholders engagement processes.
 - With several initiatives being conducted within an annual basis, the challenge in to ensure an effective and efficient dialog between different parties, as well as promote the best practices within all EDP's Companies

During 2012, EDP will promote the feedback of the results to all the participants, and will draw contingency plans focusing on the identified material issues, set in their Operational Plan of Sustainability and Environment.

corporate consolidation criteria

The EDP organisation structure – Organizational Structure -, in the business section displays the range of companies covered by the annual report.

The following accounting methods were adopted for the consolidation of accounts:

- Full consolidation method: where the parent company holds the majority of voting rights (% control) in the subsidiary, either directly or indirectly. The results of such subsidiaries are reported at 100%.
- Proportional consolidation method: where a company included in the accounting consolidation perimeter runs another company together with one or more companies not included in the perimeter. In this case, only the results corresponding to the percentage stake in the jointly-controlled company are reported.

A list of the Group's companies and their consolidation methods is available in Note 52 in this report's financial statements.

The consolidation of the information on the new Pecém power station is still limited, since only during 2011 started being materially relevant to report the number of employees associated with new center. EDP will only be able able to extend information to other social indicators in 2012. This power station is a partnership between MPX and EDP Energia SA no Brasil. The consolidation is carried out according to the consolidation method: 50%

The checks were conducted by an independent organisation, KPMG Advisory, Consultores de Gestão, Lda, which was selected in 2008 on the basis of an invitation to tender in Portugal, submitted to four companies of recognised experience in the field.

glossary

For a better understanding of the report, our on-line glossary includes definitions of the quantitative indicators and used methods given at: www.edp.pt/pt/pages/glossário.aspx.

4.3. GRI and Global Compact

This Annual Report was prepared according to Global Reporting Initiative guidelines. The following table shows the GRI indicators according to the Supplement for the Electricity Sector, fully disclosed, assuming deadlines for the implementation of specific indicators which could not yet be fully complied. In [www.edp.pt> sustainability> reports> Index GRI](http://www.edp.pt/sustainability/reports/Index%20GRI) it can be consulted a complete GRI table.

The following table also links Global Compact principles to the information disclosed within the report, reinforcing the commitment of EDP with this initiative.

GRI CONTENT

PROFILE	CROSS REFERENCE	REPORTED	GLOBAL COMPACT
1. Strategy			
1.1	Page 4	○	
1.2	Page 4	○	
2. Organizational profile			
2.1 - 2.10	Pages 6, 12, 16, 250 and 271	○	
EU1	Pages 6, 19, 38, 42, 62	○	
EU2	Pages 6, 19, 38, 42, 62	○	
EU3	Page 81	○	
EU4	Pages 50, 58, 62	○	
EU5	Page 71	○	
3. Report parameter			
3.1 - 3.13	Page 268; www.edp.pt> investors> publications> publications and reports	○	
4. Governance			
4.1	Page 104, 108, 117; www.edp.pt> about edp> corporate governance> governing bodies	○	
4.2	Page 107; www.edp.pt> about edp> corporate governance> governing bodies	○	
4.3	Not applicable; www.edp.pt> about edp> corporate governance> governing bodies	○	
4.4	Pages 112, 142; www.edp.pt> sustainability> stakeholders	○	
4.5	Pages 134 - 139	○	
4.6	Pages 102, 105; www.edp.pt> about edp> corporate governance> independence and incompatibilities statement	○	
4.7	Page 260	○	
4.8	Pages 10 and 11; www.edp.pt> about edp> principles and policies	○	
4.9	Page 33, 121; www.edp.pt> sustainability> approach to sustainability> organisation	○	
4.10	Pages 134 - 139	○	
4.11	Page 71, 125	○	
4.12	www.edp.pt> sustainability> approach to sustainability> participations	○	
4.13	www.edp.pt> sustainability> approach to sustainability> participations	○	
4.14	Page 269; www.edp.pt> sustainability> stakeholders	○	
4.15	Page 268; www.edp.pt> sustainability> stakeholders	○	
4.16	Page 268, 269; www.edp.pt> sustainability> stakeholders	○	
4.17	Page 269; www.edp.pt> sustainability> stakeholders	○	
Management			
Economic	www.edp.pt> sustainability> publications> index GRI		
Economic performance	www.edp.pt> sustainability> publications> index GRI	○	
Market Presence	www.edp.pt> sustainability> publications> index GRI	○	
Indirect Impacts	www.edp.pt> sustainability> publications> index GRI	○	
Availability and reliability	Pages 27, 128, 129	🚩	
EU6	Pages 27, 128, 129	🚩	
Demand-side management	Pages 84, 85	○	
EU7	Pages 84, 85	○	
System efficiency	page 68, 72	○	
Research and development	Pages 65 to 67	○	
EU8	Pages 65 to 67	○	
Plant decommissioning	Page 73; EDP's Biodiversity Report: www.edp.pt> sustainability> environment> biodiversity	○	
EU9	Page 73	○	
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
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 78	○	6
EU15	Page 77	○	6
EU16	Page 80; www.edp.pt> about edp> principles and policies	○	6
Employment	Page 77	○	6
Labour/Management relations	Page 78	○	1, 3
Occupational health and safety	Page 80; www.edp.pt> about edp> principles and policies	○	1

