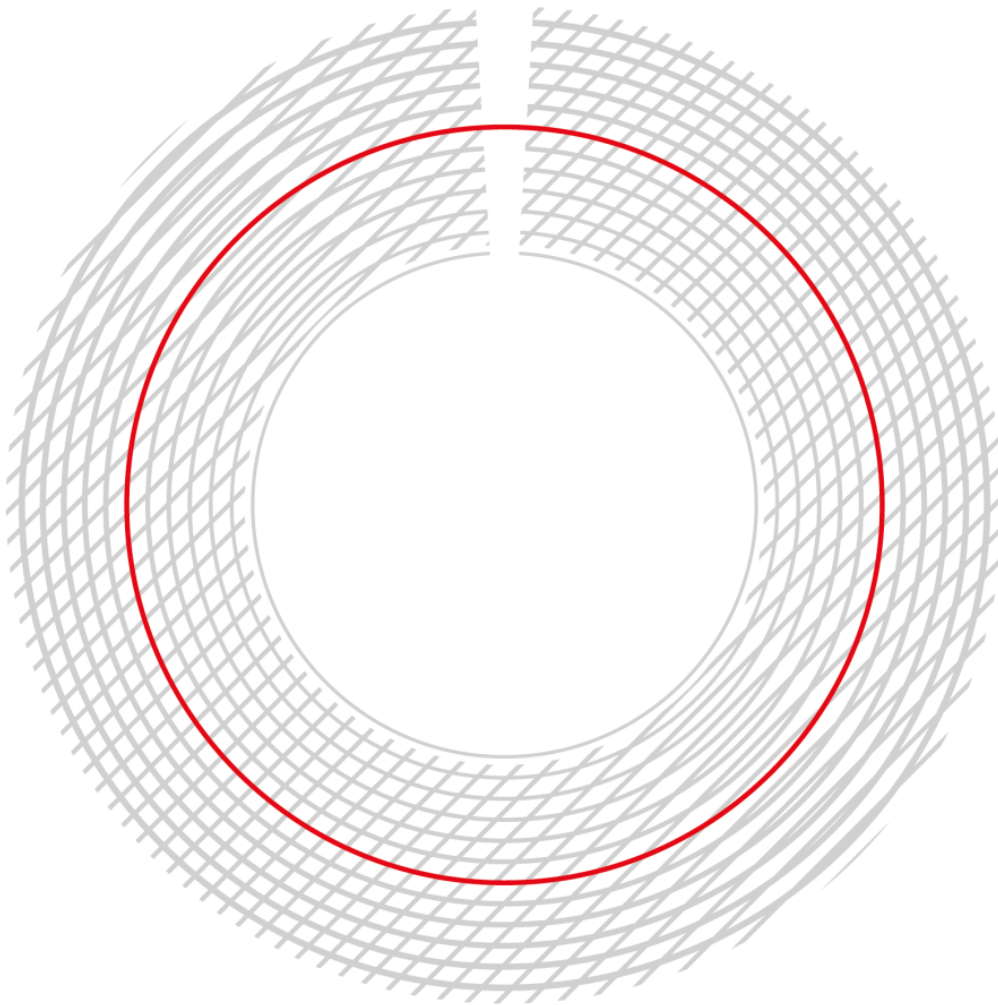


NEVERENDING  
ENERGY



*edp*

INTERIM REPORT  
1<sup>ST</sup> QUARTER 2014



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### ANNEXES

EDP IN THE WORLD

UNITED KINGDOM



29 EMPLOYEES

FRANCE AND BELGIUM



38 EMPLOYEES  
392 INSTALLED CAPACITY (MW)\*  
300 NET GENERATION (GWh)  
100% GENERATION FROM RENEWABLE SOURCES\*\*

POLAND AND ROMANIA



73 EMPLOYEES  
895 INSTALLED CAPACITY (MW)\*  
457 NET GENERATION (GWh)  
100% GENERATION FROM RENEWABLE SOURCES\*\*

PORTUGAL



6,811 EMPLOYEES  
5,682,728 ELECTRICITY CUSTOMERS  
401,135 GAS CUSTOMERS  
9,307 INSTALLED CAPACITY (MW)\*  
8,365 NET GENERATION (GWh)  
84% GENERATION FROM RENEWABLE SOURCES\*\*  
11,470 ELECTRICITY DISTRIBUTION (GWh)  
1,979 GAS DISTRIBUTION (GWh)

ITALY

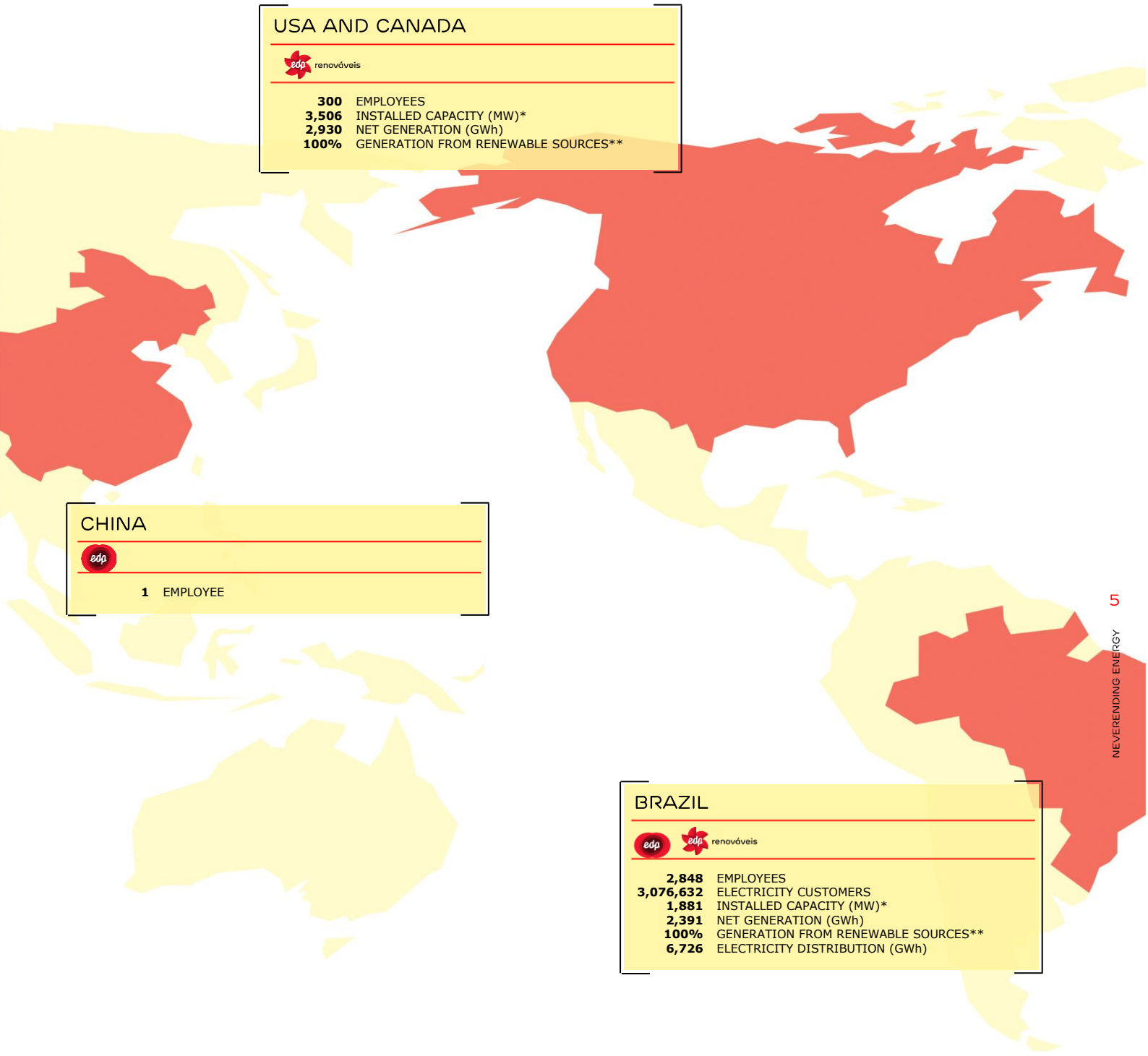


23 EMPLOYEES  
70 INSTALLED CAPACITY (MW)\*  
46 NET GENERATION (GWh)  
100% GENERATION FROM RENEWABLE SOURCES\*\*

SPAIN



1,921 EMPLOYEES  
1,168,377 ELECTRICITY CUSTOMERS  
807,596 GAS CUSTOMERS  
6,027 INSTALLED CAPACITY (MW)\*  
3,538 NET GENERATION (GWh)  
61% GENERATION FROM RENEWABLE SOURCES\*\*  
2,365 ELECTRICITY DISTRIBUTION (GWh)  
13,555 GAS DISTRIBUTION (GWh)



\* MW EBITDA.  
\*\* Includes hydro, wind and solar.

## VISION, VALUES AND COMMITMENTS

## VISION

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

## VALUES

INITIATIVE | Demonstrated through  
the behaviour and  
attitude of our people.

TRUST | Of shareholders,  
customers, suppliers and  
other stakeholders.

EXCELLENCE | In the way  
we perform.

SUSTAINABILITY | Aimed at improving the  
quality of life for present  
and future generations.

INNOVATION | With the objective of creating  
value within the various areas  
in which we operate.

## COMMITMENTS

## 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 avoid specific greenhouse gas emissions with the energy we produce.

We ensure the participatory, competent and honest governance of our business.

## PEOPLE

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

We promote the development of skills and merit.

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

## 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.

## CLIENTS

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

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

We surprise our clients by anticipating their needs.

## RECOGNITION

## CORPORATE

**Jan 28 - EDP is the world leader in Sustainability among the Utilities:**

For the 7<sup>th</sup> consecutive year, EDP is a member of the "Sustainability Yearbook", and for the fifth consecutive year has been included in the Gold Class, as one of the world leaders. It has been named as the Utilities industry leader, and is the only company at this level.

**Mar 14 - EDP is one of the most valuable brands in the world:**

The Company occupies 476<sup>th</sup> place in the "Brand Finance" rankings, and is the only Portuguese company on the list. EDP has reviewed the value of its brand, which has risen from €2.04 billion to €2.26 billion. This rise led "Brand Finance" to give EDP an AA+ rating.

## PORTUGAL

**Jan 16 - Project STORK in the "Environmental Engineering and Management Journal" (EEMJ):**

The project that seeks to reduce the number of birds being electrocuted on our electrical distribution grid, thus improving the quality of the grid's technical service, was published in EEMJ, and received the second-highest assessment rating from its assessors.

**Mar 3 - EDP wins "Green Fleet" award:**

Out of a total of 21 fleets to choose from, Fleet Magazine and Boxer Consulting awarded the 2013 Green Fleet award to EDP. This prize is awarded to the fleet in the country with the highest percentage of hybrid and electric vehicles (EDP with around 3,300 vehicles).

**Jan 21 - EDP Produção is distinguished by the University of Porto's engineering faculty (FEUP):**

Recognition of this business partnership focused on the faculty's civil engineering department, through: opening up of hydroelectric plants to study visits; institutional and financial support for the organization of technical-scientific events; support for projects researching its work; protocol for the transfer of the equipments from the extinct EDP Material Testing Laboratory to the Civil Engineering Department's (DEC) of Construction Materials Laboratory and participation as a founding partner in the Institute of Hydraulics and Water Resources.

**Jan 24 - EDP Comercial receives the Gatewit Procurement Awards:**

Through the State and Small Business Negotiating Unit, EDP Comercial became one of the first companies to win the first Gatewit Procurement Awards. This award recognizes supply companies that apply best practices in public electronic contracts within the framework of the use of the Public Procurement platform.

## SPAIN

**Jan - PERFILA project is a winner at the first EnerTIC Awards:**

The platform for information and communications technology (ICT) companies to improve energy efficiency, EnerTIC, distinguished the project headed by Red Eléctrica de España, in which EDP Espanha participates, as the best SmartGrids initiative of 2013.

## EDP RENOVÁVEIS

**Mar 31 - EDP Renováveis in Poland is named "best place to work" in 2014, for the second consecutive year:**

Great Place to Work recognized EDP Renováveis in the "Companies with fewer than 50 employees" category.

## BRAZIL

**Jan 27 - ClimaGrid is featured on the cover of Metering International magazine:**

The article reports the function of the project from its beginning to the start of the second phase, highlighting its aims and advantages, explaining the benefits ClimaGrid will bring to the electric grid. The project was also presented to the InterClima Forum in Lima, at the invitation of the Peruvian environment ministry, promoted by the LEDS LAC International Platform and sponsored by the Inter-American Development Bank.

**Mar 24 - Personnel management certified by Top Employers for the third time consecutive:**

EDP was chosen as one of the companies with the best people management practices in accordance to the Top Employers Brazil certification. EDP remains one of the three standard-bearing companies in the area of personnel management.

**Mar 27 - Amanhã magazine recognizes EDP in its "Champions of Innovation" ranking:**

EDP was listed as one of the 50 most innovative companies in the south of the country because of the Ceneel wind farm in Santa Catarina. In the energy sector, EDP stood out as the leading electricity company, and took first place in the innovation category. The 500 major companies in the south, listed in the Great & Leader categories elaborated by *Amanhã* magazine and PriceWaterhouseCoopers are invited to take part.

## OBJECTIVES AND GOALS

Objectives	Goals	Date
<b>1. ECONOMIC AND SOCIAL VALUE</b>		
To focus on growth	EBITDA Average Annual Growth Rate: ~5% per year	2011-2015
	Net Profit Average Annual Growth Rate between 0 and 3%	2011-2015
	Payout ratio between 55% and 65% of the recurrent net profit, with a minimum of €0.185 per share	2012-2015
	Annual Mean Operational Investment of €2,000M	2012-2015
	Total investment on renewable energies (60 % annual average)	2012-2015
	Installed capacity of 26 GW	2015
To promote internal efficiency	Renewable installed capacity of more than 70% of total installed capacity	2015
	OPEX reduction of €130M by 2015	2012-2015
To control risk exposure	Adjusted Net Debt/EBITDA ratio lower than 3.0x	2015
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017
<b>2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION</b>		
To focus growth on a cleaner production	Until 2020, reduce CO2 emissions by 70% in comparison with 2008 values	2020
To strengthen an appropriate environmental management of EDP's activities	Increase 25% of installed capacity and 15% of substations certified according with ISO 14001	2014
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities' evaluation	2017
<b>3. INNOVATION</b>		
To promote competitiveness and productivity through innovation	Maintain a financing budget of €20M/year for Research&Development projects	2017
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015
<b>4. INTEGRITY AND GOOD GOVERNANCE</b>		
To Strengthen the ethics in all EDP's employees' culture	Maintaining the incorporation of the World Most Ethical Companies list by Ethisphere Institute	2017
	Identify and assess ethical risks of EDP Group	2014
<b>5. TRANSPARENCY AND DIALOGUE</b>		
To report transparently and ensure an open and trusting relationship with stakeholders	Set up a Stakeholder Board, as an external advisory corporate board to support EDP's strategy	2014
	Complete the report of GHG emissions, scope 3	2015
	Report in accordance to the new Global Reporting Initiative Standards - G4	2015
<b>6. HUMAN CAPITAL AND DIVERSITY</b>		
To work towards "Zero accidents, on personnel harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2013	2014
To implement an action plan for the Diversity Policy	Between 10 and 15 initiatives	2013-2015
Extend EDP's training model to the Group	Implement EDP's University in Brazil	2014
To keep a high level of employee satisfaction	Maintain employees' Global Satisfaction above 80%	2014-2017
<b>7. ACCESS TO ENERGY</b>		
To 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	2014-2015
<b>8. SOCIAL DEVELOPMENT AND CITIZENSHIP</b>		
To enhance a close relationship between the company and the society	Guarantee an allocated budget do "Fundação EDP" up to 0.1% of the Group's turnover	2012-2015
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015
	Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies	2015



## KEY INDICATORS

## FINANCIAL INDICATORS

	Unit	1Q14	1Q13	1Q12	1Q11	
<b>EDP Group</b>						<b>GROSS OPERATING PROFIT (€M)</b>
Turnover	€000	4,327,213	4,414,640	4,412,159	4,014,972	
Gross Operating Profit	€000	1,030,401	1,086,157	1,003,474	1,008,166	70% 70% 72% 69%
Long-Term Contracted Generation in Iberia	€000	175,531	193,519	197,014	203,004	
Liberalised activities in Iberia	€000	192,097	110,947	94,542	120,445	
Regulated Activities in Iberia	€000	244,989	289,820	274,933	275,032	
EDP Renováveis	€000	288,964	317,156	263,473	220,142	
EDP Brasil	€000	126,606	177,429	177,383	198,170	
Other activities	€000	2,214	-2,714	-3,871	-8,627	
Operating Profit	€000	699,494	732,584	650,152	647,738	
Net Profit <sup>(1)</sup>	€000	296,089	334,740	337,243	342,389	
Operating Cash-Flow	€000	565,283	845,362	782,256	860,108	
Operating Investment	€000	277,775	227,869	325,014	392,652	
Long-Term Contracted Generation in Iberia	€000	2,701	10,757	7,881	13,872	
Liberalised activities in Iberia	€000	124,078	138,708	85,802	49,056	
Regulated Activities in Iberia	€000	69,675	71,508	81,669	70,479	
EDP Renováveis	€000	43,897	-53,187	55,062	190,392	
EDP Brasil	€000	26,353	53,223	88,911	62,985	
Other activities	€000	11,072	6,860	5,689	5,867	
Investment in renewables	%	59.4	59.4	49.4	59.8	
Financial Investment/(Divestment)	€000	-23,921	-210,173	22,824	-6,298	
Net Investments <sup>(2)</sup>	€000	245,058	273,725	347,957	417,658	
Net Assets	€000	41,984,733	42,065,537	41,328,012	40,162,721	
Equity	€000	11,982,976	11,527,902	11,755,952	11,057,983	
Net Debt <sup>(3)</sup>	€000	17,103,737	17,083,205	16,835,481	15,986,279	
Net Debt Adjusted from Regulatory Receivables	€000	14,170,257	14,397,069	14,963,446	14,578,198	
Net Debt/Gross Operating Profit	x	4.1	3.9	4.2	4.0	
Adjusted Net Debt/Gross Operating Profit	x	3.4	3.3	3.7	3.6	
Net Debt/Equity	%	143	148	143	145	
Earnings per share	€	0.08	0.09	0.09	0.09	
Market Capitalisation	€000	12,326,189	8,783,004	7,974,909	10,117,640	
Stock price	€	3.37	2.40	2.18	2.77	

**EDP STOCK PRICE EVOLUTION (€)**

**GROSS OPERATING PROFIT (€M)**

**NET PROFIT <sup>(1)</sup> (€M)**

**NET INVESTMENTS <sup>(2)</sup> (€M)**

**NET DEBT <sup>(3)</sup> (€M)**

NOTE: 1Q13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards and the inclusion of concession redits, according to IFRIC 12.

<sup>(1)</sup> Net Profit attributable to EDP Equity holders. <sup>(2)</sup> Includes Operating Investment, Financial Investment and EDP Renováveis divestments ("asset rotation") <sup>(3)</sup> Includes Financial Debt, Cash and equivalents, short-term assets at fair value, fair value and net investment hedges and collateral deposits related with financial debt.

## OPERATIONAL INDICATORS (1/2)

					Unit	1Q14	1Q13	1Q12	1Q11	
IN STALLED CAPACITY <sup>(1)</sup> (MW)					INSTALLED CAPACITY <sup>(1)</sup>	MW	22,079	21,920	23,212	22,188
 1Q11 1Q12 1Q13 1Q14 ■ Portugal ■ Spain ■ EDP Renováveis ■ EDP Brasil					Hydro	MW	7,510	7,498	7,232	6,740
					Thermal	MW	6,532	6,697	8,354	8,354
					Conventional Thermal	MW	2,640	2,805	4,462	4,462
					CCGT	MW	3,736	3,736	3,736	3,736
					Nuclear	MW	156	156	156	156
					Wind	MW	7,710	7,356	7,157	6,625
					Other Renewables	MW	209	195	195	195
					Other	MW	118	173	275	275
					Installed Capacity - Contracted Generation	MW	14,304	14,798	15,637	15,051
					Installed Capacity - Liberalised Generation	MW	7,774	7,122	7,574	7,137
					NET ELECTRICITY GENERATION	GWh	18,026	16,995	15,164	17,069
 1Q11 1Q12 1Q13 1Q14 ■ Portugal ■ Spain ■ EDP Renováveis ■ EDP Brasil					Hydro	GWh	8,885	7,113	3,882	7,404
					Thermal	GWh	2,615	3,786	5,508	4,564
					Conventional Thermal	GWh	2,125	3,118	4,201	1,910
					CCGT	GWh	158	337	973	2,341
					Nuclear	GWh	332	331	335	313
					Wind	GWh	6,101	5,542	5,212	4,421
					Other Renewables	GWh	289	268	88	270
					Other	GWh	136	287	473	411
					Stream	GWh	278	445	543	541
					Net Generation - Contracted Generation	GWh	13,869	13,395	11,621	12,584
Net Generation - Liberalised Generation	GWh	4,157	3,600	3,544	4,485					
					ELECTRICITY DISTRIBUTED	GWh	20,561	19,835	20,355	20,966
 1Q11 1Q12 1Q13 1Q14 ■ Portugal ■ Spain ■ EDP Renováveis ■ EDP Brasil					Portugal	GWh	11,470	11,102	11,716	12,208
					Spain	GWh	2,365	2,357	2,435	2,571
					Brazil	GWh	6,726	6,376	6,204	6,187
					Bandeirante	GWh	3,923	3,688	3,664	3,641
					Escelsa	GWh	2,803	2,688	2,540	2,546
					ELECTRICITY SUPPLY POINTS		9,805	9,701	9,627	9,567
 1Q11 1Q12 1Q13 1Q14 ■ Regulated Market ■ Liberalised Market					Portugal	'000	6,070	6,079	6,119	6,148
					Spain	'000	659	657	656	652
					Brazil	'000	3,076	2,964	2,853	2,767
					Bandeirante	'000	1,683	1,619	1,553	1,514
					Escelsa	'000	1,393	1,345	1,300	1,253
ELECTRICITY DISTRIBUTED IN PORTUGAL (GWh)					INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME					
 1Q11 1Q12 1Q13 1Q14 ■ Regulated Market ■ Liberalised Market					Portugal <sup>(2)</sup>	minutes	23.0	19.3	8.4	20.9
					Spain <sup>(2)</sup>	minutes	7.3	15.6	1.3	10.6
					Brazil - Bandeirante (DEC)	hours	7.5	9.7	9.0	11.0
					Brazil - Escelsa (DEC)	hours	9.8	10.7	10.5	9.2
					ELECTRICITY DISTRIBUTION GRID STRUCTURE					
 1Q11 1Q12 1Q13 1Q14 ■ Regulated Customers ■ Free Customers					Grid extension	km	337,131	334,976	332,117	328,555
					Portugal	km	225,332	224,595	223,180	220,931
					Spain	km	23,318	23,007	22,692	22,639
					Brazil	km	88,480	87,375	86,245	84,985
					Bandeirante	km	27,540	27,287	26,987	26,824
					Escelsa	km	60,940	60,088	59,258	58,162
					GAS DISTRIBUTED	GWh	15,534	16,656	19,445	16,539
 1Q11 1Q12 1Q13 1Q14 ■ Regulated Customers ■ Free Customers					Portugal	GWh	1,979	1,971	2,211	2,054
					Spain	GWh	13,555	14,685	17,233	14,485
					GAS SUPPLY POINTS	'000	1,329	1,303	1,274	1,237
 1Q11 1Q12 1Q13 1Q14 ■ Regulated Customers ■ Free Customers					Portugal	'000	309	293	276	252
					Spain	'000	1,020	1,010	998	985
					GAS DISTRIBUTION GRID STRUCTURE					
 1Q11 1Q12 1Q13 1Q14 ■ Regulated Customers ■ Free Customers					Grid extension	km	14,521	14,243	14,353	13,850
					Portugal	km	4,513	4,349	4,165	3,853
					Spain <sup>(3)</sup>	km	10,008	9,894	10,188	9,997

NOTE: 1Q13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards

(1) MW EBITDA (2) ICEIT in MV grid, excluding extraordinary events. (3) From 2011 to 2012, includes gas transmission grid in Spain.

NOTE: 1Q13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards

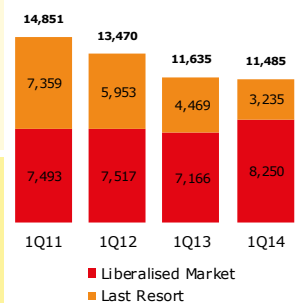
<sup>(1)</sup> MW EBITDA <sup>(2)</sup> ICET in MV grid, excluding extraordinary events. <sup>(3)</sup> From 2011 to 2012, includes gas transmission grid in Spain.