Training and education	Page 78	○	6
Diversity and equal opportunity	Page 79; EDP's Code of Ethics, Chapter 3.2; www.edp.pt> about edp> corporate governance> ethics	○	2, 6
Equal remuneration	Page 77	○	2, 6
Human Rights			
Investment and procurement practices	Page 86	○	1
Non-discrimination	EDP's Code of Ethics, Chapter 3.0 www.edp.pt> about edp> corporate governance> ethics	○	1, 6
Freedom of association and collective bargaining	EDP's Code of Ethics, Chapter 3.0 www.edp.pt> about edp> corporate governance> ethics	○	1, 3
Child Labour	EDP's Code of Ethics, Chapter 3.0 www.edp.pt> about edp> corporate governance> ethics	○	1, 4, 5
Forced and compulsory work	EDP's Code of Ethics, Chapter 3.0 www.edp.pt> about edp> corporate governance> ethics	○	1, 4, 5
Security practices	www.edp.pt> sustainability> publications> index GRI	○	1
Local community rights	www.edp.pt> sustainability> publications> index GRI	○	
Assessment	Pages 78, 87 e 89	○	
Remediation	Page 79	○	
Society			
EU19	www.edp.pt> sustainability> stakeholders	○	
EU20	Page 93	○	
Local communities	Page 91, 92	○	
Corruption	EDP's Code of Ethics, Chapter 4.1 www.edp.pt> about edp> corporate governance> ethics	○	10
Public Policies	EDP's Code of Ethics, Chapter 4.1 www.edp.pt> about edp> corporate governance> ethics	○	
Anti-competitive behavior	EDP's Code of Ethics, Chapter 4.1 www.edp.pt> about edp> corporate governance> ethics	○	10
Compliance	EDP's Code of Ethics, Chapter 3.1.1 www.edp.pt> about edp> corporate governance> ethics	○	
Disaster/Emergency planning	www.edp.pt> sustainability> publications> index GRI	○	
EU21	Pages 70, 80	○	
Product Responsibility			
Customer health and Safety	Page 83	○	
Product and service labelling	EDP follows European Regulations and invoices have environmental information	○	
Marketing and Communication	Page 74	○	
Customer privacy	Page 84	○	
Compliance	www.edp.pt> sustainability> publications> index GRI	○	
Access	Pages 82, 83	○	
EU23	Pages 82, 83	○	
Provision of information	Page 83	○	
EU24	Page 83	○	
Performance			
Economic			
Economic performance			
EC1	Page 21	○	
EC2	Page 27, 71	○	
EC3	Notes to the Financial Statements. Note 37; page 218	○	
EC4	Page 21 ⁽¹⁾	🚩	
Market Presence			
EC5	Page 76	○	
EC6	Page 86	○	
EC7	Page 76	○	
Indirect economic impacts			
EC8	Page 93	○	
EC9	Page 90	○	
Availability and reliability			
EU10	Pages 27, 28, 46, 60 ⁽²⁾	🚩	
System efficiency			
EU11	Page 72	🚩	
EU12	Page 68	○	
Environment			
Materials			
EN1	Page 68; www.edp.pt> sustainability> environment> performance	○	7, 8
EN2	Recycled input material is not material	○	7, 8
Energy			
EN3	Page 68	○	7, 9
EN4	Page 68	○	7, 9

EN5	Page 68	○	7; 9
EN6	Page 84	○	7; 9
EN7	Page 71; www.edp.pt> sustainability> environment> climate change	○	7; 9
Water			
EN8	Page 68	○	7; 8
EN9	n/a	▲	7; 8
EN10	The consumption of recycled water is not material	○	7; 8
Biodiversity			
EN11	Page 72	○	7; 8
EN12	www.edp.pt> sustainability> environment> biodiversity> impact on biodiversity	○	7; 8
EU13	Biodiversity Report: www.edp.pt> sustainability> environment> biodiversity		7; 8
EN13	Biodiversity Report: www.edp.pt> sustainability> environment> biodiversity	○	7; 8
EN14	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 68	○	8
EN17	Page 68, 71, 72	○	8
EN18	Page 68, 71, 72	○	8
EN19	Non material. EDP concluded its old air conditioned system remover plan	○	8
EN20	Page 68	○	8
EN21	Page 68; www.edp.pt> sustainability> environment> performance	○	8
EN22	Page 68	○	8
EN23	Page 70	○	8
EN24	Page 70	○	8
EN25	n/a	▲	8
Product and services			
EN26	Page 69	○	7
EN27	The product (electricity and gas) sold by the company is not packed.	▲	7
Compliance			
EN28	Page 73	○	8
Transport			
EN29	Scope 3, Page 71.	▲	8
Overall			
EN30	Page 73; Note 53 from the Financial statements, page 245	○	7; 8; 9
Social: Employment			
Employment			
LA1	Page 76, 87 ⁽¹⁾	🔍	6
LA2	Pages 76, 77	○	6
EU17	Page 76	○	6
EU18	Page 76, 87 ⁽¹⁾	🔍	
LA3	n/k	▲	
LA15	EDP promotes actively the life-work balance, as mentioned in Page 79. In EDP's Social Report a more detailed information is disclosed around the incentives to take parental leave: www.edp.pt> sustainability> publications	🔍	
Labour/Management relations			
LA4	Pages 76, 87 ⁽¹⁾	🔍	1; 3
LA5	Page 78	🔍	1; 3
Occupational health and safety			
LA6	Page 80	○	1
LA7	Page 76	○	1
LA8	Page 80	○	1
LA9	Information about these topics are available in EDP's Social Reports: www.edp.pt> sustainability> publications	▲	1
Training and education			
LA10	Page 76	○	6
LA11	EDP practices concerning career ending are described in their Social Reports: www.edp.pt> sustainability> publications	○	6
LA12	Page 78	○	6
Diversity and equal opportunity			
LA13	Pages 76, 77	○	2; 6
Equal remuneration			
LA14	Page 77	○	2; 6
Social: Human Rights			
Investment and procurement practices			
HR1	100%, referred to in general terms of purchase of the EDP	○	1
HR2	Page 89 ⁽⁴⁾	🔍	1
HR3	Pages 76, 77	○	1
Non-discrimination			
HR4	Page 64	○	1; 6
Freedom of association and collective bargaining			
HR5	0%; www.edp.pt> about edp> corporate governance> ethics (Clause 2.2.2; 3.1.1);	○	1; 3
Child labour			
HR6	0%; www.edp.pt> about edp> corporate governance> ethics (clause 3.1.2); Page 89	○	1; 4; 5
Forced and compulsory work			
HR7	0%; www.edp.pt> about edp> corporate governance> ethics (clause 3.1.2); Page 89	○	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 64 and page 89. Ethics internal control is reviewed under the Scif Model	○	
Remediation			
HR11	Page 64	○	
Social: Society			
Local communities			
SO1	Page 91 - 93 www.edp.pt> sustainability> environment> impact assessment	○	
EU22	Page 92	○	
SO9	Page 93	○	
SO10	Pages 69, 93; www.energiapecem.com.br; www.a-nossa-energia.edp.pt	○	
Corruption			
SO2	SCIRF Model, Internal Control of Financial Reporting: Page 124	○	10
SO3	Page 76	○	10
SO4	Page 64	○	10
Public Policies			
SO5	www.edp.pt> about edp> principles and policies	○	
SO6	www.edp.pt> about edp> principles and policies	○	
Anti-competitive behavior			
SO7	n/k	▲	10
Compliance			
SO8	Page 21	○	
Product Responsibility			
Customer health and Safety			
PR1	www.edp.pt> sustainability> occupational health and safety	○	
PR2	There were no incidents of this nature	○	
EU25	Page 76	○	
Product and service labelling			
PR3	In Iberia the supplier includes environmental information on the invoices	○	
PR4	n/a	▲	
PR5	Page 81	○	
Marketing communications			
PR6	EDP does not follow any specific marketing voluntary codes or programs	○	
PR7	n/a	▲	
Customer privacy			
PR8	n/a ⁽¹⁾	▲	
Compliance			
PR9	Page 21 ⁽¹⁾	○	
Acess			
EU26	0%; page 81	○	
EU27	Page 83	○	
EU28	Page 83; www.edpdistribuicao.pt/pt/qualidade/documentacao/Pages/relatoriosdeQualidadeService.aspx ⁽⁶⁾	🔍	
EU29	Page 83	○	
EU30	Page 38, 42, 46, 62; www.a-nossa-energia.edp.pt/arquivo_conteudos/EDP no Brasil Annual Report ⁽⁷⁾	🔍	

Fully reported
 Partially Reported
 Not reported

Core indicator
 Sector specific indicator
 Additional Indicator

Notes:

(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 Brazil. Available in 2015.

(5) Total amount of fines was not material, and desegregation was not justified. It is in place, however, a process to improve the disclosure of this information.

(6) The information does not include Spain. EDP expects to fully disclose this information in 2013

(7) The information does not include hydropwer generation in Spain. In 2013 the information will be fully disclosed.

GRI compliance

Our reporting score was A+, as confirmed by KPMG, 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 “2011 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.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 23 March 2012



Nelmar 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 16 March 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

5. 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, 2011 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2011 (showing total assets of 41,280,577 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,109,534 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,124,663 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 (IFRS) 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) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that 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, 2011, 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 (IFRS) 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, 8 March, 2012


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



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REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2011

(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, 2011.
- 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, 8 March, 2012

THE STATUTORY AUDITOR



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

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Capital Social: 2 840 000 Euros - Pessoa Colectiva N.º PT 502 161 076 - Inscrição na O.R.O.C. N.º 189 - Inscrição na C.M.V.M. N.º 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o N.º PT 502 161 076



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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 for the year ended 31 December, 2011 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2011 (showing total assets of 18,710,681 thousand Euros and shareholders' equity of 6,736,785 thousand Euros, including a net profit of 785,804 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 (IFRS) 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) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, that 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.

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.L.C., S.A.
Capital Social: 2 940 000 Euros - Pessoa Colectiva N.º PT 803 161 076 - inscrita na C.R.C. N.º 189 - inscrita na C.M.V.M. N.º 9083

Matriculada na Conservatória do registo Comercial de Lisboa sob o N.º PT 803 161 076



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, 2011, 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 (IFRS) 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, 8 March, 2012

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represented by
Jean-Éric Gaign (ROC n.º 1013)



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REPORT AND OPINION OF THE STATUTORY AUDITOR Year ended 31 December, 2011

(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, 2011.
- 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, 8 March, 2012

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Jean-éric Gaigne (ROC n.º 1013)



EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 2011 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, 8th of March 2012

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 2011 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 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. ("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, 8th of March 2012



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INDEPENDENT LIMITED 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 were engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A ("EDP") to provide limited assurance on the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of EDP Annual Report ("the Report") for the year ended 31 December, 2011.

Responsibilities

- 2 The Executive Board of Directors of EDP is responsible for:
 - The preparation and presentation of the sustainability information 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;
 - For determining EDP's objectives in respect of 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
 - For establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
- 3 Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. 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. This Standard requires that we plan and perform the engagement to obtain limited assurance if nothing came to our attention that causes us to conclude that the sustainability information included in the chapter "Performance" and appendix "Sustainability Reporting" of EDP Report for the year ended 31 December, 2011 is not free of material misstatement.

We have also conducted our engagement in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2), to provide a moderate level of assurance, which covers the nature and extent of the organization's adherence to the AA1000APS, and also evaluates 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 A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the chapter "Performance" and appendix "Sustainability Reporting" of EDP's Annual Report ("the Report") for the year ended 31 December, 2011, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:
 - Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
 - Interviews with relevant staff at corporate and business unit level responsible for providing the sustainability information in the Report;
 - Visits to sites operating in Portugal, Spain, Brazil and United States of America, 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 to corresponding information in the relevant underlying 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.
- 5 The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, 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 the important matters that can be identified in an audit or a in a work of reasonable assurance. Consequently, we do not express an audit opinion or a conclusion of reasonable assurance of reliability.
- 6 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

- 7 Based on the procedures performed, as described above, 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, 2011 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 2011 Annual Report.



Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusivity principle

EDP has made an important effort in the identification and prioritization of relevant stakeholders at corporate and regional level. It is recommended that EDP continues working to define the processes and mechanisms that allow EDP to develop the process already started, objectively and homogeneously throughout the entire Group.

In relation to the Materiality principle

EDP should keep the process in place which allows EDP to identify material issues at regional and corporate level, for the most relevant stakeholder's groups.

In relation to the Responsiveness principle

EDP has implemented in all regions mechanisms to give response to material issues. It is recommended the development and implementation of cross regional and business process approach, allowing EDP to address global material issues at corporate and regional level.

- 8 Our limited assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been prepared only with the objective of reporting to EDP those matters for which we were engaged in this limited 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 limited assurance report, or for our conclusions.

Lisbon, 8 March, 2012


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



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Independent Report on the Internal Control System of EDP Group for the year ended 31 December, 2011

(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, 2011 to 31 December, 2011.

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.

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Capital Social: 2.840.000 Euros - Pessoa Colectiva N.º PT 502 161 076 - Inscrito na O.R.C. N.º 189 - Inscrito na C.M.V.M. N.º 9092

Matriculada na Conservatória do registo Comercial de Lisboa sob o PT 502 161 076



- 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, 2011 to 31 December, 2011;
 - 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, 2011 to 31 December, 2011; and
 - Existing controls to achieve the objectives referred to in paragraph 2 above, operated effectively during the period from 1 January, 2011 to 31 December, 2011.

Lisbon, 8 March, 2012



KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A.