## OPERATIONAL INDICATORS (2/2)

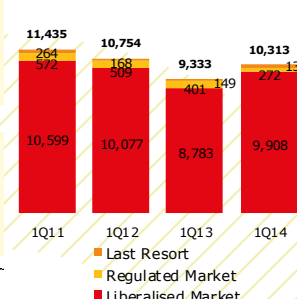
	Unit	1Q14	1Q13	1Q12	1Q11
<b>ELECTRICITY SUPPLIED</b>					
Portugal	GWh	19,167	18,528	19,884	21,029
Liberalised Market	GWh	6,927	7,207	8,070	9,274
Last Resort supply	GWh	3,853	2,922	2,322	2,189
Spain	GWh	3,074	4,286	5,748	7,084
Liberalised Market	GWh	4,557	4,427	5,400	5,578
Last Resort supply	GWh	4,397	4,244	5,195	5,303
Brazil <sup>(1)</sup>	GWh	161	183	205	274
Liberalised Market	GWh	7,682	6,893	6,413	6,178
Last Resort supply	GWh	3,458	2,922	2,512	2,330
Last Resort supply	GWh	4,224	3,971	3,902	3,848
<b>Electricity Supplied - Green Tariff</b>	<b>GWh</b>	<b>4,175</b>	<b>4,062</b>	<b>4,273</b>	<b>3,724</b>
Portugal	GWh	3	3	3	4
Spain	GWh	1,242	1,231	1,214	1,290
USA	GWh	2,930	2,829	3,056	2,430
<b>Electricity Supplied - Special Needs</b>	<b>GWh</b>	<b>0.5</b>	<b>0.4</b>	<b>0.3</b>	<b>0.3</b>
<b>Electricity Supplied - Social Tariff</b>	<b>GWh</b>	<b>170</b>	<b>139</b>	<b>121</b>	<b>133</b>
Portugal	GWh	27	35	47	17
Spain	GWh	38	37	23	38
Brazil	GWh	105	67	52	77
<b>ELECTRICITY CUSTOMERS</b>					
Portugal	#	9,680,102	9,627,757	9,877,462	9,879,893
Liberalised Market	#	5,687,337	5,816,896	6,015,210	6,095,176
Last Resort supply	#	2,256,687	1,301,941	388,373	307,830
Spain	#	3,430,650	4,514,955	5,626,837	5,787,346
Liberalised Market	#	916,133	846,684	1,008,838	1,017,519
Last Resort supply	#	663,889	577,242	703,408	670,067
Brazil <sup>(1)</sup>	#	252,244	269,442	305,430	347,452
Liberalised Market	#	3,076,632	2,964,177	2,853,414	2,767,198
Last Resort supply	#	473	287	166	89
Last Resort supply	#	3,076,159	2,963,890	2,853,248	2,767,109
<b>Electricity Customers - Green Tariff</b>	<b>#</b>	<b>683,239</b>	<b>585,964</b>	<b>519,312</b>	<b>424,396</b>
Portugal	#	4,588	4,783	4,748	5,664
Spain	#	678,651	581,181	514,564	418,732
<b>Electricity Customers - Special Needs</b>	<b>#</b>	<b>789</b>	<b>819</b>	<b>895</b>	<b>783</b>
Portugal	#	445	514	585	516
Brazil	#	344	305	310	267
<b>Electricity Customers - Social Tariff</b>	<b>#</b>	<b>326,141</b>	<b>266,263</b>	<b>262,613</b>	<b>434,998</b>
Portugal	#	49,929	66,327	90,337	75,329
Spain	#	61,768	61,032	57,439	58,842
Brazil	#	214,444	138,904	114,837	300,827
<b>GAS SUPPLIED</b>					
Portugal	GWh	10,313	9,333	10,754	11,435
Liberalised Market	GWh	1,140	1,976	2,142	2,804
Regulated Market	GWh	868	1,575	1,633	2,232
Last Resort supply	GWh	272	401	509	572
Spain	GWh	9,173	7,357	8,612	8,631
Liberalised Market	GWh	9,040	7,208	8,444	8,366
Last Resort supply	GWh	133	149	168	264
<b>GAS CUSTOMERS</b>					
Portugal	#	1,208,731	1,109,038	1,050,713	1,064,790
Liberalised Market	#	401,135	331,419	280,757	251,819
Regulated Market	#	269,183	116,462	6,288	657
Last Resort supply	#	131,952	214,957	274,469	251,162
Spain	#	807,596	777,619	769,956	812,971
Liberalised Market	#	735,517	698,064	672,070	685,707
Last Resort supply	#	72,079	79,555	97,886	127,264

<sup>(1)</sup> Includes "Comercializadora" and regulated customers from Distribution.

ELECTRICITY SUPPLIED IN IBERIA (GWh)

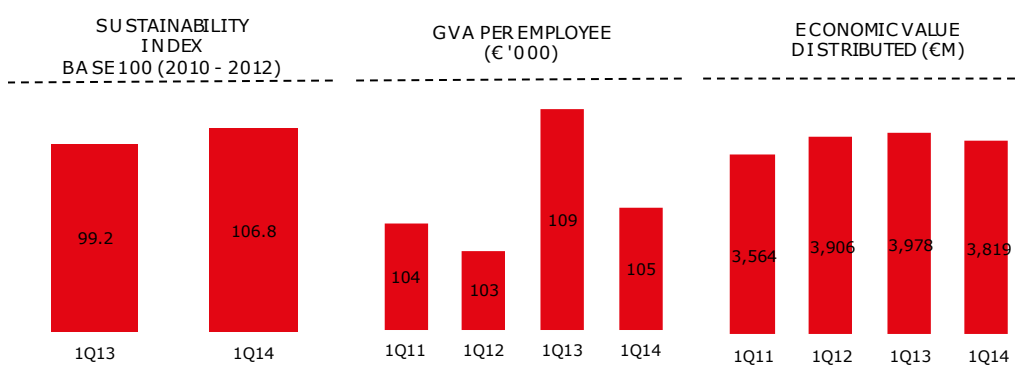


GAS SUPPLIED IN IBERIA (GWh)



## SUSTAINABILITY INDICATORS (1/4)

	Unit	1Q14	1Q13		
SUSTAINABILITY INDEX <sup>(1)</sup>		106.8	99.2		
Revenues from ISO 14001 certified installations	%	33	31		
Specific consumption of water	m³/MWh	20	23		
Specific production of waste	g/MWh	3.3	4.4		
Investment and expenses in biodiversity preservation	%EBITDA	0.27	0.26		
Generation from renewable sources/Total generation <sup>(2)</sup>	%	86	78		
Pay ratio by gender (Male/Female)		1.01	1.02		
Training hours/Working hours	%	1.5	1.3		
Severity rate	Tg	98	84		
ECONOMIC INDICATORS		1Q14	1Q13	1Q12	1Q11
GVA per employee <sup>(3)</sup>	€	105,049	109,057	103,268	104,404
Economic value generated <sup>(3)</sup>	€000	4,639,709	4,786,577	4,691,354	4,334,777
Economic value distributed <sup>(3)</sup>	€000	3,819,289	3,978,397	3,905,935	3,563,819
Economic Value Retained <sup>(3)</sup>	€000	820,421	808,181	785,419	770,958
Fines and penalties <sup>(3)</sup>	€000	817	3,091	17	650
Support from Public Authorities <sup>(4)</sup>	€000	9,481.4	11,056.2	67.0	0.0
Billing of energy services <sup>(5)</sup>	€000	14,766	11,279	10,340	3,635



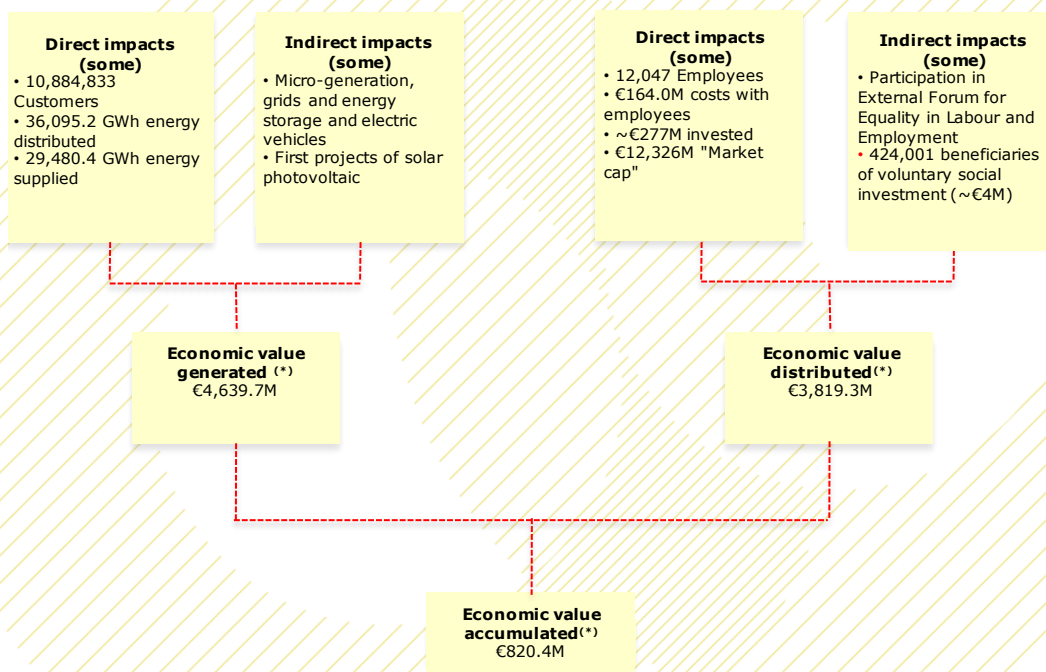
<sup>(1)</sup> EDP's Sustainability Index was revised and the new base 100 is related with three homologous quarters (2010-2012). For more information about the Sustainability Index see: [www.edp.pt/sustainability](http://www.edp.pt/sustainability) > approach to sustainability

<sup>(2)</sup> Does not include nuclear

<sup>(3)</sup> 1Q13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

<sup>(4)</sup> The figure for 2013 was revised according with Global Reporting Initiative: extended the scope beyond the operating subsidiaries.

<sup>(5)</sup> The figures for 2013-2012 have been revised due to a correction of energy services revenues in Brazil.



(\*) Economic Value Generated (EVG): Turnover + other operating income + gains/losses with the sale of financial assets + gains/losses from associated companies + financial income;

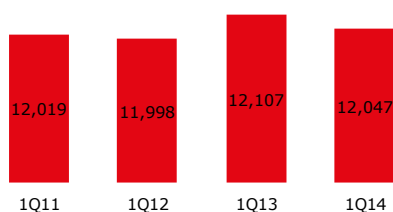
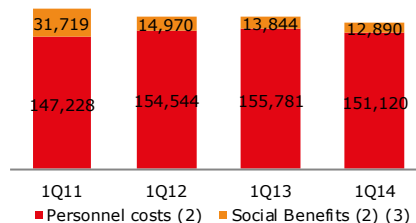
Economic Value Distributed (EVD): COGS + operating costs + other operating costs + current tax + financial costs + dividend payment;

Economic Value Accumulated (EVA): EVG - EVD.

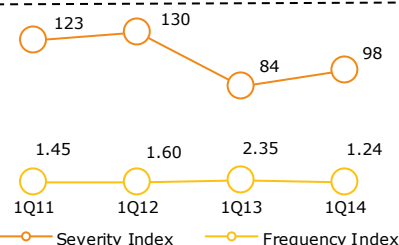
## SUSTAINABILITY INDICATORS (2/4)

SOCIAL INDICATORS	Unit	1Q14	1Q13	1Q12	1Q11
<b>Employees</b>					
Employees <sup>(1)</sup>	#	12,047	12,107	11,998	12,019
Portugal	#	6,812	6,967	7,161	7,186
Spain	#	1,921	1,951	1,983	2,010
Brazil	#	2,848	2,745	2,444	2,393
USA	#	300	292	281	328
Rest of Europe	#	166	152	129	102
Female employees	#	2,750	2,723	2,641	2,591
Portugal	#	1,441	1,463	1,440	1,404
Spain	#	482	477	476	463
Brazil	#	672	629	578	567
USA	#	99	101	107	128
Rest of Europe	#	56	53	40	29
Staff turnover	%	2.12	2.28	1.88	1.85
Average age of employees	years	46	46	46	46
Absenteeism	%	3.47	3.18	2.71	3.26
Personnel costs <sup>(2)</sup>	€000	151,120	155,781	154,544	147,228
Social Benefits <sup>(2) (3)</sup>	€000	12,890	13,844	14,970	31,719
HC ROI <sup>(4)</sup>	€	24.7	24.4	24.8	21.3
<b>Training</b>					
Total training hours	hours	78,564	72,003	86,726	82,971
Total training rate	h/p	6.5	5.9	7.2	6.9
Employees trained	%	23.9	28.7	49.9	32.9
Total training costs	€000	972	702	1,196	1,246
Work productivity	€/h	238	229	220	236
<b>Prevention and safety</b>					
On-duty accidents <sup>(5)</sup>	#	7	13	9	8
On-duty death accidents	#	0	0	0	0
PSE On-duty death accidents	#	1	2	5	1
EDP severity index <sup>(6)</sup>	Tg	98	84	130	123
EDP frequency index <sup>(6)</sup>	Tf	1.24	2.35	1.60	1.45
PSE frequency index	Tf	4.25	5.58	1.31	4.17
EDP+PSE frequency index <sup>(6)</sup>	Tf	3.22	4.49	4.90	3.03
Total lost days due to accidents	#	551	465	707	679
<b>Social Contributions (LBG Model)</b>					
Volunteer contributions/EBITDA	%	0.36	0.34	0.26	0.26

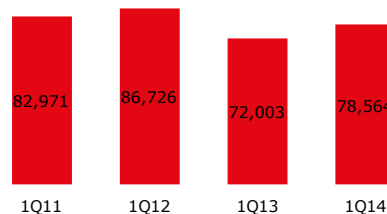
NUMBER OF EMPLOYEES

COSTS AND BENEFITS WITH EMPLOYEES <sup>(2)</sup> (€ '000)

EDP SEVERITY AND FREQUENCY INDEXES



TRAINING VOLUME (h)



<sup>(1)</sup> The 2011 figure was revised due to changes in "headcount" methodology, so as to include Executive Governing Bodies.

<sup>(2)</sup> 1Q13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

<sup>(3)</sup> In September, 2011, financial costs from pension funds were reclassified.

<sup>(4)</sup> HC ROI = (Total Revenue - (Total Operating cost + Total employee expenses)) / Total employee expenses

<sup>(5)</sup> The figure for 2012 was corrected from 8 to 9.

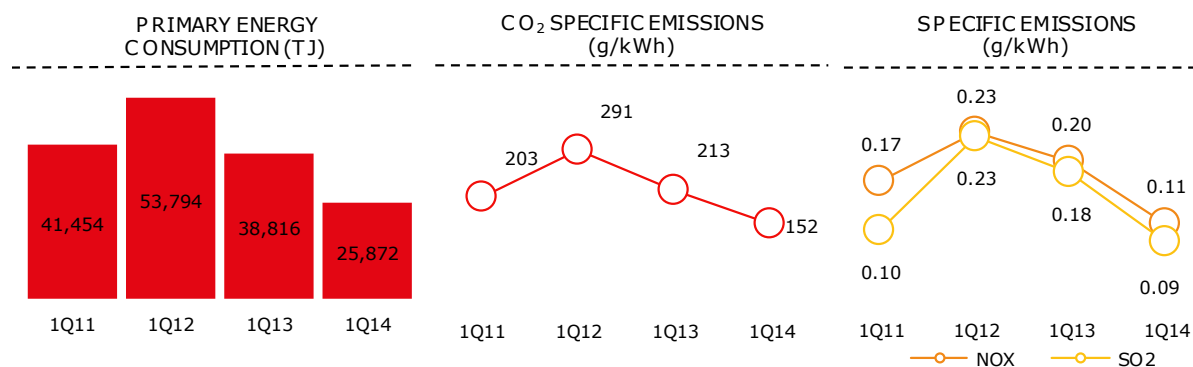
<sup>(6)</sup> 2012 figures are adjusted to exclude Pecém.

## SUSTAINABILITY INDICATORS (3/4)

ENVIRONMENTAL INDICATORS (1/2)	Unit	1Q14	1Q13	1Q12	1Q11
<b>Primary energy consumption</b>	TJ	<b>25,872</b>	<b>38,816</b>	<b>53,794</b>	<b>41,454</b>
Total for generation, transportation and distribution	TJ	25,819	38,751	53,733	41,387
Coal	TJ	19,982	28,858	38,383	17,302
Fuel-oil	TJ	176	172	196	200
Natural gas <sup>(1)</sup>	TJ	2,795	5,962	11,365	19,658
Diesel	TJ	30	27	24	28
Forestry waste	TJ	n.a	932	801	832
Residual gases (steel plant gas, blast furnace gas, coke gas)	TJ	2,836	2,800	2,966	3,367
Vehicle fleet fuel	TJ	53	66	61	67
<b>Electricity consumption</b>					
Production consumption <sup>(2)</sup>	MWh	568,972	749,583	636,708	427,249
Administrative services <sup>(3)</sup>	MWh	261,085	9,578	11,268	8,684
Losses over network	%	10.4	12.3	9.9	9.7
<b>Atmospheric emissions</b>					
Total Emissions					
CO <sub>2</sub> <sup>(4)</sup>	kt	2,725	3,717	5,002	3,515
SO <sub>2</sub>	kt	1.6	3.1	3.9	1.7
NO <sub>x</sub>	kt	2.0	3.4	4.0	2.9
Particles	kt	0.1	0.2	0.2	0.2
Overall specific emissions <sup>(5)</sup>					
CO <sub>2</sub>	g/kWh	152	213	291	203
SO <sub>2</sub>	g/kWh	0.09	0.18	0.23	0.10
NO <sub>x</sub>	g/kWh	0.11	0.20	0.23	0.17
Particles	g/kWh	0.00	0.01	0.01	0.01
Specific emissions from thermal power stations <sup>(5)</sup>					
CO <sub>2</sub>	g/kWh	1,010	873	802	670
SO <sub>2</sub>	g/kWh	0.58	0.74	0.63	0.33
NO <sub>x</sub>	g/kWh	0.75	0.80	0.64	0.55
Particles	g/kWh	0.03	0.04	0.03	0.03
CO <sub>2</sub> avoided through the use of renewable energies	kt	11,822	9,351	5,090	6,614
CO <sub>2</sub> intensity	g/€	630	848	1,134	875
Direct emissions (scope 1)	kt CO <sub>2</sub> eq	2,730	3,727	5,017	3,524
Indirect emissions (scope 2) <sup>(2) (3)</sup>	kt CO <sub>2</sub> eq	601	458	431	297

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NEVERENDING ENERGY



<sup>(1)</sup> Figure for 2011 was changed to include gas consumption in gas transportation and distribution activities.

<sup>(2)</sup> The figures for 2011 and 2012 were revised to include *backfeed power*.

<sup>(3)</sup> Figure for 2011 was revised because it did not include a set of buildings which changed their supplier. The values for 2011 and 2012 have been updated to include the administrative buildings of the HC Generación.

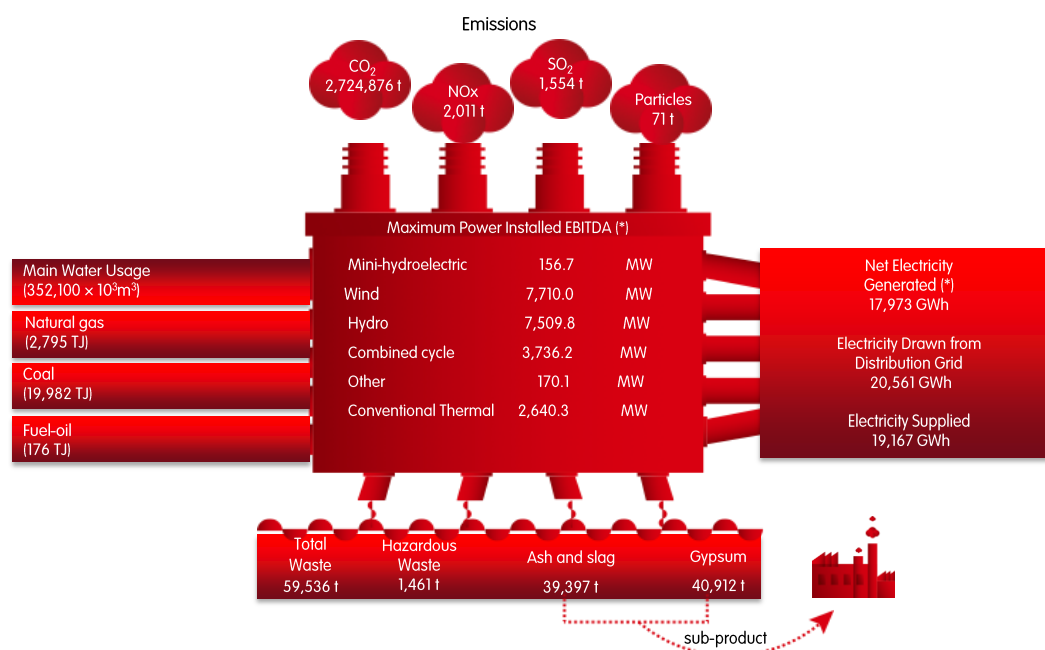
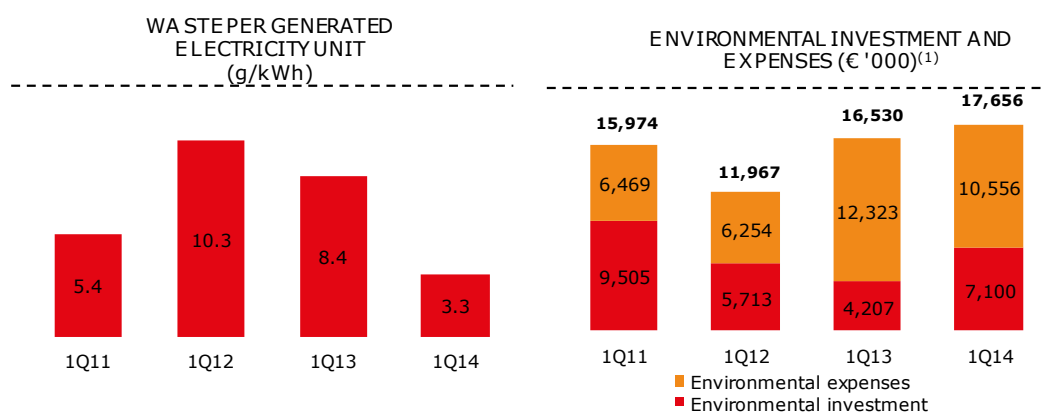
<sup>(4)</sup> Not including vehicle fleet.

<sup>(5)</sup> Calculation based on the net generation, as stipulated in the Global Reporting Initiative.



## SUSTAINABILITY INDICATORS (4/4)

ENVIRONMENTAL INDICATORS (2/2)	Unit	1Q14	1Q13	1Q12	1Q11
<b>Use of Water</b>	<b>m<sup>3</sup> x 10<sup>3</sup></b>	<b>352,100</b>	<b>397,857</b>	<b>427,643</b>	<b>284,224</b>
Refrigeration water	m <sup>3</sup> x 10 <sup>3</sup>	350,965	396,111	425,520	282,332
Raw water	m <sup>3</sup> x 10 <sup>3</sup>	1,075	1,684	2,069	1,835
Drinking water	m <sup>3</sup> x 10 <sup>3</sup>	60	62	54	57
<b>Waste</b>					
Total waste	t	59,536	76,881	176,483	93,443
Total hazardous waste	t	1,461	1,375	986	19,385
Recovered waste	%	61	62	55	71
Sub-products	t	80,309	69,657	96,809	85,730
<b>Environmental investment and expenses <sup>(1)</sup></b>					
Environmental investment and expenses	€'000	17,656	16,530	11,967	15,974
Environmental management expenses	€'000	2,239	3,095	n.d	n.d
Environmental remediation expenses	€'000	6,060	6,236	n.d	n.d
Environmental prevention expenses	€'000	9,357	7,199	n.d	n.d
Environmental Income	€'000	1,423	151	2,124	1,225
Environmental investment/total investment	%	2.6	1.5	1.8	2.4
Environmental fines and penalties	€'000	0	75	n.a	0
<b>Environmental Certification (ISO 14001)</b>					
No. of certified production facilities	#	239	234	166	106
Net maximum of certified installed capacity	%	77	75	70	69
No. of certified substations	#	155	135	126	21
Installed capacity of certified substations	%	30	27	25	3
Certified gas distribution	%	100	100	100	100



(\*) Does not include nuclear and includes heat generation: 278 GWh.

<sup>(1)</sup> 1Q13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.





# 02

## Financial Statements and notes

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## EDP GROUP'S BUSINESS EVOLUTION

In the first quarter of 2014, the **EDP Group's net profit attributable to EDP shareholders** reached EUR 296 million, compared with EUR 335 million in the first three months of 2013.

**Consolidated EBITDA fell by 5% year-on-year, to EUR 1,030 million in the first quarter of 2014**, impacted by adverse Forex impact (-EUR 33 million mainly due to the depreciation of BRL and USD versus Euro) and by the EUR 56 million gain booked in the first quarter of 2013 on the sale of gas transmission assets in Spain. Adjusted for these, EBITDA would be 3% higher, despite regulatory impacts in Iberia.

**EBITDA in the Iberian operations (excluding EDP Renováveis) rose by 4% year-on-year**, driven by: (i) particularly strong hydro production; (ii) successful management of the strong volatility in energy markets in the period; (iii) growth in the electricity supplied to final clients in the liberalised market; and (iv) a tight cost control, which enabled a 1% decrease of Iberian activities operating costs in the first quarter of 2014.

The contribution from our international subsidiaries in the first quarter of 2014 was lower year-on-year, mainly due to adverse Forex and regulatory impacts. EDP Brasil's EBITDA fell 29% year-on-year adversely impacted by: (i) -EUR 29 million of Forex impact; (ii) lower return on Escelsa's regulated asset base following regulatory revision in August of 2013; and (iii) higher electricity sourcing costs in the wake of adverse hydro context. EDP Renováveis' EBITDA decreased 9% year-on-year penalised by regulatory impacts in Spain (-EUR 18 million), adverse Forex impact (-EUR 5 million) and EUR 14 million gain booked in the first quarter of 2013 from the restructuring of a PPA contract in the US. However, EDP Renováveis' EBITDA had a positive contribution from investments in new wind capacity outside Iberia and outstanding wind resources in Iberia in the quarter.

**EDP Group operating costs (excluding other net operating costs) fell by 4% year-on-year, to EUR 366 million in the first quarter of 2014**, backed by the successful execution of our corporate efficiency program and by a 1% reduction in workforce, mainly prompted by early retirements in Portugal. Other net operating costs rose by EUR 47 million year-on-year, to EUR 86 million in the first quarter of 2014, impacted by: i) EUR 56 million gain on the sale of gas assets in Spain booked in the first quarter of 2013, and, ii) lower generation taxes in Spain (-EUR 6 million year-on-year, to EUR 26 million in the first quarter of 2014), as a result of lower production and lower prices.

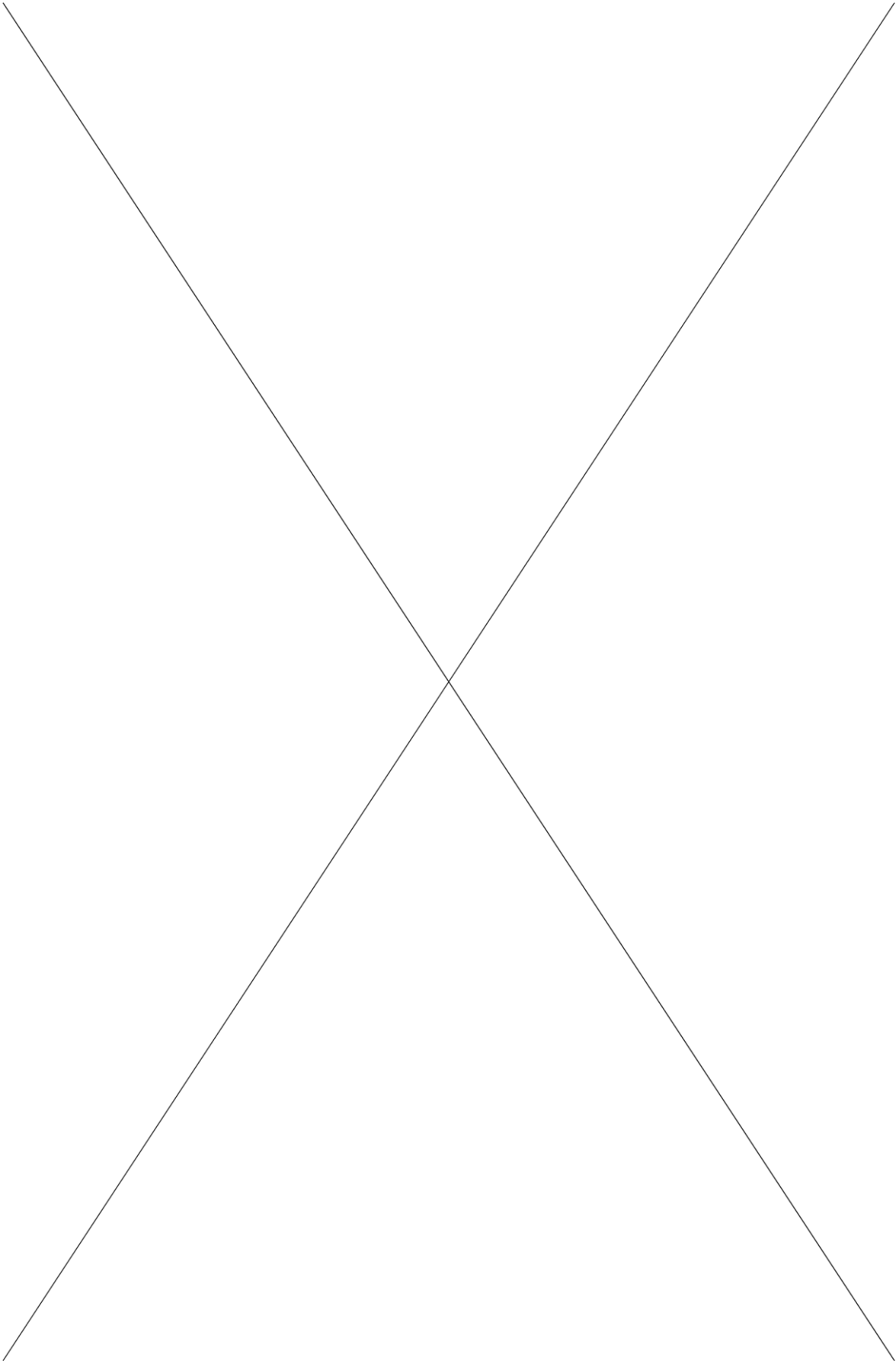
**EBIT fell by 5% in the first quarter of 2014, to EUR 699 million**, mainly driven by lower EBITDA. **Amortisation and impairment** reflected the extension of the useful life of our CCTGs and some coal plants in the fourth quarter of 2013; and lower depreciation from our special regime plants in Spain, which were impaired in 2013.

**Financial results totaled -EUR 147 million in the first quarter of 2014**, reflecting a 40 basis points year-on-year increase in the average cost of debt to 4.6% in the first quarter of 2014 and a EUR 0.6 billion reduction in the average net debt. **Share of net profit in joint ventures and associates amounted to EUR 12 million in the first quarter of 2014**, with most of the result stemming from the participation in ENEOP in Portugal.

Income taxes totaled EUR 186 million in the first quarter of 2014 representing an effective tax rate of 33%. Additionally, and according to the terms defined in the Portuguese General State Budget for 2014, EDP recorded in its first quarter of 2014 results EUR 15 million regarding the extraordinary contribution to the energy sector. Non-controlling interests fell 8% year-on-year to EUR 68 million in the first quarter of 2014, driven by lower net profit at the level of EDP Brasil. Overall, **net profit attributable to EDP shareholders fell by 12% year-on-year, to EUR 296 million in the first quarter of 2014**.

**Capex totalled EUR 278 million in the first quarter of 2014, up 22% year-on-year**. Expansion capex totalled EUR 162 million in the first quarter of 2014, as a result of the ongoing construction of new hydro and wind capacity. Maintenance capex stood flat at EUR 116 million in the first quarter of 2014.

**Net debt as of March, 31 of 2014 amounted to EUR 17.1 billion**, flat versus December of 2013, despite a EUR 0.2 billion increase of regulatory receivables.



**Condensed Financial Statements**  
**31 March 2014**

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## EDP - Energias de Portugal

### Condensed Consolidated Income Statement for the three-month period ended 31 March 2014 and 2013

Thousands of Euros	Notes	2014	2013*
Revenues from energy sales and services and other	6	4,327,213	4,414,640
Cost of energy sales and other	6	-2,844,174	-2,907,761
		1,483,039	1,506,879
Other income	7	71,312	136,047
Supplies and services	8	-202,357	-212,079
Personnel costs and employee benefits	9	-164,010	-169,625
Other expenses	10	-157,583	-175,065
		-452,638	-420,722
		1,030,401	1,086,157
Provisions	11	-6,885	-9,440
Amortisation and impairment	12	-324,022	-344,133
		699,494	732,584
Financial income	13	229,525	247,498
Financial expenses	13	-376,456	-401,072
Share of net profit in joint ventures and associates		11,661	-11,608
Profit before income tax and CESE		564,224	567,402
Income tax expense	14	-185,868	-159,075
Extraordinary contribution to the energy sector (CESE)	15	-14,700	-
		-200,568	-159,075
<b>Net profit for the period</b>		<b>363,656</b>	<b>408,327</b>
<b>Attributable to:</b>			
<b>Equity holders of EDP</b>		<b>296,089</b>	<b>334,740</b>
<b>Non-controlling Interests</b>	32	<b>67,567</b>	<b>73,587</b>
<b>Net profit for the period</b>		<b>363,656</b>	<b>408,327</b>
Earnings per share (Basic and Diluted) - Euros	29	0.08	0.09

\* Restated for IFRS 10 and 11 purposes

LISBON, 13 May 2014

THE OFFICIAL ACCOUNTANT  
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## EDP - Energias de Portugal

### Condensed Consolidated Statement of Comprehensive Income as at 31 March 2014 and 2013

Thousands of Euros	2014		2013*	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
<b>Net profit for the period</b>	296,089	67,567	334,740	73,587
<b>Items that will never be reclassified to profit or loss</b>				
Actuarial gains / (losses)	-982	-939	-5,182	-5,052
Tax effect from the actuarial gains / (losses)	334	319	1,762	1,718
	-648	-620	-3,420	-3,334
<b>Items that are or may be reclassified to profit or loss</b>				
Exchange differences arising on consolidation	33,592	53,087	43,390	87,070
Fair value reserve (cash flow hedge)	-9,097	-3,406	-11,589	1,733
Tax effect from the fair value reserve (cash flow hedge)	2,919	902	3,595	-449
Fair value reserve (available for sale investments)	37,329	-569	10,570	-772
Tax effect from the fair value reserve (available for sale investments)	-9,866	193	-645	262
Share of other comprehensive income of associates, net of taxes	-3,284	-2,469	-2,110	-2,462
	51,593	47,738	43,211	85,382
<b>Other comprehensive income for the period, net of income tax</b>	50,945	47,118	39,791	82,048
<b>Total comprehensive income for the period</b>	<b>347,034</b>	<b>114,685</b>	<b>374,531</b>	<b>155,635</b>

\* Restated for IFRS 10 and 11 purposes

LISBON, 13 May 2014

THE OFFICIAL ACCOUNTANT  
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS



## EDP - Energias de Portugal

Condensed Consolidated Statement of Financial Position as at 31 March 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013*
<b>Assets</b>			
Property, plant and equipment	16	19,477,564	19,454,099
Intangible assets	17	6,030,713	6,017,802
Goodwill	18	3,254,780	3,253,144
Investments in joint ventures and associates	20	657,305	645,421
Available for sale investments	21	248,911	212,483
Deferred tax assets	22	202,663	320,590
Trade receivables	24	98,723	98,994
Debtors and other assets from commercial activities	25	3,117,910	3,188,179
Other debtors and other assets	26	563,576	552,032
Collateral deposits associated to financial debt	34	409,318	420,081
<b>Total Non-Current Assets</b>		<b>34,061,463</b>	<b>34,162,825</b>
Inventories	23	255,490	264,788
Trade receivables	24	2,186,713	2,181,903
Debtors and other assets from commercial activities	25	2,280,951	1,820,900
Other debtors and other assets	26	313,942	306,579
Current tax assets	27	403,534	433,052
Financial assets at fair value through profit or loss		3,803	4,217
Collateral deposits associated to financial debt	34	31,810	18,729
Cash and cash equivalents	28	1,684,880	2,156,707
Assets held for sale	41	762,147	715,837
<b>Total Current Assets</b>		<b>7,923,270</b>	<b>7,902,712</b>
<b>Total Assets</b>		<b>41,984,733</b>	<b>42,065,537</b>
<b>Equity</b>			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-78,280	-85,573
Share premium	29	503,923	503,923
Reserves and retained earnings	31	4,424,468	3,365,777
Consolidated net profit attributable to equity holders of EDP		296,089	1,005,091
<b>Total Equity attributable to equity holders of EDP</b>		<b>8,802,738</b>	<b>8,445,756</b>
Non-controlling Interests	32	3,180,238	3,082,146
<b>Total Equity</b>		<b>11,982,976</b>	<b>11,527,902</b>
<b>Liabilities</b>			
Financial debt	34	15,263,630	15,600,723
Employee benefits	35	1,730,554	1,751,066
Provisions	36	363,725	354,233
Deferred tax liabilities	22	767,877	759,092
Institutional partnerships in USA wind farms	37	1,475,763	1,508,495
Trade and other payables from commercial activities	38	1,384,100	1,251,192
Other liabilities and other payables	39	337,228	326,570
<b>Total Non-Current Liabilities</b>		<b>21,322,877</b>	<b>21,551,371</b>
Financial debt	34	4,019,100	4,158,086
Employee benefits	35	183,781	183,469
Provisions	36	24,925	27,437
Hydrological correction account	33	27,100	35,641
Trade and other payables from commercial activities	38	2,958,073	3,219,936
Other liabilities and other payables	39	261,243	209,651
Current tax liabilities	40	584,842	574,080
Liabilities held for sale	41	619,816	577,964
<b>Total Current Liabilities</b>		<b>8,678,880</b>	<b>8,986,264</b>
<b>Total Liabilities</b>		<b>30,001,757</b>	<b>30,537,635</b>
<b>Total Equity and Liabilities</b>		<b>41,984,733</b>	<b>42,065,537</b>

\* Restated for IFRS 10 and 11 purposes

LISBON, 13 May 2014

THE OFFICIAL ACCOUNTANT  
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these condensed financial statements

# EDP - Energias de Portugal

Condensed Consolidated Statement of Changes in Equity as at  
31 March 2014 and 31 December 2013

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
<b>Balance as at 31 December 2012</b>	<b>11,431,668</b>	<b>3,656,538</b>	<b>503,923</b>	<b>578,435</b>	<b>3,575,072</b>	<b>-86,118</b>	<b>43,942</b>	<b>24,268</b>	<b>-103,706</b>	<b>8,192,354</b>	<b>3,239,314</b>
Comprehensive income:											
Net profit for the period	408,327	-	-	-	334,740	-	-	-	-	334,740	73,587
Changes in the fair value reserve (cash flow hedge) net of taxes	-6,710	-	-	-	-	-7,994	-	-	-	-7,994	1,284
Changes in the fair value reserve (available for sale investments) net of taxes	9,415	-	-	-	-	-	9,925	-	-	9,925	-510
Share of other comprehensive income of associates, net of taxes	-4,572	-	-	-	-	1,230	-	-3,340	-	-2,110	-2,462
Actuarial gains/(losses) net of taxes	-6,754	-	-	-	-3,420	-	-	-	-	-3,420	-3,334
Exchange differences arising on consolidation	130,460	-	-	-	-	-	-	43,390	-	43,390	87,070
Total comprehensive income for the period	530,166	-	-	-	331,320	-6,764	9,925	40,050	-	374,531	155,635
Dividends attributable to non-controlling interests	-2,817	-	-	-	-	-	-	-	-	-	-2,817
Purchase and sale of treasury stock	2,552	-	-	-	-1,927	-	-	-	4,479	2,552	-
Changes resulting from acquisitions/sales and equity increases/decreases	-30,214	-	-	-	-4,709	-315	-	-	-	-5,024	-25,190
Other reserves arising on consolidation	-46	-	-	-	-46	-	-	-	-	-46	-
<b>Balance as at 31 March 2013*</b>	<b>11,931,309</b>	<b>3,656,538</b>	<b>503,923</b>	<b>578,435</b>	<b>3,899,710</b>	<b>-93,197</b>	<b>53,867</b>	<b>64,318</b>	<b>-99,227</b>	<b>8,564,367</b>	<b>3,366,942</b>
Comprehensive income:											
Net profit for the period	785,317	-	-	-	670,351	-	-	-	-	670,351	114,966
Changes in the fair value reserve (cash flow hedge) net of taxes	40,205	-	-	-	-	35,984	-	-	-	35,984	4,221
Changes in the fair value reserve (available for sale investments) net of taxes	18,488	-	-	-	-	-	19,068	-	-	19,068	-580
Share of other comprehensive income of associates, net of taxes	36,362	-	-	-	-	4,459	-	15,837	-	20,296	16,066
Actuarial gains/(losses) net of taxes	-93,620	-	-	-	-107,710	-	-	-	-	-107,710	14,090
Exchange differences arising on consolidation	-549,576	-	-	-	-	-	-	-208,269	-	-208,269	-341,307
Total comprehensive income for the period	237,176	-	-	-	562,641	40,443	19,068	-192,432	-	429,720	-192,544
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-164,143	-	-	-	-	-	-	-	-	-	-164,143
Purchase and sale of treasury stock	6,424	-	-	-	-5,742	-	-	-	12,166	6,424	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	223,797	-	-	-	112,566	-	-	-	-	112,566	111,231
Sale without loss of control of Wheatfield	34,977	-	-	-	-805	-	-	-177	-	-982	35,959
Changes resulting from acquisitions/sales and equity increases/decreases	-72,513	-	-	-	2,958	-262	-	-	-	2,696	-75,209
Other reserves arising on consolidation	-79	-	-	-	11	-	-	-	-	11	-90
<b>Balance as at 31 December 2013*</b>	<b>11,527,902</b>	<b>3,656,538</b>	<b>503,923</b>	<b>620,069</b>	<b>3,859,171</b>	<b>-53,016</b>	<b>72,935</b>	<b>-128,291</b>	<b>-85,573</b>	<b>8,445,756</b>	<b>3,082,146</b>
Comprehensive income:											
Net profit for the period	363,656	-	-	-	296,089	-	-	-	-	296,089	67,567
Changes in the fair value reserve (cash flow hedge) net of taxes	-8,682	-	-	-	-	-6,178	-	-	-	-6,178	-2,504
Changes in the fair value reserve (available for sale investments) net of taxes	27,087	-	-	-	-	-	27,463	-	-	27,463	-376
Share of other comprehensive income of associates, net of taxes	-5,753	-	-	-	-	-1,005	-	-2,279	-	-3,284	-2,469
Actuarial gains/(losses) net of taxes	-1,268	-	-	-	-648	-	-	-	-	-648	-620
Exchange differences arising on consolidation	86,679	-	-	-	-	-	-	33,592	-	33,592	53,087
Total comprehensive income for the period	461,719	-	-	-	295,441	-7,183	27,463	31,313	-	347,034	114,685
Dividends attributable to non-controlling interests	-31,107	-	-	-	-	-	-	-	-	-	-31,107
Purchase and sale of treasury stock	5,572	-	-	-	-1,721	-	-	-	7,293	5,572	-
Sale without loss of control of french companies - EDPR Europe	28,256	-	-	-	2,954	1,627	-	-	-	4,581	23,675
Changes resulting from acquisitions/sales and equity increases/decreases	-9,366	-	-	-	-205	-	-	-	-	-205	-9,161
<b>Balance as at 31 March 2014</b>	<b>11,982,976</b>	<b>3,656,538</b>	<b>503,923</b>	<b>620,069</b>	<b>4,155,640</b>	<b>-58,572</b>	<b>100,398</b>	<b>-96,978</b>	<b>-78,280</b>	<b>8,802,738</b>	<b>3,180,238</b>

\* Restated for IFRS 10 and 11 purposes

LISBON, 13 May 2014

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**EDP - Energias de Portugal**  
**Condensed Consolidated and Company Statement of Cash Flows**  
**as at 31 March 2014 and 2013**

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013*	Mar 2014	Mar 2013
<b>Operating activities</b>				
Cash receipts from customers	4,027,382	3,733,283	629,791	559,207
Proceeds from tariff adjustments securitization	149,647	174,454	-	-
Payments to suppliers	-3,090,656	-2,911,655	-617,039	-424,879
Payments to personnel	-214,798	-184,794	-2,574	-2,586
Concession rents paid	-69,235	-13,778	-	-
Other receipts / (payments) relating to operating activities	-226,337	71,918	152	110,253
<b>Net cash from operations</b>	<b>576,003</b>	<b>869,428</b>	<b>10,330</b>	<b>241,995</b>
Income tax received / (paid)	-10,720	-24,066	25,184	8,299
<b>Net cash from operating activities</b>	<b>565,283</b>	<b>845,362</b>	<b>35,514</b>	<b>250,294</b>
<b>Investing activities</b>				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	-	255,556	-	-
Other financial assets and investments	620	473	-	73
Property, plant and equipment and intangible assets	426	205	-	19
Investment grants	9,656	1,321	-	-
Interest and similar income	16,584	14,990	35,592	36,627
Dividends	8,109	2,173	89,880	86,204
	<b>35,395</b>	<b>274,718</b>	<b>125,472</b>	<b>122,923</b>
Cash payments relating to:				
Acquisition of assets / subsidiaries	-4,794	-45,780	-	-
Other financial assets and investments	-166	-76	-	-
Changes in cash resulting from consolidation perimeter variations	-	-21,754	-	-
Property, plant and equipment and intangible assets	-392,580	-677,286	-4,508	-7,981
	<b>-397,540</b>	<b>-744,896</b>	<b>-4,508</b>	<b>-7,981</b>
<b>Net cash from investing activities</b>	<b>-362,145</b>	<b>-470,178</b>	<b>120,964</b>	<b>114,942</b>
<b>Financing activities</b>				
Receipts / (payments) relating to loans	-466,703	-483,040	-358,758	-581,679
Interest and similar costs including hedge derivatives	-238,431	-230,709	-111,538	-55,746
Governmental grants received	-	91,051	-	-
Share capital increases / (decreases) by non-controlling interests	-9,364	-8,080	-	-
Receipts / (payments) relating to derivative financial instruments	7,505	-15,747	-4,546	-1,209
Dividends paid to non-controlling interests	-322	-3,413	-	-
Treasury stock sold / (purchased)	5,572	2,553	5,572	2,553
Sale of assets / subsidiaries without loss of control	28,261	-	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-12,103	-11,440	-	-
<b>Net cash from financing activities</b>	<b>-685,585</b>	<b>-658,825</b>	<b>-469,270</b>	<b>-636,081</b>
<b>Changes in cash and cash equivalents</b>	<b>-482,447</b>	<b>-283,641</b>	<b>-312,792</b>	<b>-270,845</b>
Effect of exchange rate fluctuations on cash held	10,620	15,497	14	256
Cash and cash equivalents at the beginning of the year	2,156,707	1,695,336	1,183,405	1,305,235
<b>Cash and cash equivalents at the end of the year **</b>	<b>1,684,880</b>	<b>1,427,192</b>	<b>870,627</b>	<b>1,034,646</b>

\* Restated for IFRS 10 and 11 purposes

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

LISBON, 13 May 2014

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## EDP - Energias de Portugal, S.A.

### Condensed Company Income Statement for the three-month period ended 31 March 2014 and 2013

Thousands of Euros	Notes	2014	2013
Revenues from energy sales and services and other	6	561,764	602,698
Cost of energy sales and other	6	-504,163	-553,819
		57,601	48,879
Other income		2,785	3,363
Supplies and services	8	-44,477	-41,246
Personnel costs and employee benefits	9	-3,816	-4,253
Other expenses	10	-1,012	-1,041
		-46,520	-43,177
		11,081	5,702
Provisions	11	-289	-1,640
Amortisation expense and impairment	12	-3,605	-3,866
		7,187	196
Financial income	13	344,896	315,506
Financial expenses	13	-323,052	-274,171
Profit before income tax		29,031	41,531
Income tax expense	14	1,788	-333
<b>Net profit for the period</b>		<b>30,819</b>	<b>41,198</b>

LISBON, 13 May 2014

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## EDP - Energias de Portugal, S.A.

### Company Condensed Statement of Comprehensive Income as at 31 March 2014 and 2013

Thousands of Euros	2014	2013
<b>Net profit for the period</b>	30,819	41,198
<b>Items that are or may be reclassified to profit or loss</b>		
Fair value reserve (cash flow hedge)	-24,319	-14,735
Tax effect from the fair value reserve (cash flow hedge)	7,671	4,308
Fair value reserve (available for sale investments)	11,681	3,859
Tax effect from the fair value reserve (available for sale investments)	-3,680	-107
<b>Other comprehensive income for the period, net of income tax</b>	-8,647	-6,675
<b>Total comprehensive income for the period</b>	22,172	34,523

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## EDP - Energias de Portugal, S.A.

### Condensed Company Statement of Financial Position as at 31 March 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013
<b>Assets</b>			
Property, plant and equipment	16	203,396	198,603
Intangible assets		4	4
Investments in subsidiaries	19	10,086,403	10,086,403
Investments in joint ventures and associates	20	6,595	6,595
Available for sale investments	21	55,223	43,544
Investment property		27,220	27,419
Deferred tax assets	22	23,762	25,097
Debtors and other assets from commercial activities		637	3,142
Other debtors and other assets	26	6,308,945	6,445,501
Collateral deposits associated to financial debt	34	323,999	334,497
<b>Total Non-Current Assets</b>		<b>17,036,184</b>	<b>17,170,805</b>
Inventories		145	510
Trade receivables	24	145,481	183,478
Debtors and other assets from commercial activities	25	238,871	330,275
Other debtors and other assets	26	2,209,545	1,974,827
Current tax assets	27	115,693	132,053
Collateral deposits associated to financial debt	34	23,173	12,675
Cash and cash equivalents	28	870,627	1,183,405
<b>Total Current Assets</b>		<b>3,603,535</b>	<b>3,817,223</b>
<b>Total Assets</b>		<b>20,639,719</b>	<b>20,988,028</b>
<b>Equity</b>			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-72,185	-79,478
Share premium	29	503,923	503,923
Reserves and retained earnings	31	2,941,733	2,161,226
Net profit for the period		30,819	790,875
<b>Total Equity</b>		<b>7,060,828</b>	<b>7,033,084</b>
<b>Liabilities</b>			
Financial debt	34	7,263,854	7,290,125
Provisions	36	20,488	19,942
Trade and other payables from commercial activities		3,768	3,521
Other liabilities and other payables	39	2,451,465	2,450,942
<b>Total Non-Current Liabilities</b>		<b>9,739,575</b>	<b>9,764,530</b>
Financial debt	34	3,018,016	3,210,777
Provisions	36	2,208	2,208
Hydrological correction account	33	27,100	35,641
Trade and other payables from commercial activities	38	562,561	672,871
Other liabilities and other payables	39	193,111	248,938
Current tax liabilities	40	36,320	19,979
<b>Total Current Liabilities</b>		<b>3,839,316</b>	<b>4,190,414</b>
<b>Total Liabilities</b>		<b>13,578,891</b>	<b>13,954,944</b>
<b>Total Equity and Liabilities</b>		<b>20,639,719</b>	<b>20,988,028</b>

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## EDP - Energias de Portugal, S.A.

### Company Condensed Statement of Changes in Equity as at 31 March 2014 and 31 December 2013

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
<b>Balance as at 31 December 2012</b>	<b>6,886,211</b>	<b>3,656,538</b>	<b>503,923</b>	<b>578,435</b>	<b>2,245,862</b>	<b>-11,131</b>	<b>10,195</b>	<b>-97,611</b>
Comprehensive income:								
Net profit for the period	41,198	-	-	-	41,198	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-10,427	-	-	-	-	-10,427	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	3,752	-	-	-	-	-	3,752	-
Total comprehensive income for the period	34,523	-	-	-	41,198	-10,427	3,752	-
Purchase and sale of treasury stock	2,552	-	-	-	-1,927	-	-	4,479
<b>Balance as at 31 March 2013</b>	<b>6,923,286</b>	<b>3,656,538</b>	<b>503,923</b>	<b>578,435</b>	<b>2,285,133</b>	<b>-21,558</b>	<b>13,947</b>	<b>-93,132</b>
Comprehensive income:								
Net profit for the period	749,677	-	-	-	749,677	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	20,690	-	-	-	-	20,690	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,333	-	-	-	-	-	2,333	-
Total comprehensive income for the period	772,700	-	-	-	749,677	20,690	2,333	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	6,424	-	-	-	-5,742	-	-	12,166
Share-based payments	1,886	-	-	-	398	-	-	1,488
<b>Balance as at 31 December 2013</b>	<b>7,033,084</b>	<b>3,656,538</b>	<b>503,923</b>	<b>620,069</b>	<b>2,316,620</b>	<b>-868</b>	<b>16,280</b>	<b>-79,478</b>
Comprehensive income:								
Net profit for the period	30,819	-	-	-	30,819	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-16,648	-	-	-	-	-16,648	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	8,001	-	-	-	-	-	8,001	-
Total comprehensive income for the period	22,172	-	-	-	30,819	-16,648	8,001	-
Purchase and sale of treasury stock	5,572	-	-	-	-1,721	-	-	7,293
<b>Balance as at 31 March 2014</b>	<b>7,060,828</b>	<b>3,656,538</b>	<b>503,923</b>	<b>620,069</b>	<b>2,345,718</b>	<b>-17,516</b>	<b>24,281</b>	<b>-72,185</b>

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**EDP - Energias de Portugal, S.A.**  
**Notes to the Condensed Consolidated and Company Financial Statements**  
**for the three-month period ended 31 March 2014**

## **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, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors, whose scope and framework is adequately detailed in Note 1 of the Notes to Consolidated Financial Statements of 2013 with reference to the activities undertaken in 2013.

During the three-month period ended 31 March 2014, we emphasize the following changes, with significant impact in the economic activity of the EDP Group:

### **Activity in the energy sector in Portugal**

#### **Electricity - Portugal**

The Law 83-C/2013, Law of the State Budget 2014 ("Lei do Orçamento de Estado 2014"), approved by the Portuguese Government on 31 December 2013, introduced an extraordinary contribution applicable to the energy sector (CESE), with the objective of financing mechanisms that promote the energy sector systemic sustainability, through the establishment of a fund which aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector. This contribution focuses generally on the economic operators that develop the following activities: i) generation, transport or distribution of electricity; ii) transport, distribution, storage or wholesale supply of natural gas; iii) refining, treatment, storage, transport, distribution and wholesale supply of crude oil and oil products.