6. extract from the general meeting

----- Summary of the Extract of Minutes no. 2/2012 of GSM of EDP (available at www.edp.pt) -----

--- On the seventeenth of April, of the year two thousand and twelve, 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 Chairman of the General and Supervisory Board, the Chairman of the Executive Board of Directors, the representative of the Statutory Auditor 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, assisted by the Company Secretary, Ms. Maria Teresa Isabel Pereira, and considering the absence of the Vice-Chairman of Shareholders' Meeting Board, justified by professional motives, 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. -----

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 70,9406% of the share capital and 70,4479% of 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 (10th of April 2012), 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 9th of April 2012, 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 name and 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 then that in case one shareholder has 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 has designated one or more representatives revokes the representation powers conferred. -----

The Chairman of the General Shareholders' Meeting also stated that, according to article 14, number 3 of EDP's By-Laws, votes from a shareholder owning any category of shares issued on its own account or on behalf of another shareholder would not be cast in the event that they exceeded 25% of the total votes, and so, on the votes casted in relation to each resolution on the items of the agenda, votes of shareholders Parpública – Participações Públicas (SGPS), S.A. and Caixa Geral de Depósitos, S.A. would only be considered up to the limit of 25%, proportionally to their position on EDP share capital and voting rights, which is of, respectively, 25,49% and 0,23%; the application of this limitation results from the imputation of voting rights situation these entities face, as the respective shareholder is the same. -----

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 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. -----

(...) -----

The Chairman of the General Shareholders' Meeting declared having sufficient conditions to initiate the works and proceeded by reading the agenda, according to the notice to convene the meeting, with the following content: -----

Item One – Resolve on the approval of the individual and consolidated accounts' reporting documents for 2011, 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 2011 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 renewal for a five year period of the authorization granted to the Executive Board of Directors under no. 3 of article 4 of the Articles of Association. -----

Item Seven – 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 Eight – 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 Nine – Resolve on the election of the statutory auditor and of its alternate, of the members of the Board of the General Shareholders' Meeting, the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting (including their respective remuneration) and the members of the Environment and Sustainability Board, for the three year period 2012-2014. -----

--- 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 2011, 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." -----

(...) -----

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 2 576 531 062 votes, corresponding to 2.576.531.062 shares, which represent 70,4637% of the share capital. As abstentions are not considered, the sole management report, the other accounts' reporting documents regarding 2011 and the Report of the General and Supervisory Board were approved by majority of the votes cast (99,9990 % 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 2011 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 € 785 804 149,33: -----

<i>Legal reserve</i>	<i>€ 39 290 207,47 -----</i>
<i>Dividends (The proposed dividend is € 0,185 per share)</i>	<i>€ 676 459 477,28 -----</i>
<i>Endowment to EDP Foundation</i>	<i>€ 7 200 000,00 -----</i>
<i>Profit forwarded</i>	<i>€ 62 854 464,58" -----</i>

(...) -----

The Chairman of the General Shareholders' Meeting thanked the presentation of the Chairman of the General and Supervisory Board 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 2.565.687.931 votes, corresponding to 2.565.687.931 shares, which

represent 70,1671% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99,9995% 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"*. Afterwards, the Chairman of the General Shareholders' Meeting noted that a proposal was presented to him on this item of the agenda, by the shareholders Parpública – Participações Públicas (SGPS), S.A., Liberbank, S.A., José de Mello Energia, SGPS, S.A., Banco Comercial Português, S.A., and Banco Espírito Santo, S.A. 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 2011:-----

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 2011 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 2011 financial year.-----

3º - A vote of confidence and praise to the Statutory Auditor for the performance of its office during 2011 financial year."-----

Following this, 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 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 2011 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 2011 financial year.-----

3.3. Vote of confidence and praise to the Statutory Auditor for the performance of its office during 2011 financial year.-----

Next, the Chairman of the General Shareholders' Meeting asked the shareholders that were present to waive from reading the proposal regarding this item of the agenda, along with the reading of the opinion of the General and Supervisory Board regarding the vote of confidence on the Executive Board of Directors regarding 2011 year (documents attached to this minutes), since such documents were very extensive and already known by all. -----

(...)

After the discussion, the Chairman of the General Shareholders' Meeting submitted to vote the proposal *"vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2011 financial year"*, having been issued 2.563.207.658 votes, corresponding to 2.563.207.658 shares, which represent 70,0993% of the share capital.

As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9880% 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 General and Supervisory Board and to each of its members for the performance of their offices during 2011 financial year"*, having been issued 2.562.972.199 votes, corresponding to 2.562.972.199 shares, which represent 70,0929% of the share capital.

As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9882% of votes in favour). -----

Afterwards, 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 2011 financial year"*, having been issued 2.563.252.062 votes, corresponding to 2.563.252.062 shares, which represent 70,1005% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,9860% of votes in favour). -----

(...)

--- Concerning **Item Four** of the agenda, the Chairman of the General Shareholders' Meeting read its content – *"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 14th, 2011 by virtue of which EDP carried out stock operations on own shares and currently holds, directly or through its subsidiaries, 32 705 021 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 entities 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 (iii) 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 counterparts 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 and/or by the managing bodies of EDP's subsidiaries, 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 entities 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 (iii) 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 to 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 CI – 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 notified and disclosures to the market is made; -----

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. -----

(...)

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 2.381.488.097 votes, corresponding to 2.381.488.097 shares, which represent 65,1296% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,7371% 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 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; -----

Acquisition -----

a) Maximum number of bonds to buy: the total number of bonds of each issuance; -----

b) Minimum and maximum consideration of the acquisition: -----

- the maximum and minimum buying price will be, respectively, 120% and 80% of the weighted average of the prices published in the last 5 negotiation sessions prior to the date of acquisition;
- 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; -----
- 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; -----
- 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; -----

c) 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. -----

Selling -----

a) Maximum number of bonds to sell: the total number of bonds held; -----

b) Minimum consideration of the sale: -----

- the minimum selling price will be 80% of the weighted average of the prices published in the last 5 negotiation sessions prior to the date of selling; -----
- 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; -----
- 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; -----
- 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; -----

c) 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 reading of the proposal was waived, and 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 2.433.213.868 votes, corresponding to 2.433.213.868 shares, which represent 66,5442% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,8404% 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 renewal for a five year period of the authorization granted to the Executive Board of Directors under no. 3 of article 4 of the Articles of Association". -----

The Chairman of the General Shareholders' Meeting reminded that the proposal of the Executive Board of Directors regarding the renewal, for a five year period, of the authorization granted to the Executive Board of Directors to approve the increase of the share capital, up to the limit of 10% of the current share capital and in terms to be defined (subject to the prior approval of the General and Supervisory Board by majority of two thirds), was available to be conferred and he obtained a waiver of the reading of the aforesaid proposal from by the shareholders, with the following content: -----