CESE is calculated on the value of the companies' net assets as at 1 January 2014, which comply, cumulatively, to: (i) tangible assets; (ii) intangible assets, except industrial property elements; (iii) financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets if it is higher than the value of those assets.

The applicable rate is 0.85% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 3,000 hours, 0.565% for power plants with an equivalent annual utilization of installed capacity greater than or equal to 1,500 and less than 3,000 hours and 0.285% for power plants with an equivalent annual utilisation of installed capacity less than 1,500 hours.

The exemptions include assets of wind generation, mini-hydric power plants, and power plants with licenses granted following a public tender and land comprising the public domain.

#### *Generation*

On 6 February 2014, the Order 1873/2014 was published, which maintains the charge, as an advanced payment on the amounts mentioned in the nº 1 of the Order 12955 -A/2013, of 10 October fixing the payment per MWh injected into the network, for each one of the power plants covered, in 3€ for on-peak hours and 2€ for off-peak, until another mechanism to allow a fixed price paid in advance regarding the MWs injected into the network is set in the future.

### **Activity in the energy sector in Spain**

#### **Electricity - Spain**

On 28 March 2014, the Spanish Government approved the Royal-Decree 216/2014 which established the structure and the calculation method of the voluntary prices applicable to small electricity consumers and the legal regime under which the contracts will be indexed to the market electricity price. This Royal-Decree entered into force on 1 April, with retroactive effects to 1 January 2014.

### **Activity in the energy sector in Brazil**

#### **Electricity - Brazil**

On 12 February 2014, ANEEL, after examining the administrative appeal filed by EDP Escelsa, reviewed by the Order No. 287/2014, the Remuneration Base ("BRR") part of the 6th Periodic Tariff Review, incorporating 32 millions of Reais to the Gross BRR and 24 millions of Reais to the Net BRR. The amount will be incorporated into the tariff and the values that were not received in 2013 will be adjusted by the SELIC (overnight rate of the Sistema Especial de Liquidação e de Custódia) and added as financial component in the tariff adjustment of 2014.

On 7 March 2014, the Decree 8.203/2014 was published, which authorizes the transfer of funds from CDE to pay the exposure costs to the spot market in the Electricity Trading Chamber - CCEE in January 2014. 1.2 millions of Reais were allocated to Brazilian distribution companies, being 30 millions of Reais allocated to Escelsa, according ANEEL's calculation published in Order No. 515/2014.

**EDP - Energias de Portugal, S.A.**  
**Notes to the Condensed Consolidated and Company Financial Statements**  
**for the three-month period ended 31 March 2014**

On 13 March 2014, the Ministries of Mines and Energy (MME) and Treasury announced on 13 March 2014, the following measures to support the national electricity sector: (i) Establishment of Centralized Account (Account-ACR), which is administered by the CCEE with the aim of preserving the consumer tariff volatility, besides relieving distributors cash flow for 2014 expenses; (ii) 4 billions of Reais of additional Financial Contribution from the National Treasury in the Energy Development Account (CDE); and (iii) performance of Existing Energy Auction of the Year "A", with energy delivery in 2014, expected to be held in April and supply starting from 1 May 2014.

These measures were implemented for the publication on 2 April 2014 of the Decree 8.221/2014 related with the cover of the extra costs for 2014, with retroactive effects to February, and defines the financing method and the subsequent effect on electricity tariffs. The amount for the months of February and March has already been approved by ANEEL and the respective payment to the companies. This cover has a character of a contribution cost, non-refundable, and was booked as a cost reduction with impact on Bandeirante and Escelsa gross margin of approximately 370 millions of Reais as at 31 March 2014.

## **2. ACCOUNTING POLICIES**

### **a) Basis of presentation**

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the three-month period ended 31 March 2014 and condensed consolidated and company statement of financial position as at 31 March 2014.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 13 May 2014. 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 condensed financial statements for the three-month period ended 31 March 2014 were prepared in accordance with IFRS as adopted by the E.U. until 31 March 2014 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2013.

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 49.

The financial statements were prepared under the historical cost convention, modified by the application of the fair value accounting to derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available-for-sale investments, except those for which fair value is not available. Assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the hedged risk. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell. Liabilities for defined benefit plans are recognised at the present value of the obligation net of plan assets fair value.

In accordance with IFRS 3 - Business Combinations, if the initial purchase price allocation of assets, liabilities and contingent liabilities acquired is identified as provisional, in the subsequent 12 months after the business combination transaction, the legal acquirer should make the final allocation of the purchase price related to the fair value of the assets, liabilities and contingent acquired. These adjustments with impact on the amount of goodwill determined and booked in previous periods, originates a restatement of the comparative information, which are reflected on the Statement of financial position, with effect from the date of the business combinations transactions liabilities.

The preparation of financial statements in conformity with IFRS requires the Executive Board of Directors to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments regarding the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity, or where assumptions and estimates are considered to be significant, are presented in note 3 (Critical accounting estimates and judgments in preparing the financial statements).

Accounting policies have been applied consistently by all Group companies and in all periods presented in the consolidated financial statements. Nevertheless, the first time adoption of IFRS 10 and 11 with effective date of 1 January 2014, implied the Group to apply this standard for comparative purposes for the annual period immediately preceding, that is 1 January 2013.

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*Adoption of IFRS 10 and 11*

The Group has adopted IFRS 10 and 11 for the first time when preparing these condensed consolidated financial statements as at 31 March 2014.

IFRS 10 – Consolidated Financial Statements gives a new guidance about which entities must be consolidated in the consolidated financial statements, by establishing an unique control model, by which an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 – Joint Arrangements brings a couple of changes in accounting for jointly controlled entities. According to this standard, a joint arrangement structure is no longer the main feature in determining the accounting model to apply. IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. This assessment is made by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances.

IFRS 11 requires a joint operator to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable and a joint venturer to recognise an investment and to account for that investment using the equity method in accordance with IAS 28 – Investments in Associates and Joint Ventures.

Investees which have changed the consolidation method and the respective impacts in consolidated financial statements due to the adoption of these standards are disclosed in notes 5 and 47, respectively.

**b) Basis of consolidation**

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

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.

*Controlled entities*

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.

An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held.

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 investee previously acquired is booked against the income statement 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, as well as any gain or loss resulting from the disposal.

*Jointly controlled entities*

EDP Group classifies an arrangement as a joint arrangement when the jointly control is contractually established. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, independently of the percentage of voting rights held. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that collectively control the arrangement.

After determining the existence of joint control, the Group classifies joint arrangements into two types - joint operations and joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement, so the assets and liabilities (and related revenues and expenses) in relation to its interest in the arrangement are recognised and measured in accordance with relevant IFRSs applicable.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (ie joint venturers) have rights to the net assets of the arrangement, so this investment shall be accounted for using the equity method.

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The consolidated financial statements include the Group's attributable share of total reserves and profits or losses of joint ventures, accounted for under the equity method. When the Group's share of losses exceeds its interest in a jointly controlled entity, 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 that entity.

*Entities over which the Group has significant influence*

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.

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.

*Accounting for investments in subsidiaries, joint arrangements and associates in the company's financial statements*

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

*Goodwill*

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

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

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

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

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

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

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

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

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*Purchases of non-controlling interests and dilution*

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

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

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

*Investments in foreign operations*

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

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

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

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

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

*Balances and transactions eliminated on consolidation*

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

**c) Foreign currency transactions**

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

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

**d) Derivative financial instruments and hedge accounting**

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

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

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## **Hedge accounting**

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

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

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

### *Fair value hedge*

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

### *Cash flow hedge*

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

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

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

### *Net investment hedge*

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

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

### *Effectiveness*

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

## **e) Other financial assets**

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

### *Financial assets at fair value through profit or loss*

This category includes: (i) financial assets at fair value through profit or loss, acquired for negotiation purposes in the short term, and (ii) other 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.

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

#### **Subsequent measurement**

After initial recognition, financial assets at fair value through profit or loss are subsequently carried out 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 out 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 for those which result in an adverse effect on estimated future cash flows of the financial asset or group of financial assets, and when it can be reliably measured.

For the financial assets that present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are 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 in 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. For equity instruments, impairment losses can not be reversed and any subsequent event which determines a fair value increase is recognised in equity under fair value reserves.

#### **f) Financial liabilities**

An instrument is classified as a financial liability when there is a contractual obligation for the issuer to liquidate capital and/or interests, through delivering cash or other financial asset, regardless of its legal form. Financial liabilities are recognised (i) initially at fair value less transaction costs and (ii) subsequently at amortised cost, using the effective interest method; or at fair value, whenever the Group chooses, on initial recognition, to designate such instruments as at fair value through profit or loss using the fair value option.

#### **g) Equity instruments**

A financial instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or other financial asset to another entity, regardless 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 there is 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 recognised as non-controlling interests.



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**h) Property, plant and equipment**

Property, plant and equipment is 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 in 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 sale 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 in the expected economic benefits occurs 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 for the year are accounted 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.



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

**i) Intangible assets**

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

The Group performs impairment tests whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, being any impairment recognised in the income statement. The recoverable amount is the higher of net sale 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 asset.

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 its estimated useful life.

Software maintenance costs are charged in 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 amortised 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 assigned to concessions is described in note 2aa), Group concession activities.

*Industrial property and other rights*

Industrial property and other rights are amortised 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.

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

**m) Accounts receivable**

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost less impairment losses and being presented in the statement of financial position net of impairment losses which are associated.

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

**n) Employee benefits**

According with IAS 34 and IAS 19 no updated actuarial valuations are obtained for interim periods, except if there have been significant changes in the plans or unexpected significant changes in market conditions.

**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.

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.

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

The Group recognises as operational expenses, in the income statement, the current and the past service costs. Net interest on the net defined benefit liability (asset) is recognised in 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.

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*Defined contribution plans*

In Portugal, Spain and Brazil, some companies have defined contribution social benefit plans that complement those granted by the Social Security System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

**Other benefits**

*Medical benefits and other plans*

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

*Variable remuneration paid to employees*

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

**o) Provisions**

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

*Provisions for dismantling and decommissioning in electric power plants*

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

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

**p) Recognition of costs and revenues**

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

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

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

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

**q) Financial results**

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

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

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

**r) Income tax**

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

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

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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 be reversed in the 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 the 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.

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, immediately before their classification as held for sale. Subsequently, these assets or disposal groups are measured at the lowest between their carrying amount and fair value less costs to sell.

**v) Cash and cash equivalents**

Cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks. This caption also includes other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and specific demand deposits in relation to institutional partnerships that are funds required to be held in escrow sufficient to pay the remaining construction related costs of projects in institutional equity partnerships in U.S.A., in the next twelve months.

**w) Operating segments**

The Group presents the operating segments based on internal management information.

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
- (iii) for which discrete financial information is available.

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**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 Revenues from energy sales and services and other - Electricity and network access, the effects resulting from the recognition of tariff adjustments, against Debtors and other assets from commercial activities. 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 Revenues from energy sales and services and other of Gas and network accesses the effects resulting from the recognition of tariff adjustments against Debtors and other assets from commercial activities and Trade and other payables from commercial activities, in the same terms defined for the electric sector as mentioned above.

**y) CO2 licences and greenhouse gas emissions**

The Group holds CO2 licences in order to deal with gas emissions resulting from its operational activity and licences for trading. The CO2 and gas emissions licences held for own use are booked as intangible assets and are valued at the quoted price in the market on the date of the transaction.

The licences held by the Group for trading purposes are booked under Inventories at acquisition cost, subsequently adjusted at the lower of acquisition cost and net realisable value. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

**z) Statement of Cash Flow**

The Statement of Cash Flow is presented under the direct method, by which gross cash flows from operating, financing and investing activities are disclosed.

The Group classifies cash flows related to interest and dividends paid as financing activities and interest and dividends received as investing activities.

**aa) Group concession activities**

The International Financial Reporting Committee (IFRIC) issued in July 2007, IFRIC 12 - Service Concession Arrangements. This interpretation was approved by the European Commission on 25 March 2009 and is applicable for the annual periods beginning after that date.

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

IFRIC 12 is applicable to public-private concession contracts in which the public entity controls or regulates the services rendered through the utilisation of certain infrastructure as well as the price for such services and also controls any significant residual interest in the infrastructure.

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

*Financial Asset Model*

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

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*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 the 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 the assets assigned to concessions, thus the revenue and the expenditure with the acquisition of these assets have equal amounts (see note 6).

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

The Group carries out impairment tests to the intangible assets within concessions whenever events or circumstances may indicate that the book value of an asset exceeds its recoverable amount, being any impairment 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 regarding 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 Condensed Consolidated Financial Statements.

Considering that in many cases there are alternatives to the accounting treatment adopted by EDP Group, the reported results could differ if a different treatment was chosen. The Executive Board of Directors believes that the choices made are appropriate and that the financial statements present fairly, in all material respects, the Group's financial position and results.

#### **Impairment of available-for-sale investments**

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

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

Alternative methodologies or 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 generate 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 this 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 the end 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.

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**Contractual Stability Compensation - Revisable mechanism**

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

**Review of the useful life of the assets**

The Group reviews the reasonability of the useful lives used to determine the rates of depreciation of assets assigned to the activity on an annual basis and prospectively changed the depreciation charge of the year.

In the second quarter of 2011 EDP 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 EDP Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

On 7 February 2012, the regulatory authority of Brazil, Agência Nacional de Energia Elétrica (ANEEL), issued the Normative Resolution 474, which revised the economic useful life of assets associated to distribution concessions, and established new annual depreciation rates with retroactive effect from 1 January 2012 onwards. The implementation of this change in annual depreciation rates led to an increase in the average useful life of Bandeirante's and Escelsa's assets from 22 to 24 years and 20 to 22 years, respectively.

In the third quarter of 2013, the Group reviewed and extended the useful life of the combined cycle plants from 25 to 35 years based on a technical study conducted by an independent entity which considered the technical availability for an additional period of 10 years. The referred study covered the combined cycle plants in Portugal (Lares and Ribatejo) and Spain (Castejon 1 and 2, Grupo 4 and Soto 5).

**Useful lives of generation assets - Hydro independent generator in Brazil**

The hydro generation assets in Brazil for Independent Generators are amortised during the estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements which includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by the regulator (ANEEL) and the technical and legal opinions and the respective contractual residual indemnification values at the end of each concession period. The remaining period of amortisation and the indemnification values at the end of the concessions, may be influenced by any changes in the Regulatory Legal Framework in Brazil.

**Tariff adjustments**

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

In Portugal, the Decree-Law 237-B/2006 of 19 December, and the Decree-Law nº 165/2008 of 21 August, recognised an unconditional right of the operators of the binding electric sector to recover or return the tariff adjustments and the related interest expenses, 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. Additionally, the legislation allows the transfer to third parties of the right to receive tariff adjustments, therefore, under this legislation regulated companies may provide to third parties, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs. In accordance with the accounting policy in force, the EDP Group recorded in the income statement under the caption Revenues from energy sales and services and other - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

For entities of the natural gas sector, Decree-Law 87/2011 of July 18, also establishes the unconditional right of regulated operators in this sector to recover or return tariff adjustments and related interest expenses, regardless of the form of its future payment or in situations of insolvency and cease of operations, allowing the transfer to third parties of the right to receive tariff adjustments. The EDP Group recorded in the income statement, under the caption Revenues from energy sales and services and other - Gas and network access, the effects of the recognition of tariff adjustments of Natural Gas, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.



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In Spain, the Royal Decree Law 6/2009, published on 7 May 2009 established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs would 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 provided for the passage of some costs 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 CO<sub>2</sub> 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. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

In 2010, the Royal Decree Law 14/2010 was published and addressed the correction of the tariff deficit of the electricity sector. As a result, the temporal mismatch of the settlement for 2010 came to be considered as a revenue deficit of the electricity system and established a set of measures to ensure that the various industry players contribute to the reduction, including: the establishment of generation rates, financing plans for energy efficiency and savings by the generation companies, and various regulatory measures that help reduce the additional costs of certain technologies in the special regime.

In 2012, the Royal Decree Law 1/2012 was published, establishing a moratorium on adding new facilities in the pre-allocation records for remuneration and the Royal Decree Law 13/2012 which provides reductions in the remuneration for the distribution activity and an extraordinary decrease on other regulated activities. Both decrees were adopted with urgency to reduce the tariff deficit in order to achieve the limit provided for 2012 in the Royal Decree Law 14/2010.

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

#### **Impairment of long term assets and Goodwill**

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

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

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

#### **Doubtful debts**

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

#### **Revenue recognition**

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

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

#### **Income taxes**

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

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



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In Portugal, the tax authorities are entitled to review the EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for annual periods of 2013 and 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is three years, from the date that the income tax return is filed by the taxpayer. 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 could lead to different financial results than those considered.

#### **Measurement criteria of the concession financial receivables under IFRIC 12**

In 2012, the Provisional Measure 579/12 was published in Brazil, meanwhile converted into Law 12.783/13, which determines the amount of the indenisation payable to the distribution companies regarding the assets not amortised or depreciated at the end of each concession, that should be determined based in the methodology of the new replacement value. This methodology determined an increase in the indenisation amount (financial asset IFRIC 12) of Bandeirante and Escelsa, booked, under IFRIC 12 terms, against other operating income. This amount corresponds to the difference between the new replacement value versus the historical cost.

#### **Regulatory changes occurred in Spain**

On 12 July 2013, the Spanish Government approved the Royal Decree-Law 9/2013 which comprises a set of relevant changes in the remuneration scheme applicable to the entities operating in the electric sector in Spain, including the one regulated by the Royal Decree-Law 2/2013.

The main changes applicable to renewable energy producers are as following: (i) Derogation of the present remuneration scheme regulated by the Royal Decree-Law 661/2007 and subsequents, (ii) the remuneration of wind energy and cogeneration activity will be determined according to the reasonable rate, which will have in consideration the average of ten-year bond yield, in secondary market, plus 300 basis points, (iii) definition of a standard model for activity income and expenses. This model will determine the remuneration's reasonable rate, considering the standard income of energy sales in market and the standard production costs and investment in standard facilities.

On 26 November 2013, the Government submitted to CNMC ("Comisión Nacional de los Mercados y la Competencia"), a draft decree describing the new remuneration scheme for renewable generation. This draft decree did not include the required parameters to calculate the remuneration for the renewables' sector activities, but defined that it should be retrospectively applied since 14 July. These parameters were released on 3 February 2014 when the CNMC disclosed the draft Ministerial Order containing the needed parameters to calculate the remuneration for each one of the 1,600 different types of renewable installations defined by the government.

According to these parameters, wind farms built in 2004 or earlier are not eligible to receive any incentive while the new wind farms will receive a flat premium per installed MW until the end of their regulatory life. The flat premium will be subject to tri-annual modifications due to updates in the forecast of the parameters affecting the profitability of the installations. Overall, the wind sector will receive 1,191 millions of Euros in 2014 which compares to the forecast of 2,000 millions of Euros that would have been received under the old regulation. This cut of approximately 800 millions of Euros in the wind sector represents 45% of the total savings for the whole renewable sector that were estimated at 1,750 millions of Euros in the budget published within the tariff and charges order draft.

As a consequence of this measure, EDP Group estimated and booked the impact in the profit and loss for the year and calculated the impairment for wind farm assets and cogeneration assets as at 31 December 2013. As a result, an impairment loss of 16 millions of Euros and 31 millions of Euros was booked by EDPR Europe and HDC Group, respectively.

As this date, the Spanish Government is still preparing legislation which will regulate this new law. In the absence of specific regulations for implementing the new law, in particular the reference for defining the standard model for the wind generation and cogeneration assets, the financial statements as at 31 March 2014 and 31 December 31 2013 include the best estimate at each date, of the effects of this new legislation in the wind generation and cogeneration activities, either in the recognition of income and in potential impacts on the recovery of assets and goodwill associated with these activities. Changes that may occur to the draft legislation now available may impact the future EDP Group results.

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**Entities included in the consolidation perimeter**

In order to determine which entities must be included in the consolidation perimeter, EDP Group evaluates whether it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (de facto control).

This evaluation requires judgement, assumptions and estimates in order to conclude whether the Group is in fact exposed to variable returns and has the ability to affect those returns through its power over the investee.

Other assumptions and estimates could lead to a different consolidation perimeter of the Group, with direct impact in the consolidated financial statements.

**4. FINANCIAL-RISK MANAGEMENT POLICIES**

**Financial risk management**

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

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

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

As for the subsidiaries in Brazil, the Local Risk Management Department is responsible for the management of financial 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), Swiss francs (CHF), Brazilian Reals (BRL), Romanian Leu (RON), Canadian Dollars (CAD) and Zloty (PLN). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to these assets.

The Brazilian subsidiaries exposed to the USD/BRL exchange rate risk as a result of their USD debt, use derivative financial instruments to hedge this risk. Additionally, investments in the Brazilian subsidiaries of EDP Energias do Brasil, whose net assets expressed in BRL are exposed to exchange rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange rate. Regarding investments in wind farms of EDP Renováveis in Brazil, the Group decided to follow the strategy that has been adopted to hedge these investments in USA and Poland, by contracting a financial derivative instrument to cover the exchange rate exposure of these assets.

The exchange rate and interest rate risk on the GBP, CHF and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

**Sensitivity analysis - exchange rate**

Regarding the 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 March 2014 and 2013, would lead to an increase / (decrease) in the EDP Group results and/or equity as follows:

Thousands of Euros	Mar 2014			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	36,131	-44,160	-8,530	10,426
RON	1,049	-1,282	-	-
PLN	17,990	-21,988	-	-
	55,170	-67,430	-8,530	10,426

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Thousands of Euros	Mar 2013			
	Profit or loss		Equity	
	+10%	-10%	+10%	-10%
USD	17,866	-21,836	-2,237	2,734
RON	1,705	-2,084	-	-
PLN	11,738	-14,346	-	-
	31,309	-38,266	-2,237	2,734

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 engages interest rate derivative financial instruments to hedge the 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 engaged 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 engaged, 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 up to 15 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 45% of the Group's liabilities are at fixed rate.

#### Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 March 2014 and 2013 would lead to the following increases / (decreases) in equity and/or results of the EDP Group:

Thousands of Euros	Mar 2014			
	Profit or loss		Equity	
	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
<b>Cash flow effect</b>				
Hedged debt	-11,671	11,671	-	-
Unhedged debt	-35,877	35,877	-	-
<b>Fair value effect</b>				
Cash flow hedging derivatives	-	-	24,135	-25,157
Trading derivatives (accounting perspective)	-582	448	-	-
	-48,130	47,996	24,135	-25,157

Thousands of Euros	Mar 2013			
	Profit or loss		Equity	
	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
<b>Cash flow effect</b>				
Hedged debt	-10,061	10,061	-	-
Unhedged debt	-38,369	38,369	-	-
<b>Fair value effect</b>				
Cash flow hedging derivatives	-	-	28,159	-31,081
Trading derivatives (accounting perspective)	-1,358	509	-	-
	-49,788	48,939	28,159	-31,081

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.

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

EDP Group believes that the amount that best represents the Group's exposure to credit risk corresponds to the carrying amount of trade receivables and other debtors, net of the impairment losses recognised. The Group believes that the credit quality of these receivables is adequate and that no significant impaired credits exists that have not been recognised as such and provided for.

#### **Liquidity risk management**

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

#### **Energy market risk management**

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

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO<sub>2</sub>) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps and forwards of electricity and fuels to fix prices.

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

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

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

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

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

Thousands of Euros	<b>P@R Distribution by risk factor</b>	
	<b>Mar 2014</b>	<b>Dec 2013</b>
<b>Risk factor</b>		
Negotiation	6,000	2,000
Fuel	10,000	21,000
CO <sub>2</sub>	15,000	15,000
Electricity	35,000	21,000
Hydrological	23,000	36,000
Diversification effect	-43,000	-51,000
	<b>46,000</b>	<b>44,000</b>

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

	Mar 2014	Dec 2013
<b>Credit risk rating (S&amp;P)</b>		
AAA to AA-	7.68%	14.51%
A+ to A-	55.77%	59.60%
BBB+ to BBB-	21.73%	10.31%
BB+ to B-	0.80%	0.82%
No rating assigned	14.02%	14.76%
	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 is as follows:

	VaR	
Thousands of Euros	Mar 2014	Dec 2013
Exchange rate risk	1,377	1,093
Interest rate risk	5,504	3,788
Covariation	-1,790	-1,340
	5,091	3,541

**5. CONSOLIDATION PERIMETER**

During the three months period ended 31 March 2014, the following changes occurred in the EDP Group consolidation perimeter:

**Companies acquired:**

- EDP Renewables Polska, S.P. ZO.O acquired 100% of the share capital of Radziejów Wind Farm Sp. ZO.O.

**Companies sold:**

- EDPR-France S.A.S. sold 49% of its interests in the following companies:
  - Parc Eolien du Clos Bataille, S.A.S.;
  - C.E. Canet-Pont de Salars, S.A.S.;
  - C.E. Guelas Noyal-Pontivy, S.A.S.;
  - C.E. Patay, S.A.S.;
  - C.E. Saint Barnabe, S.A.S.;
  - Eolienne de Saugueuse, S.A.R.L.;
  - C.E. Segur, S.A.S.;
  - Parc Eolien de Varimpre, S.A.S.;
  - Parc Eolien des Vatines, S.A.S.

This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 4,581 thousands of Euros, was booked against reserves under the corresponding accounting policy;

- EDP Renewables Europe, S.L. sold 7% of its interests of the following companies:
  - Les Eoliennes en Mer de Dieppe - Le Tréport, S.A.S.;
  - Les Eoliennes en Mer de Vendée, S.A.S.

**Companies merged:**

- The following companies were merged into EDP Renewables Canada LP, Holdings Ltd.:
  - 8067241 BC, Ltd.;
  - 0867242 BC, Ltd.;
  - South Branch Wind Farm, Inc.

**Companies incorporated:**

- Energia São Manoel S.A.

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**Other changes:**

- Increase of the financial interest in S.C. Ialomita Power, S.R.L. from 85% to 100% through a share capital increase fully subscribed by EDP Renewables Europe, S.L.;
- Due to the date of effectiveness of IFRS 10 - Consolidated Financial Statements, the EDP Group changed the method of consolidation from Integral Method to the Equity Method in the following companies:
  - Ceprastur A.I.E.;
  - Cogeração Bergara, A.I.E.;
  - HC Tudela Cogeneración;
- Due to the date of effectiveness of IFRS 11 - Joint Arrangements, the EDP Group changed the method of consolidation from Proportional Method to the Equity Method in the following companies:
  - Arquiled Brasil - Projectos de Iluminação Ltda;
  - Arquiled - Projectos de Iluminação, S.A.;
  - Arquiservice - Consultoria Serviços, S.A.;
  - Bioastur A.I.E.;
  - CIDE HC Energia, S.A.;
  - Cogeneración y Mantenimiento A.I.E.;
  - Companhia Eólica Aragonesa, S.A.;
  - Desarrollos Energeticos Canarios S.A.;
  - EDP Produção Bioelétrica, S.A.;
  - Evolución 2000, S.L.;
  - Flat Rock Windpower II, L.L.C.;
  - Flat Rock Windpower, L.L.C.;
  - Pecém Operação e Manutenção de Unidades de Geração Elétrica, S.A.;
  - Pecém Transportadora de Minérios, S.A.;
  - Porto do Pecém Geração de Energia S.A.;
  - Ródão Power - Energia e Biomassa do Ródão, S.A.;
  - Tébar Eólica, S.A.