"Considering: -----

A) In the General Shareholders' Meeting of April 10th, 2008, the shareholders resolved, through the introduction of the current no. 3 of article 4 of EDP's Articles of Association, to grant authorization to the Executive Board of Directors to approve share capital increases up to 10% of the current share capital, under terms and conditions to be defined, subject the previous approval by a majority of two thirds of the General and Supervisory Board; -----

B) The abovementioned authorization is a relevant instrument to the management of the financing capacity of the company, especially considering the context of the national and international financial markets, allowing a more flexible access to certain investors, namely through the issuance of convertible or exchangeable securities; -----

C) The authorization conferred to the Executive Board of Directors is in force for a 5 year period. Therefore, the availability of this instrument depends of its renewal for similar period, through a resolution approving it, by two thirds of the votes cast at the General Shareholders' Meeting. -----

The Executive Board of Directors proposes that the Annual General Shareholder's Meeting: -----

Resolve to renew, for a 5 years period counted from the date of the current General Shareholders' Meeting, the provision set forth in no. 3 of article 4 of EDP's Articles of Association, granting authorization to the Executive Board of Directors to approve share capital increases up to 10% of the current share capital, under terms and conditions to be defined, subject to the previous approval by a two thirds majority of the General and Supervisory Board, allowing, namely, to resolve, in accordance to no. 2 of article 6 of EDP's Articles of Association, on the issuance of convertible or exchangeable securities over EDP's share capital." -----

The Chairman of the General Shareholders' Meeting then read article 4 of the Company's By-Laws, which establishes in its No. 3: "Without prejudice to applicable legal provisions concerning re-privatizations, the executive board of directors is authorized to increase the share capital, one or more times, in an amount corresponding to a maximum of 10% of the current share capital, through the issuance of category A shares to be subscribed by new contributions in cash, in accordance with the terms and conditions of the issuance defined by the executive board of directors, being the proposed resolution subject to prior approval by the general and supervisory board with a majority of two thirds" -----

Since no one else asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Six of the agenda, having been issued 2.433.247.068 votes, corresponding to 2.433.247.068 shares, which represent 66,5451% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,7801% of votes in favour). -----

--- The Chairman of the General Shareholders' Meeting continued the works, with **Item Seven** of the agenda, with the following content: "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. According to the existing legal dispositions, the new General and Supervisory Board was elected by the EDP – Energias de Portugal, S.A. (EDP) General Shareholders' Meeting on 20th February 2012. At its first meeting, held on 21 of the same month, the General and Supervisory Board decided to appoint a Remuneration Committee (RC) responsible, according to EDP's Articles of Association, for the definition of the remuneration policy for the members of the Executive Board of Directors (EBD) of EDP. Since the three members of the previous RC had their mandates renewed, the decision was to maintain the composition of the previous RC. Considering the short time until the deadline for public disclosure of the guidelines of the new remuneration policy, this resolution had the

advantage of empowering members having previous experience and that would continue a path in line with previous decisions of the majority of the shareholders of EDP. -----

2. This proposal maintains the same fundamental guidelines that have been used to determine the remuneration of EBD for the two previous mandates without ignoring the current changes of EDP's shareholder structure, the ongoing revision of EDP's business plan, as well as the lessons of the recent past. As for continuity, two aspects deserve to be highlighted: On the one hand, the maintenance of a variable component weighing twice the fixed one, and in which the multiannual performance indicators are weighted stronger than the annual ones; on the other hand, the intensification of the exercise of benchmarking, either with similar sized national companies of PSI20 or with foreign companies, namely Iberian and/or that are listed on Eurostoxx Utilities. The following sections will show in detail how these criteria have been applied. -----

3. In any case, it would be unwise to ignore the potential implications of the ongoing transformation of EDP's shareholder structure and, in particular, the consequences that it may have on the business plan revision. Still, the information gathered from the discussion already held points towards the conclusion that the impact on the major guidelines of EBD's remuneration policy will not be substantial. The model so far adopted is both solid (in its foundations and on the indicators chosen) and flexible (seemingly able to accommodate changes in the activities of the company, provided that they are not disruptive). The need to make some minor adjustments in some of the criteria adopted, both in terms of content and weight, may arise but they will not be substantial. At the same time, the preliminary discussions already held did not reveal any radical change in the positioning of the shareholders regarding the main principles of the remuneration policy. -----

4. The compensation policy of EDP's EBD has become oriented towards the generic purpose of ensuring the achievement of the objectives set for the company, taking into account the constraints imposed by political, economic and social environment. -----

5. The management of companies with the scale, diversity and geographic scope of activity as the ones already reached by EDP assumes a complexity that, naturally, points towards the separation of the role of capital owners (shareholders) and the effective exercise of management (ensured by professional managers, often without any participation or with a diminished participation in the company's share capital). Therefore, the remuneration policy should ensure that EDP is able to attract and retain the most competent managers, but also encourage that their activity is aligned with the strategic interests of its shareholders and of its business partners as well as with its stakeholders. -----

6. Despite the criticism that, up to the moment, has been made to it, the model of remuneration of the executive members of the board with a variable component linked to the performance of the company, continues to be regarded as the one with the greatest potential to safeguard the strategic alignment of interests mentioned above. The remuneration committees, the supervisory bodies and the General Shareholders' Meeting have the responsibility to design and approve the model that best suits the specific circumstances of the company and of its economic activity. -----

7. Strictly speaking, with greater or lesser sophistication, these strategic orientations are incorporated in EDP's remuneration policy since the year 2001 when, within the scope of the one-tier governance model existing at the time, it was decided that the salaries of the members of the Executive Committee would have a fixed and a variable component. In 2003, with the separation of the functions of the Chief Executive Officer and the Chairman, this remuneration model was reinforced with the introduction of a multiannual variable component aiming to stimulate the consistency of the executive management with a medium and long term perspective of the company's sustainability. Meanwhile, for the three year period 2006-2008, when the two-tier governance model was already in force, the referred remuneration model initiated in 2003 was maintained and it was approved by the shareholders at the 2007 General Shareholders' Meeting and, following the legal changes that occurred, approved annually by the shareholders from 2010 on. -----

8. In this context, continuing an experience that deserved the approval of the EDP shareholders and that has been recognized as a reference in the Portuguese market by independent assessments, the Remuneration Committee of the General and Supervisory Board proposes, for the period 2012-2014, a remuneration system for the members of the Executive Board of Directors of EDP, that is based on two objectives: 1) Ensure, after a national and international benchmark analysis, a competitive remuneration plan, and 2) accomplish an incentive system that guarantees the alignment of management with shareholders interests on an economical and financial sustainability perspective. -----

9. Pursuant to the first objective, and taking into account EDP's dimension and importance regarding the national economy as well as the international expression of its current activity, it was considered, for comparison purposes, the published fixed remunerations of chairmen of listed companies that integrate Eurostoxx Utilities and PSI-20, adapting the data to the governance model adopted (one tier or dual). -----

10. As a result of this analysis, it is considered that the value of € 600 000 already practiced in the last two mandates, i.e. from 2006, remains appropriate for the fixed component of the remuneration of the Chairman of the Executive Board of Directors. As well as the maintenance of the relation between the fixed salary of the other members of the Executive Board and their Chairman in 80%. As per the data available, such value would put that remuneration component substantially below the average of the analyzed universe. Also as a result of this decision, at the end of this term, this component of the remuneration as well as the limit for the total compensation of the members of EBD will be the same, in nominal terms, for 9 consecutive years. -----

11. On the other hand, the execution of the second objective (the alignment of the interests of management with the strategic interests of the company) demands not only a variable component that integrates the global remuneration, but also that the same be attributed subject to the verification of a set of requirements that act as incentives for good management practices as measured by international standards, which are increasingly multidimensional. -----

12. Considering the best international practices – companies' policies or guidelines issued by international institutions such as European Commission or supervisory entities – the remuneration variable component must: 1) be relevant, meaning, have an expressive relevance in the remuneration; 2) result from a set of indicators that reflect the shareholders perspective over the company performance and 3) depend, on a significant part, from the multiannual performance. -----

13. As mentioned before, in general, these criteria have already been followed since 2006, materialized on a remuneration structure where the variable part may duplicate the fixed part and where the variable multiannual component, which reflects the appraisal for the entire term of office, acquired after 2009 an increased weight. Therefore: -----

14. Annual variable remuneration - the respective value might vary between 0 and 100% of the annual gross fixed remuneration, as the effective performance would be 90% below of the established on the business plan (in case no payment was conferred) or overcame it, in 10% (in case it would be conferred a 100% payment). -----

15. Multiannual variable compensation – between 2006 and 2008, its amount was fixed between 0 and 100% of the gross fixed remuneration of the term of office, as the result of the accumulated annual appraisal of the directors' "performance" in the materialization of EDP's Group economical sustainability. The attribution of this remuneration, though annually calculated, would only become effective if, at the end of the term of office, at least 90% of the strategic objectives established were reached; the referred objectives would be evaluated as the result of the performance of the company and of its comparison of the reference strategic universes. -----

16. Regularly RC carries out a compared analysis of EDP's remuneration policy against the one practiced by the most significant referenced companies (main PSI-20 companies, Iberian peers and companies integrating Eurostoxx Utilities) and, above all, with the principal guidelines of the main supervision institutions. This analysis has been showing the general suitability of the policy followed. As a result, the RC of the General and Supervisory Board has decided not to alter, significantly, the existing model but only to introduce some adjustments resulting from modifications verified on the orientations of supervisory entities and from the evolution of the national and international economical context that will be detailed later. -----

17. Apart from the requirement stemming from the quantitative limits set out, above the average of the reference strategic universes, it should be kept in mind that the goals proposed by the EBD are subject to a prior opinion of the General and Supervisory Board and validated by the General Meeting, the supreme social body of the company, at the accounts approval. -----

18. As is evident today, the economical international crisis has demonstrated the bankruptcy of remuneration policies based on short term performance. As mentioned before, that was not EDP's case, as it was established since 2003 a multiannual variable remuneration component linked to the results achieved during the term of office, with equal weight to the annual component. Even though and in order to comply with the orientations that point out to the reinforcement of the relevance of the multiannual performance, the RC of the General and Supervisory Board has decided, in 2009, to redistribute the structure of the variable component of the remuneration, decreasing the relevance of the annual variable part and, as counterpart, increasing the multiannual. -----

19. Taking this into account, the maximum value of the annual performance bonus will be decreased for 80% of the fixed component, and the multiannual bonus may reach 120% of the fixed remuneration earned during the term of office. After the experience in last term o office the proposal of this RC to the General Meeting of Shareholders is to maintain this structure. In fact, despite the actual impact of media coverage that, nowadays, the attribution, by the end of the term of office, of a high remuneration to the members of EBD will have the truth is that if it is materialized, it will be the best proof that the company's performance has reached the ambitious and multipurpose objectives set. Additionally, the understanding of this RC is that the limits to obtain the maximum values (greater than or equal to 110%), or to be deprived of the variable remuneration (below 90%) must be maintained, since the exigency related to the company's management is highly demanding and well above average. -----

20. At last, the indicators used to appraise the Executive Board of Directors performance, namely the ones related to the comparison between EDP's and the Iberian and European peers stock behavior and to the valuation of the economical and financial performance of the company are detailed as follows: -----

a. **Annual performance indicators:** value of Total Shareholder Return of EDP's Group when compared with the verified in Eurostoxx Utilities and PSI20, actual capacity of shareholder value creation and growth of Gross Profit, Net Profit and EBITDA. To the weighted average of these indicators is assigned an overall weight of 90%, which is common to all the members of the EBD, in calculating the variable component of the remuneration. The remaining 10% are the result of an individualized assessment, made by the Chairman of the Executive Board of Directors, based on the individual contribution to the team. The Chairman of EBD is subject to an assessment by the Remuneration Committee. -----

b. **Multiannual Performance Indicators:** comparison universes are the same but the indicators used take into account, for this purpose, all term of office as reference. Critical indicators are relative performance of EDP's Group EBITDA, its capacity of value creation, total return for the shareholder as well as performance of the Sustainability Index applied to EDP's Group (with the methodology of Dow Jones Sustainability Index). Additionally, Remuneration Committee of the General and Supervisory Board will take in consideration, although without resource to quantitative indicators, the evolution of EDP's Group image regarding national and international markets, the change capacity and the ability to adapt to new market demands and, above all, the compliance with the strategic targets set for EDP's Group. Identically to the annual performance indicators, 10% are attributed upon an individualized assessment, made by the Chairman of the EBD, which, in turn is subject to an assessment of the Remuneration Committee. -----

21. The development of EDP's activity has increasingly added an international dimension, which may affect the remuneration and compensation policies. Beyond the regime of remuneration associated with work performed abroad, consigned to the purview of the EBD, the RC, within the framework of its statutory powers, proposes that the fixed and variable remuneration, irrespective of the geography where members of EBD are to operate, be treated, for domestic purposes, under the existing tax regime in Portugal, so as to prevent unjustified discrepancies in net remuneration between members of EBD. -----

In accordance to the applicable law and EDP's 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 proposal, 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 Remuneration Committee chaired by him. -----

[...]