**6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER**

Revenues from energy sales and services and other are analysed by sector is as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
Electricity and network access	3,698,194	3,862,553	464,675	507,309
Gas and network access	487,549	432,352	52,878	61,764
Sales of CO2 licences	144	40	9,430	40
Revenue from assets assigned to concessions	78,917	69,451	-	-
Other	62,409	50,244	34,781	33,585
	<b>4,327,213</b>	<b>4,414,640</b>	<b>561,764</b>	<b>602,698</b>

Revenues from energy sales and services and other by geographical market, for the Group, is analysed as follows:

Thousands of Euros	Mar 2014					
	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	2,199,711	702,822	615,824	102,067	77,770	3,698,194
Gas and network access	77,433	410,116	-	-	-	487,549
Sales of CO2 licences	144	-	-	-	-	144
Revenue from assets assigned to concessions	56,762	-	22,155	-	-	78,917
Other	18,337	7,608	36,204	16	244	62,409
	<b>2,352,387</b>	<b>1,120,546</b>	<b>674,183</b>	<b>102,083</b>	<b>78,014</b>	<b>4,327,213</b>

Thousands of Euros	Mar 2013					
	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	2,190,146	823,545	686,827	99,501	62,534	3,862,553
Gas and network access	73,639	358,713	-	-	-	432,352
Sales of CO2 licences	40	-	-	-	-	40
Revenue from assets assigned to concessions	52,081	-	17,370	-	-	69,451
Other	21,145	14,023	15,023	1	52	50,244
	<b>2,337,051</b>	<b>1,196,281</b>	<b>719,220</b>	<b>99,502</b>	<b>62,586</b>	<b>4,414,640</b>

During the first quarter 2014, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 729,872 thousands of Euros (income in 31 March 2013: 617,498 thousands of Euros) regarding the tariff adjustments of the period (see notes 25 and 38), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 43,164 thousands of Euros (31 March 2013: 4,111 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

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Following the revision of the Commercial Relations Code (RRC), from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production (PRE) acquired under the applicable legislation, also buying in the market all the electricity needed to supply its customers. Following this amendment, from 1 January 2012 onward, the electricity purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover at its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 31 March 2014, the electricity from special regime producers sold in the market amounts to 179,992 thousands of Euros (31 March 2013: 240,659 thousands of Euros).

The breakdown of Revenues from energy sales and services and other by segment is presented in the segmental reporting (see note 52).

Cost of energy sales and other are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
<b>Cost of electricity</b>	2,238,711	2,264,782	441,611	488,193
<b>Cost of gas</b>	360,412	336,227	-	-
<b>Expenditure with assets assigned to concessions</b>	78,917	69,451	-	-
<b>Changes in inventories and cost of raw materials and consumables used</b>				
Fuel, steam and ashes	62,734	97,900	-	-
Gas	66,852	88,326	52,878	60,297
Cost of consumables used	5,895	6,586	-	-
CO2 licences	10,656	29,122	9,671	5,328
Own work capitalised	-18,960	-17,100	-	-
Other	38,957	32,467	3	1
	166,134	237,301	62,552	65,626
	2,844,174	2,907,761	504,163	553,819

On a company basis, Cost of electricity includes costs of 243,811 thousands of Euros (31 March 2013: 287,546 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.

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

Thousands of Euros	Group	
	Mar 2014	Mar 2013
<b>Revenue from assets assigned to concessions</b>	78,917	69,451
<b>Expenditure with assets assigned to concessions</b>		
Subcontracts and other materials	-57,792	-46,157
Personnel costs capitalised (see note 9)	-19,027	-20,926
Capitalised borrowing costs (see note 13)	-2,098	-2,368
	-78,917	-69,451
	-	-

## 7. OTHER INCOME

Other income, for the Group, is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Mar 2013
Gains on fixed assets	1,030	300
Customers contributions	2,541	3,659
Income arising from institutional partnerships - EDPR NA	36,104	35,578
Estimation of the revised selling price of EDPR PT	5,002	-
Gains on disposals - assets of gas and electricity business	-	58,068
Other	26,635	38,442
	71,312	136,047

Customers contributions include the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 2,526 thousands of Euros (31 March 2013: 3,524 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 37).



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In 2007 and under the acquisition of EDPR NA, the power purchase agreements between EDPR NA and its customers which were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 38). This liability is depreciated over the period of the agreements against Other income. As at 31 March 2014, the amortisation for the period amounts to 2,168 thousands of Euros (31 March 2013: 2,102 thousands of Euros).

In 2013, this caption also includes 13,779 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

Gains on disposals - assets of gas and electricity business, in 2013, is related with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros.

## 8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
Consumables and communications	12,031	12,688	1,958	2,047
Rents and leases	24,975	28,415	9,301	11,437
Maintenance and repairs	69,680	72,782	7,365	4,459
Specialised works:				
- Commercial activity	41,039	38,018	260	875
- IT services, legal and advisory fees	15,945	19,347	5,021	5,270
- Other services	11,110	11,875	3,456	2,826
Provided personnel	-	-	13,625	11,337
Other supplies and services	27,577	28,954	3,491	2,995
	202,357	212,079	44,477	41,246

## 9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
<b>Personnel costs</b>				
Board of Directors remuneration	3,766	4,162	1,382	1,737
Employees' remuneration	124,094	129,014	550	432
Social charges on remuneration	30,293	31,921	297	93
Performance, assiduity and seniority bonus	19,413	21,020	1,321	1,648
Other costs	5,635	6,582	210	222
Own work capitalised:				
- Assigned to concessions (see note 6)	-19,027	-20,926	-	-
- Other	-13,055	-15,992	-24	-
	151,119	155,781	3,736	4,132
<b>Employee benefits</b>				
Pension plans costs	6,691	6,753	68	68
Medical plans costs and other benefits	2,168	2,488	-	34
Other	4,032	4,603	12	19
	12,891	13,844	80	121
	164,010	169,625	3,816	4,253

Pension plans costs include 3,063 thousands of Euros (31 March 2013: 3,125 thousands of Euros) related to defined benefit plans (see note 35) and 3,628 thousands of Euros (31 March 2013: 3,628 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 2,168 thousands of Euros (31 March 2013: 2,488 thousands of Euros) related to the charge of the period.

## 10. OTHER EXPENSES

Other expenses, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Mar 2013
Concession rents paid to local authorities and others	69,050	68,901
Direct and indirect taxes	60,319	63,600
Donations	2,464	2,833
Impairment losses:		
- Trade receivables	2,444	12,489
- Debtors	1,256	3,339
Other	22,050	23,903
	157,583	175,065



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The caption Concession rents paid to local authorities and others includes essentially the rents paid to the local authorities under the terms of the low tension electricity distribution concession contracts and rents paid to city councils where the power plants are located.

The caption Direct and indirect taxes includes a tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

Other expenses, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Mar 2014	Mar 2013
Direct and indirect taxes	102	226
Donations	215	218
Impairment losses:		
- Debtors	11	-
Other	684	597
	<b>1,012</b>	<b>1,041</b>

## 11. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
Charge for the period	10,811	12,009	289	1,801
Write-back for the period	-3,926	-2,569	-	-161
	<b>6,885</b>	<b>9,440</b>	<b>289</b>	<b>1,640</b>

## 12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
<b>Property, plant and equipment</b>				
Buildings and other constructions	2,926	3,565	674	711
Plant and machinery	212,451	219,276	7	7
Other	15,623	16,660	2,724	3,146
Impairment loss	-112	6,647	-	-
	<b>230,888</b>	<b>246,148</b>	<b>3,405</b>	<b>3,864</b>
<b>Intangible assets</b>				
Concession rights and impairment	20,590	21,316	-	-
Intangible assets assigned to concessions - IFRIC 12	78,247	82,839	-	-
Other intangibles	559	527	1	2
	<b>99,396</b>	<b>104,682</b>	<b>1</b>	<b>2</b>
<b>Investment property</b>	-	-	199	-
	<b>330,284</b>	<b>350,830</b>	<b>3,605</b>	<b>3,866</b>
<b>Compensation of amortisation and depreciation</b>				
Partially-funded property, plant and equipment	-6,262	-6,697	-	-
	<b>324,022</b>	<b>344,133</b>	<b>3,605</b>	<b>3,866</b>

During the first quarter of 2013 an impairment losses of 6,647 thousands of Euros were booked on plant and machinery related to wind generation assets in Spain. These impairment losses resulted from regulatory changes in Spain, following the publication of Royal Decree-Law 2/2013 (see note 16).

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.

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**13. FINANCIAL INCOME AND EXPENSES**

Financial income and expenses, for the Group, are analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Mar 2013
<b>Financial income</b>		
Interest income from bank deposits and other applications	12,200	10,769
Interest income from loans to joint ventures and associates	6,606	5,016
Interest from derivative financial instruments	34,948	31,560
Derivative financial instruments	96,339	132,170
Other interest income	10,592	12,270
Foreign exchange gains	9,876	9,350
CMEC	11,856	12,532
Other financial income	47,108	33,831
	<b>229,525</b>	<b>247,498</b>
<b>Financial expenses</b>		
Interest expense on financial debt	237,615	207,789
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-2,098	-2,368
- Other	-39,057	-29,122
Interest from derivative financial instruments	27,284	25,827
Derivative financial instruments	81,504	115,476
Other interest expense	6,786	7,885
Foreign exchange losses	6,060	12,793
CMEC	4,504	4,742
Unwinding of liabilities	25,274	26,821
Net interest on the net pensions plan liability (see note 35)	6,715	7,742
Net interest on the medical liabilities and other benefits (see note 35)	10,241	10,228
Other financial expenses	11,628	13,259
	<b>376,456</b>	<b>401,072</b>
<b>Financial income / (expenses)</b>	<b>-146,931</b>	<b>-153,574</b>

The caption Financial income - CMEC totalling 11,856 thousands of Euros includes 3,823 thousands of Euros related to interest on the initial CMEC (31 March 2013: 4,161 thousands of Euros) included in the annuity for 2014 and 8,033 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 March 2013: 8,371 thousands of Euros).

The caption Other financial income includes essentially 30,067 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (31 March 2013: 29,381 thousands of Euros), 1,492 thousands of Euros (31 March 2013: 1,496 thousands of Euros) related with interest income on tariff adjustment and tariff deficit in Spain and 11.647 thousands of Euros related to gains, on sale of part of the electricity tariff deficit related to the 2013 over cost for the acquisition of electricity from Special Regime Generators (see note 25).

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

Financial expenses - CMEC, in the amount of 4,504 thousands of Euros (31 March 2013: 4,742 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 38).

The Unwinding of discounted value liabilities refers essentially to: (i) the unwinding of the dismantling and decommissioning provision for wind generation assets, (ii) the implied financial return in institutional partnership in USA wind farms, and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrogão, Investco and Enerpeixe.

Financial income and expenses, for the Company, are analysed as follows:

Thousands of Euros	Company	
	Mar 2014	Mar 2013
<b>Financial income</b>		
Interest income from loans to subsidiaries and related parties	126,579	117,998
Derivative financial instruments	196,268	178,858
Other financial income	22,049	18,650
	<b>344,896</b>	<b>315,506</b>
<b>Financial expenses</b>		
Interest expense on financial debt	115,892	85,218
Derivative financial instruments	186,181	174,087
Other financial expenses	20,979	14,866
	<b>323,052</b>	<b>274,171</b>
<b>Financial income / (expenses)</b>	<b>21,844</b>	<b>41,335</b>

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#### **14. INCOME TAX**

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal the limit is 4 years, or 5 or 12 years if tax losses have been used in 2012/2013 or 2014, respectively. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is 3 years.

Tax losses generated in each fiscal year, which are also subject to inspection and adjustment, can be deducted to the taxable income assessed in the subsequent periods (12 years in Portugal, 18 in Spain, 20 years in the USA and Canada, 5 in Poland, 7 in Romania, 9 in the Netherlands and without an expiry date in Brazil, France, Italy, United Kingdom and Belgium). Moreover, in the Netherlands and United Kingdom the tax losses may be carried back to the previous tax year and in the USA and Canada to the 2 and 3 previous years, respectively. However, the deduction of tax losses in Portugal, Spain, Brazil, France, Italy and Poland may be limited to a percentage 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.

The changes in the Law which had more impact in the EDP Group were the following:

- In Spain, the Royal Decree-Law 12/2012, published on 31 March 2012, established a set of measures aimed to reduce the public deficit, namely a general limitation for the deduction of the net financial expenses to 30% limit of the adjusted operational profit. The amount of financial expenses incurred which exceed the above mentioned 30% limit may be deducted in the 18 following years, provided that this limit is not exceeded in each year. Additionally, the maximum annual rate of goodwill amortisation is established at 1% for the tax years of 2012 and 2013, being this limit extended until 2015 by the Law 16/2013.

- The Royal Decree-Law 20/2012, which was approved in July 2012, introduced a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carried forward for the years 2012 and 2013, that was later extended also to fiscal years 2014 and 2015 by the Law 16/2013, published on 29 October:

- (i) Companies whose last year turnover are between 20 and 60 millions of Euros, can only deduct tax losses up to 50% of the taxable income compared to the former limit of 75%; and

- (ii) Companies whose last year turnover exceed 60 millions of Euros, can only deduct tax losses up to 25% of the taxable income compared to the former limit of 50%.

- Law 16/2012 was published on 28 December, introducing a set of tax measures aiming at the reduction of the public deficit and the expansion of the economic activity in Spain. The main measures with impact on the Group subsidiaries located in Spain are the following:

- (i) Limit of 70% of the deductibility for tax purposes of the amortisation and depreciation of intangible and tangible assets and investment properties, on the tax years of 2013 and 2014. Therefore, the amortisation and depreciation which is not deductible for tax purposes in 2013 and 2014, may be deducted on a straight basis over a 10-year period or over the remaining useful life of the corresponding assets from the tax year of 2015 onwards; and

- (ii) Possibility of companies reevaluate their tangible assets and investment properties, based on pre defined coefficients. According to the law, the effect of the reevaluation was taxed in 2013 at a single rate of 5% over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (reevaluation) was tax deductible for the revaluated assets remaining useful life.

- In Portugal, the Law 64-A/2011 of 30 December, determines that the state surcharge would be calculated as follows (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the maximum corporate income tax rate in Portugal applicable to entities with taxable income exceeding 10 and 7.5 millions of Euros, respectively, is 31.5%.

- The Law 2/2014, published on 16 January 2014, which approved the Reform of the CIT, introducing a set of new tax measures. The main measures are related to the reduction of CIT rate, the increase of state surcharge and the extended of the period to carry forward tax losses:

- (i) The CIT rate is reduced from 25% to 23% in 2014 to which is added at the municipal and state tax. Additionally is established a new tier of state surcharge over taxable income exceeding 35 millions of Euros at a rate of 7%. Whereas these tax rates were already substantially approved at the the balance sheet date, they had been considered in the calculation of deferred tax assets and liabilities as at 31 December 2013;

- (ii) The period to carry forward prior years' tax losses was extended from 5 to 12 years (for tax losses generated on or after 1 January 2014). Additionally, the deduction cap is reduced from 75% to 70% of the taxable income of the year.

In previous years, as a result of the Portuguese Tax Authorities interpretations regarding municipal surcharge and the underlying IT systems used by the tax authorities, EDP Group paid in excess municipal surcharge on the individual taxable income of the subsidiaries forming EDP taxation group in the amount of 43.1 millions of Euros.

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On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 millions of Euros in 2011. On 24 April 2012, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2010 in the amount of 12.7 millions of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 millions of Euros in 2012. On 20 May 2013, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2009 paid in excess in the amount of 1.6 millions of Euros, which was recorded as an income in the second quarter of 2013.

On 31 March 2014, the total amount of 2011 municipal surcharge paid in excess, for which EDP Group is still awaiting for a formal decision on the legal procedures, amounts to 11 millions of Euros.

Income tax expense is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
Current tax	-74,709	-112,794	-7,483	-14,069
Deferred tax	-111,159	-46,281	9,271	13,736
	<b>-185,868</b>	<b>-159,075</b>	<b>1,788</b>	<b>-333</b>

The reconciliation between the nominal and the effective income tax rate for the Group, as at 31 March 2014, is analysed as follows:

Thousands of Euros	Mar 2014		
	Rate %	Tax basis	Tax
<b>Nominal rate and income tax</b>	24.5%	564,224	138,235
Different tax rates (includes state surcharge)	6.5%	149,922	36,731
Tax losses and tax credits	3.0%	69,812	17,104
Tax benefits	-1.3%	-29,980	-7,345
Non deductible provisions and amortisations for tax purposes	0.6%	13,155	3,223
Financial investments in join ventures, associates and subsidiaries	-0.3%	-7,143	-1,750
Other adjustments and changes in estimates	-0.1%	-1,347	-330
<b>Effective tax rate and total income tax</b>	<b>32.9%</b>	<b>758,643</b>	<b>185,868</b>

The reconciliation between the nominal and the effective income tax rate for the Group, as at 31 March 2013, is analysed as follows:

Thousands of Euros	Mar 2013		
	Rate %	Tax basis	Tax
<b>Nominal rate and income tax</b>	26.5%	567,402	150,362
Different tax rates (includes state surcharge)	4.6%	97,691	25,888
Tax losses and tax credits	-0.1%	-2,313	-613
Tax benefits	-1.4%	-30,132	-7,985
Non deductible provisions and amortisations for tax purposes	-1.5%	-33,011	-8,748
Fair value of financial instruments and financial investments	-0.2%	-4,645	-1,231
Financial investments in join ventures, associates and subsidiaries	0.5%	11,687	3,097
Other adjustments and changes in estimates	-0.4%	-6,392	-1,695
<b>Effective tax rate and total income tax</b>	<b>28.0%</b>	<b>600,287</b>	<b>159,075</b>

The effective income tax rate for the EDP Group and EDP, S.A. is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
Profit before tax	564,224	567,402	29,031	41,531
Income tax	-185,868	-159,075	1,788	-333
Effective income tax rate	<b>32.9%</b>	<b>28.0%</b>	<b>-</b>	<b>-</b>

## 15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

The Law no. 83-C/2013 31 December (General State Budget for 2014), established the Extraordinary contribution to the energy sector (CESE). This contribution aims to finance mechanisms that promote the systemic sustainability of the energy sector, through the establishment of a fund that aims to contribute for the reduction of tariff debt and to finance social and environmental policies in the energy sector.

CESE focuses on the assets value with reference to the first day of financial year 2014 (1 January 2014) which respect, cumulatively, to Tangible assets; Intangible assets, with the exception of elements of industrial property; Financial assets assigned to concessions or licensed activities. In the case of regulated activities, CESE focuses on the value of regulated assets (i.e the amount recognized by ERSE for the calculation of allowed revenues as at 1 January 2014) if it is higher than the value of those assets. Given its legal framework, CESE is not considered a deductible expense in determining taxable income.

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Therefore, the Group booked under the caption Current tax liabilities - Other taxes, with reference to 1 January 2014, the responsibility concerning to CESE for the year 2014, in the amount of 58,799 thousands of Euros (see note 40). Since this contribution regards the whole year 2014, the financial statements as at 31 March 2014 includes, under the caption Extraordinary contribution to the energy sector (CESE) of the income statement, the cost corresponding to the first quarter in the amount of 14,700 thousands of Euros. The cost related to remaining period of the year 2014 were deferred under the caption Sundry debtors and other operations from commercial activities - Current in the amount of 44,099 thousands of Euros (see note 25).

This contribution is also applicable to EDP Produção power plants that are subject to the legal law that establishes the compensation mechanism to maintain the contractual balance, and so this contribution amount will be recognised according to the Decree-Law No. 240/2004 of 27 December.

## 16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Cost</b>				
Land and natural resources	152,131	149,857	60,148	60,148
Buildings and other constructions	477,782	471,276	85,393	85,393
Plant and machinery:				
- Hydroelectric generation	8,510,581	8,458,713	254	254
- Thermoelectric generation	7,587,039	7,580,154	-	-
- Renewable generation	11,496,929	11,387,426	-	-
- Electricity distribution	1,418,647	1,410,664	-	-
- Gas distribution	1,171,700	1,151,465	-	-
- Other plant and machinery	130,063	128,557	913	182
Other	836,999	808,591	119,934	117,256
Assets under construction	2,804,789	2,789,402	50,953	45,402
	34,586,660	34,336,105	317,595	308,635
<b>Accumulated depreciation and impairment losses</b>				
Depreciation charge	-231,000	-964,844	-3,405	-15,570
Accumulated depreciation in previous years	-14,786,450	-13,825,406	-106,012	-89,680
Impairment losses	112	-49,205	-	-4,782
Impairment losses in previous years	-91,758	-42,551	-4,782	-
	-15,109,096	-14,882,006	-114,199	-110,032
<b>Carrying amount</b>	<b>19,477,564</b>	<b>19,454,099</b>	<b>203,396</b>	<b>198,603</b>

The movements in Property, plant and equipment, for the Group, for the three-month period ended 31 March 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
<b>Cost</b>							
Land and natural resources	149,857	197	-124	-	2,201	-	152,131
Buildings and other	471,276	-	-4,090	593	10,003	-	477,782
Plant and machinery	30,116,979	5,586	-12,005	149,786	54,533	80	30,314,959
Other	808,591	6,475	-3,174	24,947	156	4	836,999
Assets under construction	2,789,402	190,431	-182	-175,326	2,555	-2,091	2,804,789
	34,336,105	202,689	-19,575	-	69,448	-2,007	34,586,660
Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
<b>Accumulated depreciation and impairment losses</b>							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	153,937	2,926	-3,621	-	2,427	-	155,669
Plant and machinery	14,073,226	212,339	-11,244	-	11,194	-42	14,285,473
Other	650,811	15,623	-2,648	-	91	45	663,922
	14,882,006	230,888	-17,513	-	13,712	3	15,109,096

Additions include the investment in wind farms by the subgroups EDPR EU and EDPR NA. Additionally, the EDPR EU subgroup carried out investments related with the construction of the solar photovoltaic plants in Romania. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Ribeiradio-Ermida, Venda Nova III and Salamonde II).

Transfer from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Italy, Romania and Canada.

The movement in Exchange differences in the year results mainly from the appreciation of Brazilian Real (BRL) against the Euro during the first quarter of 2014.

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Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
<b>Cost</b>							
Land and natural resources	175,796	381	-33	-	3,537	-1,155	178,526
Buildings and other constructions	654,384	42	-83	391	15,394	-124,466	545,662
Plant and machinery	30,722,609	2,389	-1,150	93,450	241,869	-723,600	30,335,567
Other	809,611	2,407	-14,907	5,374	1,675	-2,533	801,627
Assets under construction	2,784,191	239,308	-115	-99,215	13,566	-329,889	2,607,846
	<b>35,146,591</b>	<b>244,527</b>	<b>-16,288</b>	<b>-</b>	<b>276,041</b>	<b>-1,181,643</b>	<b>34,469,228</b>

Thousands of Euros	Balance at 1 January	Charge / losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 31 March
<b>Accumulated depreciation and impairment losses</b>							
Buildings and other constructions	160,069	3,565	-83	-	3,610	-361	166,800
Plant and machinery	13,461,264	225,923	-1,072	-	42,336	-173,476	13,554,975
Other	619,918	16,660	-14,401	-	1,057	-2,070	621,164
	<b>14,241,251</b>	<b>246,148</b>	<b>-15,556</b>	<b>-</b>	<b>47,003</b>	<b>-175,907</b>	<b>14,342,939</b>

Charge / Impairment losses includes 6,647 thousands of Euros on wind generation assets in Spain, following the publication of the Royal Decree-Law 2/2013 (see note 12).

The movement in Exchange differences in the period results mainly from the appreciation of the American Dollar (USD) and Brazilian Real (BRL), and the depreciation of the Zloty (PLN) against the Euro in the first quarter of 2013.

Perimeter Variations/Regularisations includes the impact of the adoption of IFRS 10 and 11, related with the opening balance (effect included in the movement IFRS 10 and 11 impacts in the note 47).

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 43 - Commitments.

The movements in Property, plant and equipment, for the Company, for the three-month period ended 31 March 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
<b>Cost</b>						
Land and natural resources	60,148	-	-	-	-	60,148
Buildings and other constructions	85,393	-	-	-	-	85,393
Other	117,692	2,607	-224	32	994	121,101
Assets under construction	45,402	5,583	-	-32	-	50,953
	<b>308,635</b>	<b>8,190</b>	<b>-224</b>	<b>-</b>	<b>994</b>	<b>317,595</b>
Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
<b>Accumulated depreciation and impairment losses</b>						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	22,445	674	-	-	-	23,119
Other	83,555	2,731	-184	-	946	87,048
	<b>110,032</b>	<b>3,405</b>	<b>-184</b>	<b>-</b>	<b>946</b>	<b>114,199</b>

Acquisitions / Increases include the investment in the new building of EDP Group in Lisbon in the amount of 3,683 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the three-month period ended 31 March 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regularisations	Balance at 31 March
<b>Cost</b>						
Land and natural resources	74,569	-	-	-	-	74,569
Buildings and other constructions	93,556	-	-	-	-	93,556
Other	117,591	1,337	-362	1,807	-	120,373
Assets under construction	26,747	2,907	-	-1,807	-6	27,841
	<b>312,463</b>	<b>4,244</b>	<b>-362</b>	<b>-</b>	<b>-6</b>	<b>316,339</b>

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Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regulari- sations	Balance at 31 March
<b>Accumulated depreciation and impairment losses</b>						
Buildings and other constructions	23,303	711	-	-	-	24,014
Other	80,591	3,153	-288	-	-	83,456
	103,894	3,864	-288	-	-	107,470

## 17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
<b>Cost</b>		
Concession rights	15,132,900	15,006,697
CO2 licences	237,997	235,435
Other intangibles	170,014	158,218
Intangible assets in progress	602,894	580,193
	16,143,805	15,980,543
<b>Accumulated depreciation and impairment losses</b>		
Depreciation of concession rights	-98,837	-433,697
Depreciation of other intangibles	-559	-2,450
Accumulated depreciation in previous years	-10,013,696	-9,526,594
	-10,113,092	-9,962,741
<b>Carrying amount</b>	<b>6,030,713</b>	<b>6,017,802</b>

The concession rights over the electricity 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 concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network (Portgás), being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation (EDP Produção and Hidroelétrica do Guadiana).

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

The movements in Intangible assets during the three-month period ended 31 March 2014, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 March
<b>Cost</b>							
Concession rights:							
- Distribution and generation Brazil	1,079,171	38	-	-	15,372	-	1,094,581
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,418,998	40	-	-	-	-	1,419,038
CO2 licences	235,435	2,562	-	-	-	-	237,997
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,370,174	-	-12,588	42,999	80,342	-	12,480,927
- Intangible assets in progress	175,055	78,917	-2,478	-60,347	2,162	-	193,309
Other intangibles	158,218	11,360	-	83	353	-	170,014
Other intangible in progress	405,138	3,789	-	-83	730	11	409,585
	15,980,543	96,706	-15,066	-17,348	98,959	11	16,143,805

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 March
<b>Accumulated depreciation and impairment losses</b>							
Concession rights	801,081	20,590	-	-	4,607	-	826,278
Assigned to concessions (IFRIC 12):	9,129,664	78,247	-10,575	-	56,745	-	9,254,081
Other intangibles	31,996	559	-	-	167	11	32,733
	9,962,741	99,396	-10,575	-	61,519	11	10,113,092



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Additions of CO2 Licences is related essentially to licences purchased in the market for own consumption.

Transfers include the net transfers of intangible assets assigned to concessions of 17,348 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 25).

The movements in Intangible assets during the three-month period ended 31 March 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 March
<b>Cost</b>							
Concession rights:							
- Distribution and generation Brazil	1,369,904	-	-	-	34,256	-	1,404,160
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	6,951	-	-	-	-	1,407,370
- Other concession rights	10,827	-	-	-	-	-10,827	-
CO2 licences	320,164	7,889	-	-	-	-751	327,302
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	8	-6,360	40,251	118,551	-	12,676,483
- Intangible assets in progress	160,408	69,443	-48	-56,482	3,585	-	176,906
Other intangibles	101,616	3	-	26	1,242	-3,098	99,789
Other intangible in progress	390,630	3,751	-85	-26	720	45	395,035
	<b>16,416,355</b>	<b>88,045</b>	<b>-6,493</b>	<b>-16,231</b>	<b>158,354</b>	<b>-14,631</b>	<b>16,625,399</b>

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 March
<b>Accumulated depreciation and impairment losses</b>							
Concession rights	740,426	21,316	-	-	5,990	-2,104	765,628
Assigned to concessions (IFRIC 12)	9,102,486	82,839	-3,989	-	80,075	-	9,261,411
Other intangibles	31,581	527	-	-	413	-1,089	31,432
	<b>9,874,493</b>	<b>104,682</b>	<b>-3,989</b>	<b>-</b>	<b>86,478</b>	<b>-3,193</b>	<b>10,058,471</b>

The net transfers of intangible assets under construction assigned to concessions in the amount of 16,231 thousands of Euros are related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12 .

Perimeter Variations/Regularisations includes the impact of the adoption of IFRS 10 and 11 (see note 47), related with the opening balance.

## 18. GOODWILL

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

Thousands of Euros	Group	
	Mar 2014	Dec 2013
HC Energia Group	1,947,855	1,946,935
EDP Renováveis Group	1,212,964	1,212,787
EDP Brasil Group	53,443	52,904
Other	40,518	40,518
	<b>3,254,780</b>	<b>3,253,144</b>

The movements in Goodwill during the three-month period ended 31 March 2014, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 March
HC Energia Group	1,946,935	920	-	-	-	-	1,947,855
EDP Renováveis Group	1,212,787	2	-	-	175	-	1,212,964
EDP Brasil Group	52,904	-	-	-	539	-	53,443
Other	40,518	-	-	-	-	-	40,518
	<b>3,253,144</b>	<b>922</b>	<b>-</b>	<b>-</b>	<b>714</b>	<b>-</b>	<b>3,254,780</b>



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The movements in Goodwill the three-month period ended at 31 March 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Perimeter variations / Regularisa- tions	Balance at 31 March
HC Energia Group	1,919,526	3,988	-	-	-	-	1,923,514
EDP Renováveis Group	1,301,218	293	-19,173	-	17,397	-42,226	1,257,509
EDP Brasil Group	55,564	-	-	-	811	-	56,375
Other	42,149	-	-	-	-	-504	41,645
	<b>3,318,457</b>	<b>4,281</b>	<b>-19,173</b>	<b>-</b>	<b>18,208</b>	<b>-42,730</b>	<b>3,279,043</b>

*HC Energia Group*

During the first quarter of 2013, the goodwill from Hidrocantabrico Group increased by 3,988 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank, through the put option held by this entity over 3.13% of the share capital of HC Energia. In December 2013, this put option held by Liberbank was partially exercised in 3%, remaining applicable for the 0.13% of the share capital of HC Energia, to be exercised until 31 December 2017.

During the first quarter of 2014, the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank, through the put option held over 0.13% of the share capital of HC Energia, led to an increased of 920 thousands of Euros, as described under accounting policies - note 2b).

*EDP Renováveis Group*

The goodwill movement in EDPR Europe Group in the first quarter of 2013 includes an increase in the amount of 293 thousands of Euros related to the acquisition of 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda., and a decrease in the amount of 19,173 thousands of Euros related to the contingent prices revision of some purchase agreements signed before 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b)).

The adoption of IFRS 10 and 11 in 2014 implied the comparative adoption of these IFRS's, for comparative purposes, as at 1 January 2013. This adoption has generated a negative variation of 42,730 thousands of Euros related to the change in the consolidation method of Arquiled - Projectos de Iluminação, S.A., Companhia Eólica Aragonesa, S.A. and Evolución 2000, S.L. Since these companies being consolidated by equity, their goodwill was reclassified to the caption Investments in joint ventures and associates.

## 19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

Thousands of Euros	Company	
	Mar 2014	Dec 2013
Acquisition cost	11,189,870	11,189,870
Effect of equity method (transition to IFRS)	-902,524	-902,524
Equity investments in subsidiaries	10,287,346	10,287,346
Impairment losses on equity investments in subsidiaries	-200,943	-200,943
	<b>10,086,403</b>	<b>10,086,403</b>

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.

## 20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Interests in joint ventures	465,200	462,859	6,595	6,595
Interests in associates	192,105	182,562	-	-
	<b>657,305</b>	<b>645,421</b>	<b>6,595</b>	<b>6,595</b>

As at 31 March 2014, for the Group, Interests in joint ventures include goodwill of 42,730 thousands of Euros (31 December 2013: 42,730 thousands of Euros) and Interests in associates include goodwill of 44,698 thousands of Euros (31 December 2013: 44,603 thousands of Euros).

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The following table resumes the companies' financial information of joint ventures included in the Group consolidated accounts, as at 31 March 2014:

Thousands of Euros	Porto do Pecém	Flat Rock Windpower II	Flat Rock Windpower	Compañía Eólica Aragonesa	EDP Produção Bioelétrica	CIDE HC Energia	Other
Non-Current Assets	1,251,540	106,149	267,556	165,844	134,670	1,742	85,166
Current Assets	106,154	1,146	6,100	12,622	13,889	49,668	27,234
Cash and cash equivalents	12,286	580	2,729	10,744	5,960	-	17,254
<b>Total Equity</b>	<b>362,180</b>	<b>105,876</b>	<b>269,539</b>	<b>135,890</b>	<b>13,388</b>	<b>2,501</b>	<b>33,518</b>
Non-Current Financial debt	615,368	-	-	-	81,612	-	53,763
Non-Current Liabilities	768,337	1,029	2,673	33,494	85,524	52	63,843
Current Financial debt	55,022	-	-	-	10,146	1	6,739
Current Liabilities	227,176	389	1,444	9,082	49,647	48,857	15,039
Group's share of net assets	181,090	52,938	134,769	67,945	6,694	1,251	20,513
Goodwill (included in Group's share of net assets)	-	-	-	39,558	-	-	3,172
Dividends received by the Group	-	1,966	6,397	-	-	-	-
Revenues	87,559	4,100	13,227	2,143	10,934	63,123	7,465
Fixed and intangible assets amortisations	-10,973	-1,056	-4,371	-2,167	-2,235	-6	-1,721
Other financial expenses	-25,648	-14	-36	-5	-497	-205	-441
Income tax expense	4,777	-	-	414	53	-2,019	-102
Net profit for the period	-9,272	1,686	6,300	-966	-204	4,711	-563

The commitments relating to short and medium-long term financial debt, finance lease commitments, other long term commitments and other liabilities relating to purchases and future lease payments under operating leases of joint ventures included in the Group consolidated accounts under the equity method are disclosed, as at 31 March 2014, as follows:

Thousands of Euros	Mar 2014				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt	562,392	56,774	105,889	106,885	292,844
Finance lease commitments	-	-	-	-	-
Operating lease commitments	1,962	326	106	116	1,414
Purchase obligations	119,782	75,163	5,558	5,777	33,284
Other long term commitments	-	-	-	-	-
	<b>684,136</b>	<b>132,263</b>	<b>111,553</b>	<b>112,778</b>	<b>327,542</b>

## 21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Banco Comercial Português, S.A.	90,579	65,790	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	53,509	41,828	53,509	41,828
Tejo Energia, S.A.	21,500	21,500	-	-
Others	83,323	83,365	1,714	1,716
	<b>248,911</b>	<b>212,483</b>	<b>55,223</b>	<b>43,544</b>

During the first quarter of 2014, the financial investment held in Banco Comercial Português, S.A., increased by 24,789 thousands of Euros being the increase booked against fair value reserves (see note 31).

During the first quarter of 2014, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 11,681 thousands of Euros being the increase booked against fair value reserves (see note 31).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 54,830 thousands of Euros (31 December 2013: 53,751 thousands of Euros), as a result of its reinsurance activity.

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According to the IFRS 13 (note 46), available for sale investments are classified into three levels of fair value, Level 1 includes financial investment held in Banco Comercial Português, S.A., REN - Redes Energéticas Nacionais, SGPS, S.A. and Rede Energia, S.A. since they are indexed to market price, Level 2 includes the fund of stocks and bonds held by Energia RE and, finally Level 3 covers all other available for sale investments. These include mainly Tejo Energia, S.A., whose fair value in the amount of 21.5 millions of Euros, was calculated according to Dividend Discount Model methodology, based on a discount rate of 7,1%. The sensitivity analysis considering an increase or decrease of 100 basis points in the discount rate determined a fair value of 20.2 millions of Euros and 22.8 millions of Euros, respectively.

Available-for-sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 31). The fair value reserve attributable to the Group as at 31 March 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	Mar 2014	Dec 2013
Banco Comercial Português	66,378	41,589
REN - Redes Energéticas Nacionais	27,689	16,008
Tejo Energia	15,145	15,145
Others	8,736	7,877
	<b>117,948</b>	<b>80,619</b>

## 22. DEFERRED TAX ASSETS AND LIABILITIES

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

Thousands of Euros	Net deferred tax assets		Net deferred tax	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
<b>Balance as at 1 January</b>	320,590	340,816	-759,092	-852,054
Tariff adjustment for the period	14,604	5,592	-133,665	-130,614
Provisions	-7,781	2,454	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-33,773	6,100	-9,114	-12,909
Deferred tax over CMECs in the period	-	-	66,819	45,028
Tax losses and tax credits	37,066	18,526	-	-
Financial and available-for-sale investments	-11,166	556	6,462	-801
Other temporary differences	13,182	-4,188	-69,346	-15,342
Netting of deferred tax assets and liabilities	-130,059	-95,898	130,059	95,898
<b>Balance as at 31 March</b>	<b>202,663</b>	<b>273,958</b>	<b>-767,877</b>	<b>-870,794</b>

The caption Other temporary differences includes an increase in deferred tax liability in the amount of 36,550 thousand of Euros referring to the profit arising from the Energy Development Account (CDE) in Brazil.

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	
	Mar 2014	Mar 2013	Mar 2014	Mar 2013
<b>Balance as at 1 January</b>	25,097	69,799	-	-
Tax losses and tax credits	-4,337	4,176	-	-
Financial and available-for-sale investments	-5,093	1,278	-	-
Fair value of derivative financial instruments	630	3,670	7,407	1,176
Other temporary differences	53	277	5	5
Netting of deferred tax assets and liabilities	7,412	1,181	-7,412	-1,181
<b>Balance as at 31 March</b>	<b>23,762</b>	<b>80,381</b>	<b>-</b>	<b>-</b>

## 23. INVENTORIES

This caption is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Merchandise	49,790	65,743
Finished, intermediate products and sub-products	10,125	8,152
Raw and subsidiary materials and consumables (coal and other fuels)	105,466	92,302
Nuclear fuel	17,385	18,491
Others	72,724	80,100
	<b>255,490</b>	<b>264,788</b>

The caption Others include CO2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 15,023 thousands of Euros (31 December 2013: 16,745 thousands of Euros).

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**24. TRADE RECEIVABLES**

Trade receivables are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Trade receivables - Non-Current</b>				
Corporate sector and individuals:				
- Brazil	10,097	9,447	-	-
Public Sector:				
- Portugal	119,633	121,227	-	-
- Brazil	9,380	9,948	-	-
	139,110	140,622	-	-
Impairment losses	-40,387	-41,628	-	-
	98,723	98,994	-	-
<b>Trade receivables - Current</b>				
Corporate sector and individuals:				
- Portugal	1,132,088	1,293,916	155,432	193,432
- Spain	642,307	555,161	-	-
- Brazil	454,441	373,056	-	-
- U.S.A.	45,963	39,590	-	-
- Other	51,453	78,007	-	-
Public Sector:				
- Portugal	107,953	102,903	-	-
- Brazil	35,695	22,433	-	-
- Spain	36,216	30,438	-	-
	2,506,116	2,495,504	155,432	193,432
Impairment losses	-319,403	-313,601	-9,951	-9,954
	2,186,713	2,181,903	145,481	183,478
	2,285,436	2,280,897	145,481	183,478

**25. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES**

Debtors and other assets from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	205,704	188,314
Amounts receivable from tariff adjustments - Electricity - Portugal	1,306,246	1,237,623
Amounts receivable relating to CMEC	725,169	898,500
Amounts receivable from concessions - IFRIC 12	801,219	768,963
Sundry debtors and other operations	82,897	98,089
	3,121,235	3,191,489
Impairment losses on debtors	-3,325	-3,310
	3,117,910	3,188,179

Debtors and other assets from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	53,181	75,803	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	1,450,508	1,056,572	-	-
Receivables relating to other goods and services	99,125	46,622	1,661	7,394
Amounts receivable relating to CMEC	157,685	167,982	-	-
Accrued income relating to energy sales and purchase activity	93,972	169,984	177,593	265,778
Sundry debtors and other operations	446,458	322,589	60,578	58,053
	2,300,929	1,839,552	239,832	331,225
Impairment losses on debtors	-19,978	-18,652	-961	-950
	2,280,951	1,820,900	238,871	330,275

The Amounts receivable from tariff expenses - Electricity - Spain correspond essentially: (i) to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 March 2014, according to the applicable legal framework (see note 3). Given the provisions of the electric sector Law of 27 December 2013, the cumulative amount as at 31 March 2014 does not include any estimation of the receivable deficit related to the three-month period ending on that date. Additionally, during 2014, the Spanish Electricity Deficit Amortisation Fund (FADE), has not launched any bond issuances; and (ii) amounts to be recovered from Spanish Electrical System in EDPR EU as a consequence of the Real Decreto Ley 9/2013 publication.

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The caption Amounts receivable relating to CMEC totalize 882,854 thousands of Euros, and includes 725,169 thousands of Euros as non-current and 157,685 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 636,013 thousands of Euros as non-current and 39,508 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2014. The remaining 89,156 thousands of Euros as non-current and 118,177 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2013 to 2014.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 801,219 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes mainly the effect of the appreciation of Brazilian Real against Euro in the amount of 10,498 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 17,348 thousands of Euros (see note 17).

The caption Sundry debtors and other operations - Current includes the amount of 44,099 thousands of Euros, related with the Energetic Sector Contribution, approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget Law for 2014). The contribution is due by EDP companies that operate in the production, distribution and commercialization of electricity and in the distribution and commercialization of natural gas and it is calculated on the value of the companies' assets as provided under the law and the deferred amount will be recognized in results during the year 2014.

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

Thousands of Euros	Current	Non-Current
<b>Balance as at 1 January 2013</b>	<b>668,965</b>	<b>980,225</b>
Receipts through the electric energy tariff	-192,271	-
Tariff adjustment of 2012	450	-
Tariff adjustment for the period	168,426	506,325
Transfer to tariff adjustment payable	-6,541	-842
Interest income	27,628	1,753
Transfer from Non-Current to Current	244,762	-244,762
<b>Balance as at 31 March 2013</b>	<b>911,419</b>	<b>1,242,699</b>
Receipts through the electric energy tariff	-411,795	-
Partial securitisations of 2012 over costs for the special regime generators	-863,230	-
Tariff adjustment of 2012	-1,846	-
Tariff adjustment for the period	793,167	718,143
Transfer from tariff adjustments payable	-963	-
Interest income	59,814	-
Securitisation adjustment of 2011 CMEC	-153,213	-
Transfer from Non-Current to Current	723,219	-723,219
<b>Balance as at 31 December 2013</b>	<b>1,056,572</b>	<b>1,237,623</b>
Receipts through the electric energy tariff	-268,268	-
Partial securitisations of 2013 over costs for the special regime generators	-138,000	-
Tariff adjustment of 2013	2,058	6,173
Tariff adjustment for the period	85,753	744,788
Transfer to tariff adjustment payable	-12	-
Interest income	28,692	1,375
Transfer from Non-Current to Current	683,713	-683,713
<b>Balance as at 31 March 2014</b>	<b>1,450,508</b>	<b>1,306,246</b>

On 10 February 2014, EDP - Serviço Universal, S.A. (EDP SU), the last resort supplier of the Portuguese electric system, sold, the rights to receive part of the electricity adjustment related to the 2013 overcost with the acquisition of electricity activity from special regime generators, in the amount of 138,000 thousands of Euros. In this assets' sale operation, EDP SU sold without recourse the rights to receive the referred amount and interests. The sale price amounted to 149,647 thousands of Euros and generated gains net of transaction costs of 11,647 thousands of Euros (see note 13).

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**26. OTHER DEBTORS AND OTHER ASSETS**

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Debtors and other assets - Non-Current</b>				
Loans to subsidiaries	-	-	6,245,651	6,382,524
Loans to related parties	376,193	361,789	90	90
Guarantees rendered to third parties	62,875	61,505	5	5
Derivative financial instruments	57,660	62,812	63,199	62,882
Sundry debtors and other operations	66,848	65,926	-	-
	563,576	552,032	6,308,945	6,445,501
<b>Debtors and other assets - Current</b>				
Loans to subsidiaries	-	-	782,763	445,877
Dividends attributed by subsidiaries	-	-	-	89,880
Loans to related parties	72,987	54,270	16,031	17,148
Receivables from the State and concessors	39,320	44,820	-	-
Derivative financial instruments	129,771	143,695	156,020	116,848
Subsidiary Companies	-	-	1,253,762	1,302,940
Guarantees rendered to third parties	8,439	6,341	-	-
Sundry debtors and other operations	63,425	57,453	969	2,134
	313,942	306,579	2,209,545	1,974,827
	877,518	858,611	8,518,490	8,420,328

**27. CURRENT TAX ASSETS**

Current tax assets are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Income tax	162,703	196,594	94,010	120,503
Value added tax (VAT)	221,884	214,581	17,929	7,942
Turnover tax (Brazil)	4,040	4,409	-	-
Other taxes	14,907	17,468	3,754	3,608
	403,534	433,052	115,693	132,053

On EDP Group, the caption Other taxes includes the amount of 6,279 thousands of Euros (31 December 2013: 8,132 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

**28. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Cash</b>	250	84	13	-
<b>Bank deposits</b>				
Current deposits	442,623	473,923	10,324	12,286
Term deposits	936,657	1,337,703	269,290	891,119
Other deposits	215,550	306,057	-	-
	1,594,830	2,117,683	279,614	903,405
<b>Operations pending cash settlement</b>				
Current deposits	-	-	591,000	280,000
<b>Other short term investments</b>				
	89,800	38,940	-	-
	1,684,880	2,156,707	870,627	1,183,405

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

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the amount of 591,000 thousands of Euros, which according to the Group accounting policy is booked as financial debt at the trade date of each emission. This commercial paper was issued on 31 March 2014 and was acquired by EDP Finance B.V., but the settlement date was on 2 April 2014.

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**29. SHARE CAPITAL AND SHARE PREMIUM**

EDP, S.A. is a company that was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process.

On 11 May 2012 regarding EDP's eight reprivatisation phase, the Portuguese State sold to CWEI (Europe), S.A. (former - China Three Gorges International (Europe), S.A.), through a transaction executed outside a regulated market, the ownership of 780,633,782 shares representing 21.35% of the share capital of EDP, S.A.

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4.14% of EDP share capital. The decrease of the shareholding resulted from a private offer via an "accelerated bookbuilding" process, in which Caixa – Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

As a result of this two last transactions, Parpública no longer has a qualified shareholding position in EDP share capital.

The share capital amounts of 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each.

Share capital and Share premium are analysed as follows:

Thousands of Euros	<b>Group and Company</b>	
	<b>Share capital</b>	<b>Share premium</b>
<b>Balance as at 1 January</b>	3,656,538	503,923
Movements during the period	-	-
<b>Balance as at 31 March</b>	3,656,538	503,923

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

	<b>Group</b>		<b>Company</b>	
	<b>Mar 2014</b>	<b>Mar 2013</b>	<b>Mar 2014</b>	<b>Mar 2013</b>
Net profit attributable to the equity holders of EDP (in Euros)	296,089,071	334,740,295	30,819,263	41,197,990
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	296,089,071	334,740,295		
Weighted average number of ordinary shares outstanding	3,630,080,447	3,625,280,179	3,631,593,447	3,626,793,179
Weighted average number of diluted ordinary shares outstanding	3,630,231,137	3,625,847,380	3,631,744,137	3,627,360,380
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.08	0.09		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.08	0.09		
Basic earnings per share from continuing operations (in Euros)	0.08	0.09		
Diluted earnings per share from continuing operations (in Euros)	0.08	0.09		

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

The average number of shares was determined as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Mar 2014</b>	<b>Mar 2013</b>	<b>Mar 2014</b>	<b>Mar 2013</b>
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	-	-	-	-
<b>Average number of realised shares</b>	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-26,457,268	-31,257,536	-24,944,268	-29,744,536
<b>Average number of shares during the period</b>	3,630,080,447	3,625,280,179	3,631,593,447	3,626,793,179
Effect of stock options	150,690	567,201	150,690	567,201
<b>Diluted average number of shares during the period</b>	3,630,231,137	3,625,847,380	3,631,744,137	3,627,360,380

**30. TREASURY STOCK**

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Mar 2014</b>	<b>Dec 2013</b>	<b>Mar 2014</b>	<b>Dec 2013</b>
Book value of EDP, S.A. treasury stock (thousands of Euros)	78,280	85,573	72,185	79,478
Number of shares	25,757,268	27,597,268	24,244,268	26,084,268
Market value per share (in Euros)	3.371	2.670	3.371	2.670
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	86,828	73,685	81,727	69,645



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Operations performed from 1 January to 31 March 2014:

	<b>EDP, S.A.</b>	<b>Energia RE</b>
Volume acquired (number of shares)	80,000	-
Average purchase price (in Euros)	2.717	-
Total purchase value (thousands of Euros)	217	-
Volume sold (number of shares)	-1,920,000	-
Selling price average (in Euros)	3.017	-
Total sale value (thousands of Euros)	5,793	-
Final position (number of shares)	24,244,268	1,513,000
Highest market price (in Euros)	3.350	-
Lowest market price (in Euros)	2.640	-
Average market price (in Euros)	3.030	-

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

### 31. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	<b>Group</b>		<b>Company</b>	
	<b>Mar 2014</b>	<b>Dec 2013</b>	<b>Mar 2014</b>	<b>Dec 2013</b>
Legal reserve	620,069	620,069	620,069	620,069
Fair value reserve (cash flow hedge)	-81,948	-74,003	-25,444	-1,125
Tax effect of fair value reserve (cash flow hedge)	23,376	20,987	7,928	257
Fair value reserve (available for sale investments)	117,948	80,619	23,329	11,648
Tax effect of fair value reserve (available for sale investments)	-17,550	-7,684	952	4,632
Exchange differences arising on consolidation	-96,978	-128,291	-	-
Treasury stock reserve (EDP, S.A.)	72,185	79,478	72,185	79,478
Other reserves and retained earnings	3,787,366	2,774,602	2,242,714	1,446,267
	<b>4,424,468</b>	<b>3,365,777</b>	<b>2,941,733</b>	<b>2,161,226</b>

#### *Legal reserve*

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

#### *Fair value reserve (cash flow hedge)*

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

#### *Fair value reserve (available-for-sale investments)*

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

Thousands of Euros	<b>Group</b>	
	<b>Increases</b>	<b>Decreases</b>
<b>Balance as at 1 January 2013</b>	494,463	-449,113
Changes in fair value	11,693	-1,123
<b>Balance as at 31 March 2013</b>	506,156	-450,236
Changes in fair value	30,116	-8,538
Transfer of impairment to profit or loss	-	3,121
<b>Balance as at 31 December 2013</b>	536,272	-455,653
Changes in fair value	38,058	-1,185
Transfer of impairment to profit or loss	-	456
<b>Balance as at 31 March 2014</b>	<b>574,330</b>	<b>-456,382</b>

Changes in fair value reserve attributable to the EDP Group during the period ended 31 March 2014 are analysed as follows:

Thousands of Euros	<b>Increases</b>	<b>Decreases</b>
Banco Comercial Português, S.A.	24,789	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	11,681	-
Others	1,588	-1,185
	<b>38,058</b>	<b>-1,185</b>



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*Exchange differences on consolidation*

Exchange differences on consolidation includes the amounts resulting from changes in the value of shareholder's equity of subsidiary, joint ventures and associated companies resulting from changes in exchange rates. The exchange rates used in the preparation of the financial statements are as follows:

Currency		Exchange rates at Mar 2014		Exchange rates at Dec 2013		Exchange rates at Mar 2013	
		Closing rates	Average exchange rate	Closing rates	Average exchange rate	Closing rates	Average exchange rate
Dollar	USD	1.379	1.370	1.379	1.328	1.281	1.321
Brazilian Real	BRL	3.128	3.240	3.258	2.868	2.570	2.638
Macao Pataca	MOP	11.018	10.948	11.014	10.609	10.240	10.547
Canadian Dollar	CAD	1.523	1.510	1.467	1.368	1.302	1.331
Zloty	PLN	4.172	4.184	4.154	4.197	4.180	4.155
Romanian Leu	RON	4.459	4.502	4.471	4.419	4.419	4.387
Pound Sterling	GBP	0.828	0.828	0.834	0.849	0.846	0.851
Rand	ZAR	14.588	14.882	14.566	12.827	11.820	11.816

*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 book value amount of treasury stock held.