Since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal on Item Seven of the agenda, having been issued 1.390.327.106 votes, corresponding to 1.390.327.106 shares, which represent 38,0230% of the share capital. As abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,8807% of votes in favour).

--- Afterwards, the Chairman of the General Shareholders' Meeting read the content of **Item Eight** 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:

“1. Pursuant to article 11, number 2, paragraph d), of EDP – Energias de Portugal, S.A.'s By-Laws, the General Shareholders' Meeting is responsible for the appointment of a Remuneration Committee with the obligation to determine the remuneration of the members of the corporate bodies, except for the remuneration of the directors (Executive Board of Directors), which, pursuant to article 27 of the referred By-Laws, shall be determined by a Committee appointed by the General and Supervisory Board (GSB).

2. The By-Laws of EDP – Energias de Portugal, S.A. provide, in article 8, number 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

on the other hand, the By-Laws also provide for 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.

3. 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.

4. The current Committee elected by the General Shareholders' Meeting held on April 2009 and which term of office ends now, has the following composition:

- José Manuel Galvão Teles, Chairman

- José Castel-Branco, Member

- Carlos Veiga Anjos, Member

5. In compliance with the powers which were conferred to it, the Remuneration Committee has determined the remunerations of the members of the corporate bodies of EDP, for the term of office 2009 -2010 (except for the EBD), although with the express reservation that the Committee would comply with its duty to follow, every year, the activity of the respective corporate bodies.

On the GSM, held on the 16th of April, 2010, the shareholders decided to reject the Statement that was submitted.

The Remuneration Committee did not receive, during the meeting of the GSM, nor in any other moment, the slightest criticism or the slightest remark regarding the remuneration policy that the shareholders believe should be carried on by EDP, save for, evidently, in what concerns the State position, which for different occasions publicly expressed, aims for applying in EDP similar measures of constraint as those defined for the public corporate sector.

However the shareholders present on the referred GSM did not approve the adoption of any other Statement on the remuneration policy.

Therefore, the Committee did not amend its ruling general principles, reinforced in the meantime by the intention of contention announced by the main shareholder, the State, maintaining valid and in full force the remunerations determined by it for the entire term of office.

6. The Statement presented by the Remuneration Committee on the GSM of 2011, in compliance with the provisions of the referred Law 28/2009, was approved by the vast majority of the shareholders that were present, reinforcing therefore the position undertaken during its term of office.

It is precisely what the Committee is to do again before this General Shareholders' Meeting, aiming, once more, to meet the will of the shareholders for which it strongly looked for, during its term of office) and leaving for support of later resolutions of its new members an important contribution and a facilitating element of its action, that shall respect the new corporate composition of the company.

7. Thus, one shall comply with the provisions of the respective Item of the Agenda of the Annual General Shareholders' Meeting, to take place on the 17th of April.

Given the above, the Remuneration Committee, elected by the General Shareholders Meeting hereby submits to the appraisal of the shareholders, pursuant to number 1 of article 2 of Law 28/2009, of 19th of June, the remuneration policy of the members of the corporate bodies of EDP – Energias de Portugal, SA., to which its competence respects.”

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).

[...]

Next, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related Item Eight of the agenda, having been issued 1.311.626.085 votes, corresponding to 1.311.626.085 shares, which represent 35,8707% of the share capital social. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99,9007% of votes in favour).

In the scope of this item of the agenda, it was also delivered, by the shareholder Mr. Luís António Dinis, holder of 3.534 shares of the share capital, a voting statement, which is filled to the present minutes and is hereby reproduced according to the original:

“1) There has been no proposal “more achievable”, according to the previous Chairman of the Remuneration Committee, and in true, without any presented proposal”.

2) Shouldn't the Committee have been elected as well in the last Shareholders' Meeting held on the 20th of February 2012, in order to avoid this situation?”

--- On what concerns **Item Nine** of the agenda, the Chairman of the General Shareholders' Meeting proceeded by reading its content – *“Resolve on the election of the statutory auditor and of its alternate, of the members of the Board of the General Shareholders' Meeting, the members of the Remunerations Committee to be nominated by the General Shareholders' Meeting (including their respective remuneration) and the members of the Environment and Sustainability Board, for the three year period 2012-2014”* – and informed that as there were four proposals submitted to him, regarding this item, they would be appreciated and voted separately.

Afterwards, the Chairman of the General Shareholders' Meeting read the proposal presented by the General and Supervisory Board regarding the election of the statutory auditor and of its alternate for the three year period 2012-2014, with the following content:

“Considering that:

a) In accordance with the article 11^o, n.º 2, al. b) and art. 22^o, n.º 1, al. c) of EDP's By-laws, the Shareholders' General Meeting shall elect the Statutory Auditor, following a proposal of the General and Supervisory Board or, upon delegation by it, the Audit Committee;

b) The mandate of the current Statutory Auditor, exercised by KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A (hereinafter referred as KPMG) reached its term in 31st of December 2011 which requires that the Annual General Shareholders' Meeting should vote the election of the Statutory Auditor for the term of office 2012-2014;

c) Given the rigorous analysis made by the Audit Committee to the independence and quality of KPMG services as well the consideration of the independence conditions of the statutory auditor and external auditor and the benefits and costs of replacement, the General and Supervisory Board has the opinion that the continuance of KPMG is consistent with the interest of EDP and its shareholders, without prejudice of a future contest for this services, during the 2012-2014 term of office. This position is in line with CMVM Recommendation III.1.3. from the Corporate Governance Code 2010;

d) In accordance, at its meeting of 8th of March 2012, the General and Supervisory Board resolved unanimously:

i) To propose to EDP's General Shareholder's Meeting the election of KPMG as Statutory Auditor for the 2012-2014 term of office;

ii) To delegate in the Audit Committee the necessary powers to implement this resolution, including the negotiation process with KPMG and propose its election as Statutory Auditor at the next General Shareholders' Meeting;

Thus, the Audit Committee proposes to the General Shareholders' Meeting to resolve:

1. The election of KPMG & Associates, SROC. S.A. (SROC n.º 189), represented by Vítor Manuel da Cunha Ribeiro (ROC n.º 1081), as Statutory Auditor for the tree years period 20012/2014.