### 32. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Non-controlling interests in income statement	67,567	188,553
Non-controlling interests in equity and reserves	3,112,671	2,893,593
	<b>3,180,238</b>	<b>3,082,146</b>

Non-controlling interests, by subgroup, are made up as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
EDP Renováveis Group	1,683,587	1,662,735
EDP Brasil Group	1,365,170	1,289,891
Other	131,481	129,520
	<b>3,180,238</b>	<b>3,082,146</b>

During the first quarter of 2014, EDP Group generated profits of 67,567 thousands of Euros attributable to non-controlling interests (31 December 2013: 188,553 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 39,191 thousands of Euros, a decrease of 29,999 thousands of Euros related to dividends attributable and negative variations resulting from share capital decreases of 9,364 thousands of Euros. In the first quarter of 2014, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in a wind farm portfolio located in France to Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, and, as a result, the Group recognised non-controlling interests of 23,675 thousands of Euros and an impact in reserves attributable to EDP Group of 4,581 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 26,645 thousands of Euros of profits attributable to non-controlling interests and 50,563 thousands of Euros resulting from positive exchange differences.

### 33. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company	
	Mar 2014	Mar 2013
<b>Balance at the beginning of the period</b>	<b>35,641</b>	<b>56,476</b>
Amounts received / (paid) during the period	-8,910	-5,708
Financial charges	369	538
<b>Balance at the end of the period</b>	<b>27,100</b>	<b>51,306</b>

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**34. FINANCIAL DEBT**

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Debts and borrowings - Non-current</b>				
Bank loans:				
- EDP, S.A.	1,021,250	1,050,369	1,021,250	1,050,369
- EDP Finance B.V.	3,457,335	3,404,831	-	-
- EDP Brasil Group	215,179	182,135	-	-
- EDP Renováveis Group	756,806	696,759	-	-
- EDP Produção	96,469	96,470	-	-
- Others	28,915	29,685	-	-
	5,575,954	5,460,249	1,021,250	1,050,369
Non-convertible bond loans:				
- EDP, S.A.	691,138	689,011	6,041,138	6,039,011
- EDP Finance B.V.	8,215,726	8,743,467	-	-
- EDP Brasil Group	511,255	422,982	-	-
- EDP Renováveis Group	-	29,102	-	-
	9,418,119	9,884,562	6,041,138	6,039,011
Commercial paper:				
- EDP, S.A.	198,352	196,993	198,352	196,993
	198,352	196,993	198,352	196,993
Other loans:				
- Investco preference shares	15,845	15,127	-	-
- EDP Brasil Group	19,366	19,284	-	-
- EDP Renováveis Group	11,363	11,363	-	-
- Others	1,375	1,586	-	-
	47,949	47,360	-	-
	15,240,374	15,589,164	7,260,740	7,286,373
Accrued interest	15,477	14,257	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	7,779	-2,698	3,114	3,752
<b>Total Debt and borrowings</b>	<b>15,263,630</b>	<b>15,600,723</b>	<b>7,263,854</b>	<b>7,290,125</b>
<b>Collateral Deposits - Non-current (*)</b>				
Collateral deposit - BEI	-323,999	-334,497	-323,999	-334,497
Other collateral deposits	-85,319	-85,584	-	-
<b>Total Collateral Deposits</b>	<b>-409,318</b>	<b>-420,081</b>	<b>-323,999</b>	<b>-334,497</b>
	<b>14,854,312</b>	<b>15,180,642</b>	<b>6,939,855</b>	<b>6,955,628</b>

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Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Debt and borrowings - Current</b>				
Bank loans:				
- EDP, S.A.	48,846	46,827	48,846	46,827
- EDP Finance B.V.	1,637,971	1,636,171	-	-
- EDP Brasil Group	137,300	114,453	-	-
- EDP Renováveis Group	92,225	88,041	-	-
- Others	21,690	18,668	-	-
	1,938,032	1,904,160	48,846	46,827
Non-convertible bond loans:				
- EDP, S.A.	200,000	200,000	200,000	200,000
- EDP Finance B.V.	1,270,013	1,376,628	-	-
- EDP Brasil Group	76,384	187,489	-	-
- EDP Renováveis Group	30,325	-	-	-
	1,576,722	1,764,117	200,000	200,000
Commercial paper:				
- EDP, S.A.	162,500	106,500	2,686,000	2,881,000
- EDP Renováveis Group	-	6,139	-	-
- HC Energia Group	37,449	1,000	-	-
	199,949	113,639	2,686,000	2,881,000
Other loans	20,807	19,905	-	-
	3,735,510	3,801,821	2,934,846	3,127,827
Accrued interest	265,589	344,683	83,170	82,950
Other liabilities:				
- Fair value of the issued debt hedged risk	18,001	11,582	-	-
<b>Total Debt and borrowings</b>	<b>4,019,100</b>	<b>4,158,086</b>	<b>3,018,016</b>	<b>3,210,777</b>
<b>Collateral Deposits - Current (*)</b>				
Collateral deposit - BEI	-23,173	-12,675	-23,173	-12,675
Other collateral deposits	-8,637	-6,054	-	-
<b>Total Collateral Deposits</b>	<b>-31,810</b>	<b>-18,729</b>	<b>-23,173</b>	<b>-12,675</b>
	<b>3,987,290</b>	<b>4,139,357</b>	<b>2,994,843</b>	<b>3,198,102</b>

**(\*) Collateral Deposits informative note**

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit which amount at 31 March 2014 is 347,172 thousands of Euros (323,999 thousands of Euros non-current and 23,173 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 93,956 thousands of Euros (85,319 thousands of Euros non-current and 8,637 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

The Group has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 March 2014 and 31 December 2013 these loans amounted to 967,684 thousands of Euros and 939,826 thousands of Euros, respectively (see note 43).

EDP Group has short-term credit facilities of 159,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 31 March 2014. EDP Group has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, being fully available as at 31 March 2014. For liquidity management needs in USD, EDP Group has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 March 2014 is totally drawn down.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period up to one year in the amount of 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 1,648 thousands of Euros.

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The nominal value of Bond loans issued with external counterparts and outstanding, as at 31 March 2014, 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 (iii)	n.a.	May/18	300,000	300,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
EDP, S.A.	Oct/13	Variable rate (iii)	n.a.	Oct/18	150,000	150,000
					900,000	900,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iii)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00%	Net Investment	Feb/18	725,268	-
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 (iii)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iii)	n.a.	Jun/19	75,841	-
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	725,268	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iii)	Net Investment	Feb/15	72,527	-
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.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.00%	Fair Value	Nov/18	103,922	-
EDP Finance B.V. (i)	Sep/13	Fixed Rate EUR 4.875%	Fair Value	Sep/20	750,000	-
EDP Finance B.V. (i)	Nov/13	Fixed Rate EUR 4.125%	Fair Value	Jan/21	600,000	-
EDP Finance B.V.	Dec/13	Variable rate (iii)	n.a.	Dec/14	200,000	-
EDP Finance B.V.	Jan/14	Fixed Rate USD 5.25%	n.a.	Jan/21	543,951	-
					9,580,448	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	26,650	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/16	124,696	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	38,368	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	159,867	-
Lajeado Energia	Nov/13	CDI + 1.20%	n.a.	Nov/19	143,880	-
Energias do Brasil	Feb/14	CDI + 0.72%	n.a.	Aug/15	95,920	-
					589,381	-
Issued by the EDP Renováveis Brasil in the Brazilian domestic market						
Central Eólica Baixa do Feijão	Aug/13	CDI + 1.1%	n.a.	Feb/15	11,191	-
Central Eólica Baixa do Feijão	Oct/13	CDI + 1.1%	n.a.	Feb/15	19,184	-
					30,375	-
					11,100,204	900,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.

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

(iii) These issues correspond to private placements.

Loans by maturity, are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Bank loans</b>				
Up to 1 year	1,986,701	1,960,659	49,915	48,681
From 1 to 5 years	4,737,931	4,645,418	686,399	686,399
More than 5 years	852,233	828,305	334,851	363,970
	7,576,865	7,434,382	1,071,165	1,099,050
<b>Bond loans</b>				
Up to 1 year	1,811,544	2,063,882	280,144	279,440
From 1 to 5 years	5,766,538	6,795,551	5,194,252	5,192,763
More than 5 years	3,660,627	3,087,095	850,000	850,000
	11,238,709	11,946,528	6,324,396	6,322,203
<b>Commercial paper</b>				
Up to 1 year	200,025	113,639	2,687,957	2,882,656
From 1 to 5 years	198,352	196,993	198,352	196,993
	398,377	310,632	2,886,309	3,079,649
<b>Other loans</b>				
Up to 1 year	20,830	19,906	-	-
From 1 to 5 years	28,734	29,123	-	-
More than 5 years	19,215	18,238	-	-
	68,779	67,267	-	-
	19,282,730	19,758,809	10,281,870	10,500,902

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

Thousands of Euros	Mar 2014		Dec 2013	
	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	15,263,630	16,342,796	15,600,723	16,501,692
Debt and borrowings - Current	4,019,100	3,756,719	4,158,086	3,868,207
	19,282,730	20,099,515	19,758,809	20,369,899

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 of IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 31 March 2014, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2014	2015	2016	2017	2018	Following years	Total
Debt and borrowings - Non-current	-	2,037,301	3,387,703	2,776,479	2,490,176	4,571,971	15,263,630
Debt and borrowings - Current	2,687,217	1,331,883	-	-	-	-	4,019,100
	2,687,217	3,369,184	3,387,703	2,776,479	2,490,176	4,571,971	19,282,730

Future payments of principal and interest and guarantees are detailed in note 43.

### 35. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Provisions for social liabilities and benefits	929,777	960,356
Provisions for medical liabilities and other benefits	984,558	974,179
	1,914,335	1,934,535

This caption is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Non-Current	1,730,554	1,751,066
Current	183,781	183,469
	1,914,335	1,934,535

Provisions for social liabilities and benefits as at 31 March 2014 include 925,121 thousands of Euros relating to retirement pension defined benefit plans (31 December 2013: 955,199 thousands of Euros) and 4,656 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2013: 5,157 thousands of Euros).

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

Thousands of Euros	Group	
	Mar 2014	Mar 2013
<b>Balance at the beginning of the period</b>	960,356	939,399
Charge for the period	9,778	10,867
Actuarial (gains)/losses	1,921	-
Charge-off	-42,285	-41,287
Transfers, reclassifications and exchange differences	7	3,156
<b>Balance at the end of the period</b>	929,777	912,135

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

Thousands of Euros	Mar 2014			
	Portugal	Spain	Brazil	Group
Current service cost	3,013	152	-102	3,063
<b>Operational component (see note 9)</b>	3,013	152	-102	3,063
Net interest on the net pensions plan liability	6,077	610	28	6,715
<b>Financial component (see note 13)</b>	6,077	610	28	6,715
	9,090	762	-74	9,778

Thousands of Euros	Mar 2013			
	Portugal	Spain	Brazil	Group
Current service cost	2,774	155	196	3,125
<b>Operational component (see note 9)</b>	2,774	155	196	3,125
Net interest on the net pensions plan liability	5,727	693	1,322	7,742
<b>Financial component (see note 13)</b>	5,727	693	1,322	7,742
	8,501	848	1,518	10,867

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The movement in Provisions for Medical liabilities and other benefitis is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Mar 2013
<b>Balance at the beginning of the period</b>	974,179	994,026
Charge for the period	12,409	12,716
Actuarial (gains)/losses	-	10,234
Charge-off	-7,952	-10,315
Transfers, reclassifications and exchange differences	5,922	8,014
<b>Balance at the end of the period</b>	<b>984,558</b>	<b>1,014,675</b>

The components of the consolidated net cost of this medical and other benefits plans recognised during the period are as follows:

Thousands of Euros	Mar 2014			Mar 2013		
	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	1,965	203	2,168	2,148	340	2,488
<b>Operational component (see note 9)</b>	<b>1,965</b>	<b>203</b>	<b>2,168</b>	<b>2,148</b>	<b>340</b>	<b>2,488</b>
Net interest on the net medical liabilities and other benefits	6,189	4,052	10,241	6,841	3,387	10,228
<b>Financial component (see note 13)</b>	<b>6,189</b>	<b>4,052</b>	<b>10,241</b>	<b>6,841</b>	<b>3,387</b>	<b>10,228</b>
	<b>8,154</b>	<b>4,255</b>	<b>12,409</b>	<b>8,989</b>	<b>3,727</b>	<b>12,716</b>

As at 31 March 2014, current service cost and net interest cost were determined based on the estimated cost for the period in accordance with the actuarial study as of 31 December 2013.

### 36. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Provision for legal and labour matters and other contingencies	60,544	62,415	-	-
Provision for customer guarantees under current operations	11,055	12,679	-	-
Provisions for dismantling and decommissioning	167,011	164,141	-	-
Provision for other liabilities and charges	150,040	142,435	22,696	22,150
	<b>388,650</b>	<b>381,670</b>	<b>22,696</b>	<b>22,150</b>

This caption is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Non-Current	363,725	354,233	20,488	19,942
Current	24,925	27,437	2,208	2,208
	<b>388,650</b>	<b>381,670</b>	<b>22,696</b>	<b>22,150</b>

EDP and its subsidiaries boards, based on the information provided by legal advisors and on the analysis of pending law suits, booked provisions to cover the losses estimated as probable, related with litigations in progress.

Provision for legal and labour matters and other contingencies includes provisions for litigation in progress and other labour contingencies, relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 12,358 thousands of Euros (31 December 2013: 11,790 thousands of Euros). These requests result from the application of Administrative Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;
- ii) Bandeirante is involved in several legal actions of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 6,359 thousands of Euros (31 December 2013: 6,609 thousands of Euros);
- iii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 31 March 2014, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices. This process is in a foreclosure stage and an appeal was filed by EDP Produção;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

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As at 31 March 2014, Provision for dismantling and decommissioning includes the following situations:

i) The Group holds a provision of 19,511 thousands of Euros (31 December 2012: 19,188 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. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling of wind farms of 63,788 thousands of Euros (31 December 2013: 62,461 thousands of Euros) to cover the costs of returning the sites to their original state, of which 36,629 thousands of Euros refer to the wind farms of the EDPR NA Group, 26,078 thousands of Euros to the wind farms of the EDPR EU Group, 843 thousands of Euros to the wind farms of the EDPR Brasil Group and 238 thousands of Euros to the wind farms of the EDPR Canada 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 decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 March 2014, the provision which amounts to 60,100 thousands of Euros (31 December 2013: 59,219 thousands of Euros) and 23,612 thousands of Euros (31 December 2013: 23,275 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 average useful life of the assets.

In the course of its normal activity, EDP Group subsidiaries are involved in several litigations and contingencies (of possible risk) of administrative, civil, tax, labour and other natures. These legal, arbitration or other actions, involve customers, suppliers, employees, administrative, central, municipal, tax, environmental or other authorities. In EDP Group's opinion and its legal advisors the risk of a loss in these actions is not probable and the outcome will not affect on a material way its consolidated financial position.

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 31 March 2014, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 30,220 thousands of Euros (31 December 2013: 27,769 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 between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 29,787 thousands of Euros (31 December 2013: 27,035 thousands of Euros);

iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 16,546 thousands of Euros (31 December 2013: 14,582 thousands of Euros).

iv) There is a public civil action filed against Bandeirante and Escelsa by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 28,065 thousands of Euros (31 December 2013: 25,644 thousands of Euros).

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 March 2014, the amount of this tax contingency totals 237.7 millions of Euros (31 December 2013: 235.2 millions of Euros).

Considering the analysis made, 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 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

Bearing the above in mind, and given that the EDP Group's tax procedures comply with applicable Portuguese tax legislation at the date of the events, the Group is currently using all available legal means to contest these additional assessments. As a result of the administrative appeal dismissal, EDP presented a judicial claim, on 6 June 2012, which is still being analysed.

Additionally, Bandeirante through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55,421/2010 and 55,867/2010. Both claims obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts. The estimated value at 31 March 2014 amounts to 56,273 thousands of Euros (31 December 2013: 51,124 thousands of Euros).



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**37. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS**

The caption Institutional partnership in USA wind farms is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Deferred income related to benefits provided	665,625	672,154
Liabilities arising from institutional partnerships in USA wind farms	810,138	836,341
	<b>1,475,763</b>	<b>1,508,495</b>

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 13).

**38. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES**

Trade and other payables from commercial activities - Non-Current, are analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
Government grants for investment in fixed assets	570,624	567,559
Amounts payable for tariff adjustments - Electricity - Portugal	75,695	-
Energy sales contracts - EDPR NA	33,605	35,750
Deferred income - CMEC	389,764	351,822
Amounts payable for concessions	233,957	226,569
Other creditors and sundry operations	80,455	69,492
	<b>1,384,100</b>	<b>1,251,192</b>

Trade and other payables from commercial activities - Current, are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Suppliers	1,146,903	1,239,323	329,329	323,313
Accrued costs related with supplies	354,079	421,488	164,303	287,104
Property, plant and equipment suppliers and accruals	344,228	457,116	5,338	1,589
Holiday pay, bonus and other charges with employees	153,098	143,961	13,077	11,882
CO2 emission licences	120,708	109,233	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	239,255	285,274	-	-
Deferred income - CMEC	52,752	56,461	-	-
Other creditors and sundry operations	547,050	507,080	50,514	48,983
	<b>2,958,073</b>	<b>3,219,936</b>	<b>562,561</b>	<b>672,871</b>

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

Thousands of Euros		
	Current	Non-Current
<b>Balance as at 1 January 2013</b>	144,994	842
Payment through the electricity tariff	-34,507	-
Tariff adjustment of the period	14,313	42,940
Interest expense	476	110
Transfer from Non-Current to Current	-6,541	-842
<b>Balance as at 31 March 2013</b>	118,735	43,050
Payment through the electricity tariff	-103,522	-
Tariff adjustment of 2012	2,203	-
Tariff adjustment of the period	265,816	-42,940
Interest expense	3,005	-110
Transfer from Non-Current to Current	-963	-
<b>Balance as at 31 December 2013</b>	285,274	-
Payment through the electricity tariff	-71,379	-
Tariff adjustment of the period	25,167	75,502
Interest expense	205	193
Transfer of tariff adjustment to receive	-12	-
<b>Balance as at 31 March 2014</b>	<b>239,255</b>	<b>75,695</b>

The variation in the caption CO2 emission licences includes the CO2 consumptions made during 2014 in Portugal and Spain, in the amount of 4,780 thousands of Euros and 6,695 thousands of Euros, respectively. These licences will be delivered to the regulatory authorities of each country in 2015.

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12).



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At the moment of the EDPR North America acquisition, the contracts signed between this subsidiary and its customers, determined under the terms of the Purchase Price Allocation, were valued through discounted cash flow models and market assumptions at 190,400 thousands of USD, being booked as a non-current liability under Energy sales contract - EDPR NA, which is depreciated over the useful life of the contracts in Other operating income (see note 7).

Deferred income - CMEC current and non-current in the amount of 442,516 thousands of Euros (31 December 2013: 408,283 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2013 and including unwinding (see note 13).

Amounts payable for concessions refer to the non-current amounts payable includes the concession rights for the operation of the hydropower domain of Alqueva and Pedrógão transferred by EDIA of 151,216 thousands of Euros (31 December 2013: 150,116 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 82,000 thousands of Euros (31 December 2013: 77,238 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2013: 14,317 thousands of Euros).

### 39. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Other liabilities and other payables - Non-Current</b>				
Loans from non-controlling interests	177,346	168,325	-	-
Put options over non-controlling interest liabilities	5,685	8,138	-	-
Derivative financial instruments	119,080	115,773	-	-
Payables - Group companies	-	-	2,440,403	2,439,880
Amounts payable for acquisitions and success fees	15,042	14,720	-	-
Other creditors and sundry operations	20,075	19,614	11,062	11,062
	<b>337,228</b>	<b>326,570</b>	<b>2,451,465</b>	<b>2,450,942</b>
<b>Other liabilities and other payables - Current</b>				
Loans from non-controlling interests	101,122	91,424	-	-
Dividends attributed to related companies	68,386	36,145	-	-
Derivative financial instruments	62,748	53,683	126,734	80,128
Payables - Group companies	-	-	49,369	131,407
Put options over non-controlling interest liabilities	3,400	-	-	-
Amounts payable for acquisitions and success fees	13,728	16,863	-	-
Other creditors and sundry operations	11,859	11,536	17,008	37,403
	<b>261,243</b>	<b>209,651</b>	<b>193,111</b>	<b>248,938</b>
	<b>598,471</b>	<b>536,221</b>	<b>2,644,576</b>	<b>2,699,880</b>

The caption Loans from non-controlling interests Current and Non-Current is mainly related to EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were also acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 31 March 2014, this loan amounts to 100,781 thousands of Euros.

The caption Put options over non-controlling interest liabilities - Non-Current, includes the remaining 0,13% of the original written put option of Cajastur over EDP of HC Energia share capital in the amount of 5,561 thousands of Euros.

The Amounts payable for acquisitions and success fees Current and Non-Current includes mainly the amounts related to the contingent prices of several European (mainly in France and Poland), U.S.A and Brazilian projects.

The caption Payables - Group companies Non-Current on a company basis, of 2,440,403 thousands of Euros, corresponds to the financing obtained through EDP Finance BV and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

The caption Payables - Group companies Current on a company basis includes 49,148 thousands of Euros (31 December 2013: 131,407 thousands of Euros) related to debt financing obtained by EDP S.A. Sucursal in Spain through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively (see note 45).

### 40. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Income tax	176,432	156,591	35,530	18,728
Withholding tax	32,421	56,536	270	337
Value added tax (VAT)	121,220	161,657	387	857
Turnover tax (Brazil)	41,638	39,066	-	-
Social tax (Brazil)	17,930	15,904	-	-
Other taxes	195,201	144,326	133	57
	<b>584,842</b>	<b>574,080</b>	<b>36,320</b>	<b>19,979</b>

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As at 31 March 2014, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 68,909 thousands of Euros, NG Energia Group of 25,785 thousands of Euros (31 December 2013: HC Energia Group of 78,341 thousands of Euros and NG Energia Group of 25,626 thousands of Euros) and EDP Brasil Group of 7,401 thousands of Euros (31 December 2013: 9,199 thousands of Euros). Additionally, includes the amount of 58,799 thousands of Euros, related with the Energetic Sector Contribution, approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget Law for 2014). The contribution is due by EDP companies that operate in the production, distribution and commercialization of electricity and in the distribution and commercialization of natural gas and it is calculated on the value of the companies' assets as provided under by law.

#### 41. ASSETS AND LIABILITIES HELD FOR SALE

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

This caption is analysed as follows:

Thousands of Euros	Group	
	Mar 2014	Dec 2013
<b>Assets held for sale</b>		
Assets of the business of electricity generation - Jari e Cachoeira	762,147	715,837
	<b>762,147</b>	<b>715,837</b>
<b>Liabilities held for sale</b>		
Liabilities of the business of electricity generation - Jari e Cachoeira	-619,816	-577,964
	<b>-619,816</b>	<b>-577,964</b>
	<b>142,331</b>	<b>137,873</b>

On 6 December 2013, EDP Energias do Brasil comunicated to the market the establishment of a partnership with CWE Investment Corporation (CWEI) and CWEI Brasil Participações (CWEI Brasil), subsidiaries controlled by China Three Gorges, for joint energy projects in Brazil. In the context of this partnership, was agreed the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects. The agreement foresees joint participation in energy projects in Brazil with joint control. The transaction amounted to 490 millions of Reais for CEJA and the sale amount of Cachoeira Caldeirão corresponds to 50% of the investment made by EDP Brasil. With reference to 31 December 2013, and to the extent that these transactions, though highly probable, are subject to prior authorization by the competent authorities, the assets and liabilities related to these transactions were presented as non-current assets and liabilities held for sale. The completion of these transactions is expected in the first half of 2014. Under IFRS 11, with the completion of the transaction, CEJA and Cachoeira Caldeirão will be accounted under the equity method. The significant assets and liabilities of these entities that have been reclassified to assets and liabilities held for sale are, as at 31 March 2014: 403,844 thousands of Euros of tangible assets in progress (31 December 2013: 355,182 thousands of Euros), 199,875 thousands of Euros of concession rights (31 December 2013: 187,847 thousands of Euros) and 381,071 thousands of Euros of net debt (31 December 2013: 323,294 thousands of Euros). These reclassifications were made only for financial statement presentation purposes, without changing the measurement criteria of these assets and liabilities, being expected that the fair value less costs to sell is higher than the book value of these assets and liabilities in accordance with IFRS 5.

#### 42. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial instruments portfolio as at 31 March 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
Derivatives held for trading	19,408	11,994	32,804	15,601
Fair value hedge	33,783	60,652	83,186	82,772
Cash flow hedge	-62,987	-50,813	-23,505	1,229
Net Investment hedge	15,399	15,218	-	-
	<b>5,603</b>	<b>37,051</b>	<b>92,485</b>	<b>99,602</b>

Fair value of derivative financial instruments is based on quotes indicated by external entities, as such, according to IFRS 13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (see note 46) and no changes of levels were made during this period. These entities use generally accepted discounted cash flow techniques and data from public markets.

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

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During the first quarter of 2014 and the year 2013 the following market inputs were considered for the fair value calculation:

<b>Instrument</b>	<b>Market input</b>
Cross-curr. int. rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Daily CDI and Wibor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Wibor 3M and Wibor 6M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/GBP, CAD/DKK, CAD/USD, USD/JPY and EUR/CAD.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Fuel, Coal, Fuel, Freights, CER and CO2;
OMIP futures	Fair value indexed to the quotes from electricity markets.

#### 43. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 31 March 2014 and 31 December 2013, are analysed as follows:

Thousands of Euros	Group		Company	
	Mar 2014	Dec 2013	Mar 2014	Dec 2013
<b>Financial guarantees</b>				
EDP, S.A.	204,770	241,196	204,770	241,196
HC Energia Group	4,005	4,005	-	-
EDP Brasil Group	834,486	723,022	-	-
Other	3,264	6,022	-	-
	1,046,525	974,245	204,770	241,196
<b>Operating guarantees</b>				
EDP, S.A.	595,984	599,502	595,984	599,502
HC Energia Group	335,823	338,059	-	-
EDP Brasil Group	364,792	375,682	-	-
EDP Renováveis Group	880,231	867,846	-	-
Other	8,871	9,224	-	-
	2,185,701	2,190,313	595,984	599,502
<b>Total</b>	3,232,226	3,164,558	800,754	840,698
<b>Real guarantees</b>	7,894	21,693	-	-

The financial guarantees contracted include, at 31 March 2014 and 31 December 2013, 1,014,127 thousands of Euros and 926,759 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 March 2014 and 31 December 2013, 353,888 thousands of Euros and 299,470 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Operating guarantees contracted include, as at 31 March 2014 and 31 December 2013, 201,539 thousands of Euros and 303,182 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renewables relating to EDPR Renováveis Group commercial commitments already reflected in the balance sheet.