2. The election of Susana de Macedo Melim de Abreu Lopes, ROC n.º 1232, as Alternate Statutory Auditor for the tree years period 2012/2014”.

[...]

Since no one else asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to the election of the statutory auditor and of its alternate for the three year period 2012-2014, having been issued 2.313.609.335 votes, corresponding to 2.313.609.335 shares, which represent 63,2732% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,9964% of votes in favour).

The Chairman of the General Shareholders' Meeting proceeded with the reading of the proposal presented by the shareholders Parpública – Participações Públicas (SGPS), S.A., Liberbank, S.A., José de Mello Energia, S.A., Banco Comercial Português, S.A. and Banco Espírito Santo, S.A., regarding the election of the members of the Board of the General Shareholders' Meeting for the three year period 2012-2014, with the following content:

“Considering:

Article 12 of EDP's Articles of Association provides that the Board of the General Shareholders Meeting includes a Chairman and a Vice-Chairman, to be elected by the General Shareholders Meeting.

It is hereby proposed the following: -----
The election as members of the Board of the General Shareholders Meeting for the three years term 2012-2014, the following persons: -----
Chairman – Rui Eduardo Ferreira Rodrigues Pena -----
Vice-Chairman – Rui Pedro Costa Melo Medeiros” -----
After the reading, the Chairman of the General Shareholders’ Meeting asked if any of the proponent shareholders would like to speak in order to present the proposal. -----
Following, the Chairman of the General Shareholders’ Meeting declared open the discussion of the subject of the proposal and, since no other person asked to speak, submitted to vote the proposal related to the election as members of the Board of the General Shareholders Meeting, for the three years term 2012-2014, having been issued 2.313.998.457 votes, corresponding to 2.313.998.457 shares which represent 63,2839% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,9648% of votes in favour). -----
Subsequently, the Chairman of the General Shareholders’ Meeting read the proposal presented by the shareholders Parpública – Participações Públicas (SGPS), S.A., Liberbank, S.A., José de Mello Energia, S.A., Banco Comercial Português, S.A. and Banco Espírito Santo, S.A., regarding the members of the Remunerations Committee to be nominated by the General Shareholders’ Meeting (including their respective remuneration) for the three year period 2012-2014 with the following content: -----
“Considering that: -----
According to article 11, no. 2, paragraph d) of EDP’s Articles of Association, the General Shareholders Meeting elects a Remuneration Committee, composed of members that in their majority are independent, which is responsible for settling the remuneration of the members of the corporate bodies, other than of the members of the Executive Board of Directors. -----
It is hereby proposed: -----
1. The election of the following persons as members of the Remuneration Committee to be elected by the General Shareholders Meeting to perform their function during the term 2012-2014: -----
Chairman – José Manuel Archer Galvão Teles -----
Members – José de Mello - Sociedade Gestora de Participações Sociais, S.A. -----
– Álvaro João Duarte Pinto Correia -----
2. The settling of the remuneration of the proposed members as follows: -----
Chairman – € 15 000 per year -----
Members – € 10 000 per year.” -----
After reading, the Chairman of the General Shareholders’ Meeting mentioned that, pursuant to the information within the notice to convene meeting, the voting of this item would be made separately, and therefore would be divided into the following terms: -----
- Resolve on the election of the members of the Remuneration Committee to be elected by the General Shareholders Meeting; -----
- Resolve on settling of the respective remuneration. -----
Subsequently, the Chairman of the General Shareholders’ Meeting declared open the discussion of the subject of the mentioned proposal. -----
(...)
Since no one else asked to speak, the Chairman of the General Shareholders’ Meeting submitted to vote the proposal related to the election of the members of the Remuneration Committee to be elected by the General Shareholders Meeting for the three year period 2012-2014 having been issued 2.314.677.402 votes, corresponding to 2.314.677.402 shares, which represent 63,3024% of share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,8002% of votes in favour). -----
Since no one else asked to speak, the Chairman of the General Shareholders’ Meeting submitted to vote the proposal related to the settling of the respective remuneration, having been issued 1.400.543.164 votes, corresponding to 1.400.543.164 shares, which represent 38,3024% of share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99,9979% of votes in favour). -----
Afterwards, the Chairman of the General Shareholders’ Meeting read the proposal presented by the Executive Board of Directors regarding the election of the members of the Environment and Sustainability Board, for the three year period 2012-2014, with the following content: -----
“Considering that: -----
The Articles of Association of EDP provide, in its article 28, for the election by the General Shareholders Meeting of an Environment and Sustainability Board composed by 5 persons of renowned qualification in the field of environment protection and sustainability, pursuant to a proposal from the Executive Board of Directors; -----
The Executive Board of Directors hereby proposes to the General Shareholders Meeting to resolve on the following: -----
Election as members of the Environment and Sustainability Board for the mandate of the three years period 2012-2014, the following persons with renowned qualification in the field of environment protection and sustainability: -----
Chairman – Augusto Mateus -----
Members – Alberto da Ponte -----
António José Tomás Gomes de Pinho -----
José Manuel Viegas -----
Maria da Graça Madeira Martinho”. -----
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 the members of the Environment and Sustainability Board, for the three year period 2012-2014, having been issued 2.314.673.456 votes, corresponding to 2.314.673.456 shares, which represent 63,3023% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99, 8858% of votes in favour). -----
--- Being concluded the discussion and resolution of all items of the agenda, the Chairman of the General Shareholders’ Meeting appreciated the positive results obtained by the company and thanked, on behalf of all members of the corporate bodies, the confidence demonstrated by the shareholders. Also thanked the cooperation of all presents and consideration shown to the Chairman of the General Shareholders’ Meeting, 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 twenty hours and seven minutes, in relation to which the present minute was drawn up and will be signed by the Chairman of the General Shareholders’ Meeting and by the Company Secretary.

Lisbon, 7th of May 2012

The Company Secretary
Maria Teresa Isabel Pereira

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suggestions

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