The operating guarantees presented include the amounts related to the companies that changed the consolidation method to equity under IFRS 10 and 11 (referred in note 5).

As at 31 March 2014, guarantees include 320,025 thousands of Euros (31 December 2013: 294,144 thousands of Euros) and 229,948

Regarding the information disclosed above:

- i) The Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 March 2014 and 31 December 2013 these loans amounted to 967,684 thousands of Euros and 939,826 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 34);
- ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 March 2014 and 31 December 2013, EDPR's obligations under the tax equity agreements, in the amount of 772,634 thousands of Euros and 803,006 thousands of Euros, are reflected in liabilities under the Institutional Partnerships in USA wind farms;
- iii) EDP has constituted an escrow deposit in the amount of 347,172 thousands of Euros (323,999 thousands of Euros non-current and 23,173 thousands of Euros current), as presented in note 34, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

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The commitments relating to short and medium-long term financial debt, finance lease commitments and other long term commitments (included in the consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, as at 31 March 2014 and 31 December 2013, by maturity, as follows:

	Mar 2014				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Thousands of Euros					
Short and long term financial debt (including falling due interest)	23,249,654	4,839,757	7,720,851	5,366,632	5,322,414
Finance lease commitments	7,136	3,247	3,579	310	-
Operating lease commitments	953,383	133,325	175,685	57,000	587,373
Purchase obligations	24,689,346	4,252,753	5,831,178	2,957,673	11,647,742
Other long term commitments	2,285,923	265,599	513,292	476,716	1,030,316
	51,185,442	9,494,681	14,244,585	8,858,331	18,587,845

	Dec 2013				
	Capital outstanding by maturity				
	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Thousands of Euros					
Short and long term financial debt (including falling due interest)	23,642,571	4,903,020	7,985,496	6,039,361	4,714,694
Finance lease commitments	7,564	3,422	3,776	366	-
Operating lease commitments	759,098	45,428	60,092	57,771	595,807
Purchase obligations	21,994,828	4,102,631	4,926,894	3,123,721	9,841,582
Other long term commitments	2,285,923	265,599	513,292	476,716	1,030,316
	48,689,984	9,320,100	13,489,550	9,697,935	16,182,399

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

The commitments presented above do not include the amounts related to the companies that changed the consolidation method to equity under IFRS 10 and 11 (referred in note 5), that are presented in note 20.

The short and long term debt corresponds to the balance of borrowings and related falling due interest, contracted by the Group with bank entities, non-convertible bonds, commercial paper and other borrowings. Interest was calculated based on interest rates in force at the end of the period.

As at 31 March 2014, current and non-current financial debt (including interest) includes 693,754 thousands of Euros (31 December 2013: 641,076 thousands of Euros) related to Jari and Cachoeira Caldeirão financial debt and falling due interest, which are classified as Assets and Liabilities Held for Sale (note 41).

Falling due finance lease commitments relate to Property, plant and equipment acquired by the Group under finance lease contracts. These amounts include capital outstanding and interests.

Purchase obligations include essentially obligations of long term contracts relating to the supply of products and services in the normal course of the Group's operations. Prices defined under forward contracts are used in estimating the amount of contractual commitments.

Other long term commitments relate to Group's liabilities relating to pension and Medical plans and other benefits, classified as benefits to employees in the consolidated statement of financial position (see note 35).

As at 31 March 2014, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Liberbank (Ex-Cajastur) over EDP for 0.13% of the share capital of HC Energia, this option can be exercised until 31 December 2017;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Liberbank for "Quinze Mines" share capital (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Liberbank for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining 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;

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- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvougá and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvougá and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeiradio-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;

- EDP holds, through its subsidiary South África Wind & Solar Power, S.L., a call option of an additional 42,5% of the share capital of Modderfontein Wind Energy Project, Ltd., which exercise price corresponds to the amounts contributed by the other partner in the Modderfontein project development. This option can be exercised from the date of the agreement until 45 calendar days before the deadline for submission of tenders for the next auction of energy;

- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised up to 2 years after the maturity of the financial debt for the wind farm construction.

#### 44. SHARE BASED PAYMENTS

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

Currently, EDP Group has a stock option 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 (April 2014). 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 eight years. The options are granted by the EDP Group's Remunerations Committee and can only be exercised after two years of service.

During 2013, were exercised the remaining options of the Plan for Members of the Board of Directors and Management of the Group subsidiaries.

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

	Option activity	Weighted average exercise price (Euros)
<b>Balance as at 31 December 2012</b>	567,201	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
<b>Balance as at 31 March 2013</b>	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
<b>Balance as at 31 December 2013</b>	150,690	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
<b>Balance as at 31 March 2014</b>	150,690	2.21

Information regarding stock options as at 31 March 2014, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
150,690	2.21	0.08	150,690	125,588

During the first quarter of 2014 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In first quarter of 2014, no treasury stocks were granted to employees.

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**45. RELATED PARTIES**

**Main shareholders and shares held by company officers**

EDP - Energias de Portugal S.A. shareholder structure as at 31 March 2014 is analysed as follows:

	<b>Nr. of Shares</b>	<b>% Capital</b>	<b>% Voting</b>
China Three Gorges	780,633,782	21.35%	21.35%
Capital Group Companies, Inc.	370,584,953	10.13%	10.13%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
José de Mello - SGPS, S.A.	168,097,034	4.60%	4.60%
Senfora, SARL	148,431,999	4.06%	4.06%
Grupo Millennium BCP and Pension Fund	96,167,974	2.63%	2.63%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	81,506,689	2.23%	2.23%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	25,757,268	0.70%	-
Remaining shareholders	1,479,166,789	40.46%	-
	<b>3,656,537,715</b>	<b>100.00%</b>	

**Balances and transactions with companies of China Three Gorges Group**

In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 31 March 2014, this loan amounts to 100,781 thousands of Euros from which 10,185 thousands of Euros as current and 90,596 thousands of Euros as non-current (see note 39).

**Balances and transactions with subsidiaries, joint ventures and associates**

In the normal course of its business, EDP Group companies established commercial transactions and operations with other Group companies, whose terms reflect normal market conditions.

The credits and debits over subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

**Credits**

<b>March 2014</b>				
Thousands of Euros	<b>Group Financial</b>	<b>Loans and Interests receivable</b>	<b>Other Credits</b>	<b>Total</b>
Balwerk	13,097	200,920	515	214,532
EDP Comercial	82,128	10,171	148,496	240,795
EDP Distribuição	1,079,458	2,381,613	11,721	3,472,792
EDP Gás - SGPS	19,693	110,764	4,915	135,372
EDP Produção	-	4,214,752	278,372	4,493,124
EDP Imobiliária e Participações	-	84,311	298	84,609
EDP Renováveis	-	-	86,746	86,746
HC Energia	-	-	37,446	37,446
Others	119,391	44,516	163,292	327,199
	<b>1,313,767</b>	<b>7,047,047</b>	<b>731,801</b>	<b>9,092,615</b>

<b>December 2013</b>				
Thousands of Euros	<b>Group Financial</b>	<b>Loans and Interests receivable</b>	<b>Other Credits</b>	<b>Total</b>
Balwerk	844	210,066	1,261	212,171
EDP Comercial	39,909	10,070	165,536	215,515
EDP Distribuição	590,275	2,341,424	12,116	2,943,815
EDP Gás - SGPS	19,257	115,066	4,160	138,483
EDP Produção	508,466	4,042,803	223,011	4,774,280
EDP Imobiliária e Participações	-	83,720	186	83,906
EDP Renováveis	-	-	91,025	91,025
HC Energia	-	-	113,026	113,026
Others	71,350	45,002	171,071	287,423
	<b>1,230,101</b>	<b>6,848,151</b>	<b>781,392</b>	<b>8,859,644</b>

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**Debits**

March 2014				
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	10,245,907	39,038	10,284,945
EDP Servicios Financieros (España)	-	2,557	15	2,572
EDP Produção	140,337	-	337,936	478,273
EDP Serviço Universal	-	-	202,784	202,784
Others	6,696	176,501	155,182	338,379
	147,033	10,424,965	734,955	11,306,953

The amount of 10,245,907 thousands of Euros includes three intragroup bonds issuance by EDP Finance BV to EDP SA as at 31 March 2014, in the total amount of 5,350,000 thousands of Euros, at medium-long term (5 to 7 years).

December 2013				
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	10,500,930	16,630	10,517,560
EDP Servicios Financieros (España)	-	88,977	-	88,977
EDP Produção	-	-	362,515	362,515
EDP Serviço Universal	-	-	146,692	146,692
Others	9,138	180,500	130,728	320,366
	9,138	10,770,407	656,565	11,436,110

Expenses and income related to subsidiaries, joint ventures and associates, at Company level, are analysed as follows:

**Expenses**

March 2014				
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-94,109	-22,490	-116,599
EDP Produção	-	-	-298,754	-298,754
Empresa Hidroelétrica do Guadiana	-	-	-14,152	-14,152
EDP Renewables Europe	-	-	-2,937	-2,937
Others	-50	-848	-48,655	-49,553
	-50	-94,957	-386,988	-481,995

March 2013				
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-63,460	-2,364	-65,824
EDP Produção	-	-	-297,536	-297,536
Empresa Hidroelétrica do Guadiana	-	-	-14,348	-14,348
Others	-8	-1,644	-52,849	-54,501
	-8	-65,104	-367,097	-432,209

**Income**

March 2014				
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	252	101	203,948	204,301
EDP Distribuição	5,351	40,189	10,731	56,271
EDP Gás.Com	135	-	45,408	45,543
EDP Produção	943	72,548	33,687	107,178
Others	1,178	5,882	69,547	76,607
	7,859	118,720	363,321	489,900



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Thousands of Euros	March 2013			Total
	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	
EDP Comercial	130	101	172,004	172,235
EDP Distribuição	3,444	38,661	9,633	51,738
EDP Gás.Com	59	-	44,943	45,002
EDP Produção	1,451	67,135	32,047	100,633
Others	384	6,593	72,882	79,859
	5,468	112,490	331,509	449,467

Assets, liabilities and transactions with related companies, for the Group are analysed as follows:

**Assets and Liabilities**

Thousands of Euros	March 2014		
	Assets	Liabilities	Net Value
Associates	382,474	870	381,604
Joint Ventures	116,782	23,637	93,145
	499,256	24,507	474,749

Thousands of Euros	December 2013		
	Assets	Liabilities	Net Value
Associates	350,214	766	349,448
Joint Ventures	112,789	18,525	94,264
	463,003	19,291	443,712

**Transactions**

Thousands of Euros	March 2014			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	2,600	5,206	-371	-
Joint Ventures	27,199	1,398	-14,938	-3,994
	29,799	6,604	-15,309	-3,994

Thousands of Euros	March 2013			
	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	4,001	3,910	-535	-
Joint Ventures	91,659	1,100	-16,715	-12
	95,660	5,010	-17,250	-12

**46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Fair value of financial assets and liabilities as at 31 March 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	Group Mar 2014			Group Dec 2013		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Financial assets</b>						
Available for sale investments	248,911	248,911	-	212,483	212,483	-
Trade receivables	2,285,436	2,285,436	-	2,280,897	2,280,897	-
Debtors / other assets from commercial activities	5,398,861	5,398,861	-	5,009,079	5,009,079	-
Other debtors and other assets	690,087	690,087	-	652,104	652,104	-
Derivative financial instruments	187,431	187,431	-	206,507	206,507	-
Financial assets at fair value through profit or loss	3,803	3,803	-	4,217	4,217	-
Collateral deposits / financial debt	441,128	441,128	-	438,810	438,810	-
Cash and cash equivalents	1,684,880	1,684,880	-	2,156,707	2,156,707	-
	10,940,537	10,940,537	-	10,960,804	10,960,804	-
<b>Financial liabilities</b>						
Financial debt	19,282,730	20,099,515	816,785	19,758,809	20,369,899	611,090
Suppliers and accruals	1,491,131	1,491,131	-	1,696,439	1,696,439	-
Institutional partnerships in USA wind farms	1,475,763	1,475,763	-	1,508,495	1,508,495	-
Trade / other payables from commercial activities	2,280,418	2,280,418	-	2,207,130	2,207,130	-
Other liabilities and other payables	416,643	416,643	-	366,765	366,765	-
Derivative financial instruments	181,828	181,828	-	169,456	169,456	-
	25,128,513	25,945,298	816,785	25,707,094	26,318,184	611,090



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Considering that EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature and level 2, the effect of changes in the fair value has not been considered. Fair value of EDP Group's loans was determined considering current market interest rates.

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

According to IFRS 13 requirements, 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 March 2014			31 December 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Available for sale investments	145,840	54,830	48,241	111,003	53,751	47,729
Derivative financial instruments	-	187,431	-	-	206,507	-
Financial assets at fair value through profit or loss	3,803	-	-	4,217	-	-
	149,643	242,261	48,241	115,220	260,258	47,729
<b>Financial liabilities</b>						
Derivative financial instruments	-	181,828	-	-	169,456	-
	-	181,828	-	-	169,456	-

As at 31 March 2014 and 31 December 2013, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

Thousands of Euros	Available for sale investments	
	Mar 2014	Mar 2013
<b>Balance at beginning of year</b>	47,729	57,682
Change in fair value	283	-317
Acquisitions	227	-
Disposals	-2	-
Impairment	-92	-
Transfers and other changes	96	-377
<b>Balance at year end</b>	48,241	56,988

The assumptions used in the determination of Available for sale investments fair value are described in note 21, as stated in IFRS 13.

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**47. ADOPTION OF STANDARDS IFRS 10 - CONSOLIDATED FINANCIAL STATEMENTS AND IFRS 11 - JOINT ARRANGEMENTS**

As referred in the note 2 b), the EDP Group adopted the standards IFRS 10 - Consolidated Financial Statements and IFRS 11 - Joint Arrangements with an effective date of mandatory application for periods beginning on or after 1 January 2014, and restated the comparative periods from 1 January 2013.

The impacts of the adoption of these standards as at 31 March and 31 December 2013 are presented as follows:

**Condensed Consolidated Income Statement**

Thousands of Euros	Mar 2013	IFRS 10 and 11 impacts	Mar 2013 restated
Revenues from energy sales and services and other	4,453,982	-39,342	4,414,640
Cost of energy sales and other	-2,943,207	35,446	-2,907,761
	<u>1,510,775</u>	<u>-3,896</u>	<u>1,506,879</u>
Other income	136,192	-145	136,047
Supplies and services	-216,324	4,245	-212,079
Personnel costs and employee benefits	-170,584	959	-169,625
Other expenses	-188,162	13,097	-175,065
	<u>-438,878</u>	<u>18,156</u>	<u>-420,722</u>
	<u>1,071,897</u>	<u>14,260</u>	<u>1,086,157</u>
Provisions	-9,440	-	-9,440
Amortisation and impairment	-353,269	9,136	-344,133
	<u>709,188</u>	<u>23,396</u>	<u>732,584</u>
Financial income	248,726	-1,228	247,498
Financial expenses	-408,569	7,497	-401,072
Share of net profit in joint ventures and associates	8,077	-19,685	-11,608
Profit before income tax	<u>557,422</u>	<u>9,980</u>	<u>567,402</u>
Income tax expense	-149,052	-10,023	-159,075
<b>Net profit for the period</b>	<u>408,370</u>	<u>-43</u>	<u>408,327</u>
<b>Attributable to:</b>			
Equity holders of EDP	334,740	-	334,740
Non-controlling Interests	73,630	-43	73,587
<b>Net profit for the period</b>	<u>408,370</u>	<u>-43</u>	<u>408,327</u>
<b>Earnings per share (Basic and Diluted) - Euros</b>	<u>0.09</u>	<u>-</u>	<u>0.09</u>

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**Condensed Consolidated Statement of Comprehensive Income**

	Mar 2013		IFRS 10 and 11 impacts		Mar 2013 Restated	
	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Thousands of Euros						
<b>Net profit for the period</b>	334,740	73,630	-	-43	334,740	73,587
<b>Items that will never be reclassified to profit or loss</b>						
Actuarial gains / (losses)	-5,182	-5,052	-	-	-5,182	-5,052
Tax effect from the actuarial gains / (losses)	1,762	1,718	-	-	1,762	1,718
	-3,420	-3,334	-	-	-3,420	-3,334
<b>Items that are or may be reclassified to profit or loss</b>						
Exchange differences arising on consolidation	38,098	84,098	5,292	2,972	43,390	87,070
Fair value reserve (cash flow hedge)	-11,271	2,022	-318	-289	-11,589	1,733
Tax effect from the fair value reserve (cash flow hedge)	3,488	-547	107	98	3,595	-449
Fair value reserve (available for sale investments)	10,570	-772	-	-	10,570	-772
Tax effect from the fair value reserve (available for sale investments)	-645	262	-	-	-645	262
Share of other comprehensive income of associates, net of taxes	2,971	320	-5,081	-2,782	-2,110	-2,462
	43,211	85,383	-	-1	43,211	85,382
<b>Other comprehensive income for the period, net of income tax</b>	39,791	82,049	-	-1	39,791	82,048
<b>Total comprehensive income for the period</b>	374,531	155,679	-	-44	374,531	155,635

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**Condensed Consolidated Statement of Financial Position**

Thousands of Euros	Dec 2013	IFRS 10 and 11 impacts	Dec 2013 restated
<b>Assets</b>			
Property, plant and equipment	20,316,306	-862,207	19,454,099
Intangible assets	6,028,307	-10,505	6,017,802
Goodwill	3,295,874	-42,730	3,253,144
Investments in joint ventures and associates	182,562	462,859	645,421
Available for sale investments	212,483	-	212,483
Deferred tax assets	388,813	-68,223	320,590
Trade receivables	99,005	-11	98,994
Debtors and other assets from commercial activities	3,188,586	-407	3,188,179
Other debtors and other assets	525,077	26,955	552,032
Collateral deposits associated to financial debt	430,607	-10,526	420,081
<b>Total Non-Current Assets</b>	<b>34,667,620</b>	<b>-504,795</b>	<b>34,162,825</b>
Inventories	280,009	-15,221	264,788
Trade receivables	2,208,287	-26,384	2,181,903
Debtors and other assets from commercial activities	1,827,815	-6,915	1,820,900
Other debtors and other assets	308,155	-1,576	306,579
Current tax assets	439,109	-6,057	433,052
Financial assets at fair value through profit or loss	4,217	-	4,217
Collateral deposits associated to financial debt	18,729	-	18,729
Cash and cash equivalents	2,180,122	-23,415	2,156,707
Assets held for sale	715,837	-	715,837
<b>Total Current Assets</b>	<b>7,982,280</b>	<b>-79,568</b>	<b>7,902,712</b>
<b>Total Assets</b>	<b>42,649,900</b>	<b>-584,363</b>	<b>42,065,537</b>
<b>Equity</b>			
Share capital	3,656,538	-	3,656,538
Treasury stock	-85,573	-	-85,573
Share premium	503,923	-	503,923
Reserves and retained earnings	3,365,777	-	3,365,777
Consolidated net profit attributable to equity holders of EDP	1,005,091	-	1,005,091
<b>Total Equity attributable to equity holders of EDP</b>	<b>8,445,756</b>	<b>-</b>	<b>8,445,756</b>
Non-controlling Interests	3,082,805	-659	3,082,146
<b>Total Equity</b>	<b>11,528,561</b>	<b>-659</b>	<b>11,527,902</b>
<b>Liabilities</b>			
Financial debt	15,968,756	-368,033	15,600,723
Employee benefits	1,751,066	-	1,751,066
Provisions	360,203	-5,970	354,233
Deferred tax liabilities	775,269	-16,177	759,092
Institutional partnerships in USA wind farms	1,508,495	-	1,508,495
Trade and other payables from commercial activities	1,252,337	-1,145	1,251,192
Other liabilities and other payables	375,846	-49,276	326,570
<b>Total Non-Current Liabilities</b>	<b>21,991,972</b>	<b>-440,601</b>	<b>21,551,371</b>
Financial debt	4,192,168	-34,082	4,158,086
Employee benefits	183,469	-	183,469
Provisions	28,003	-566	27,437
Hydrological correction account	35,641	-	35,641
Trade and other payables from commercial activities	3,289,002	-69,066	3,219,936
Other liabilities and other payables	238,086	-28,435	209,651
Current tax liabilities	585,034	-10,954	574,080
Liabilities held for sale	577,964	-	577,964
<b>Total Current Liabilities</b>	<b>9,129,367</b>	<b>-143,103</b>	<b>8,986,264</b>
<b>Total Liabilities</b>	<b>31,121,339</b>	<b>-583,704</b>	<b>30,537,635</b>
<b>Total Equity and Liabilities</b>	<b>42,649,900</b>	<b>-584,363</b>	<b>42,065,537</b>

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**Condensed Consolidated and Company Statement of Cash Flows**

Thousands of Euros	Mar 2013	IFRS 10 and 11 impacts	Mar 2013 restated
<b>Operating activities</b>			
Cash receipts from customers	3,803,289	-70,006	3,733,283
Proceeds from tariff adjustments securitization	174,454	-	174,454
Payments to suppliers	-2,979,813	68,158	-2,911,655
Payments to personnel	-185,430	636	-184,794
Concession rents paid	-13,818	40	-13,778
Other receipts / (payments) relating to operating activities	53,894	18,024	71,918
<b>Net cash from operations</b>	<b>852,576</b>	<b>16,852</b>	<b>869,428</b>
Income tax received / (paid)	-24,066	-	-24,066
<b>Net cash from operating activities</b>	<b>828,510</b>	<b>16,852</b>	<b>845,362</b>
<b>Investing activities</b>			
Cash receipts relating to:			
Sale of assets / subsidiaries with loss of control	255,556	-	255,556
Other financial assets and investments	473	-	473
Property, plant and equipment and intangible assets	205	-	205
Investment grants	1,321	-	1,321
Interest and similar income	14,418	572	14,990
Dividends	135	2,038	2,173
	272,108	2,610	274,718
Cash payments relating to:			
Acquisition of assets / subsidiaries	-24,930	-20,850	-45,780
Other financial assets and investments	-76	-	-76
Changes in cash resulting from consolidation perimeter variations	-	-21,754	-21,754
Property, plant and equipment and intangible assets	-694,090	16,804	-677,286
	-719,096	-25,800	-744,896
<b>Net cash from investing activities</b>	<b>-446,988</b>	<b>-23,190</b>	<b>-470,178</b>
<b>Financing activities</b>			
Receipts / (payments) relating to loans	-487,199	4,159	-483,040
Interest and similar costs including hedge derivatives	-234,234	3,525	-230,709
Governmental grants received	91,051	-	91,051
Share capital increases / (decreases) by non-controlling interests	-8,080	-	-8,080
Receipts / (payments) relating to derivative financial instruments	17,787	-33,534	-15,747
Dividends paid to non-controlling interests	-3,413	-	-3,413
Treasury stock sold / (purchased)	2,553	-	2,553
Receipts / (payments) from wind activity institutional partnerships - USA	-11,440	-	-11,440
<b>Net cash from financing activities</b>	<b>-632,975</b>	<b>-25,850</b>	<b>-658,825</b>
<b>Changes in cash and cash equivalents</b>	<b>-251,453</b>	<b>-32,188</b>	<b>-283,641</b>
Effect of exchange rate fluctuations on cash held	15,730	-233	15,497
Cash and cash equivalents at the beginning of the year	1,695,336	-	1,695,336
<b>Cash and cash equivalents at the end of the year</b>	<b>1,459,613</b>	<b>-32,421</b>	<b>1,427,192</b>

#### **48. RELEVANT OR SUBSEQUENT EVENTS**

##### **Regulatory changes in Portugal**

Following the commitments assumed by the Portuguese Government with Troika, ERSE reports and the Competition Authority recommendation, on 1 April 2014 was published the Order 4694/2014, changing the activity of the market services system - secondary regulating band. This change aim to create mechanisms that encourage a more active participation from CMEC power plants in the secondary regulating band for the security of supply and decrease of the system cost. This order states the general lines for the revisibility calculation provided in Decree-Law 240/2004, as well as the price formation principles of secondary regulating band earned by the power plants that participated in the market system services, using as reference to the Spanish market services system.

##### **Securitization of electricity tariff deficit in Portugal**

On 2 April, EDP Serviço Universal, S.A. (EDP SU), the last resort supplier for the Portuguese electricity system, a company wholly owned by the EDP Group, has entered into an agreement for the assignment, by means of a true sale without recourse to Tagus – Sociedade de Titularização de Créditos, S.A. (Tagus), of a portion of the 2013 Tariff Deficit, and respective interest, for an amount of 750 million of Euros.

The 2013 Tariff Deficit resulted from the deferral, for the period of 5 years, of the recovery of the 2013 over costs (including the adjustments for 2011 and 2012) related to the acquisition of electricity from special regime generators. The outstanding amount due to EDP SU before this agreement was approximately 1.1 billions of Euros.

Tagus has financed this transaction through the issuance of 750 million of Euros of senior notes with a yield of 3%, coupon of 2.98%, and an expected rating of Baa3/BBB/BBB High, attributed by Moody's, Fitch and DBRS, being such debt instruments expected to be admitted to trading on NYSE Euronext Lisbon.

The transaction has been solely arranged by StormHarbour Securities LLP and joint lead managed by Banco Santander Totta S.A., J.P. Morgan and StormHarbour Securities LLP.

##### **EDP issues 650 millions of Euros bond maturing in April 2019**

On 8 April, EDP Finance BV issued and priced today a Eurobond in the total amount of 650,000,000 of Euros maturing in April 2019 with a coupon of 2.625%.

The Notes will be issued under EDP and EDP Finance B.V.'s Programme for the Issuance of Debt Instruments (MTN) and application will be made for the Notes to be admitted to official listing on the Irish Stock Exchange. This issuance is intended for general corporate purposes and is in line with the Group's financial policy of extending the average term of its debt portfolio and reinforcing its financial flexibility.

##### **Fitch maintains EDP on rating watch negative**

On 15 April, Fitch Ratings (Fitch) has maintained EDP and EDP Finance B.V.'s "BBB-" Longterm Issuer Default Ratings (IDR) and senior unsecured ratings and "F3" Short-term IDR on Rating Watch Negative (RWN). Fitch has also maintained Hidroelectrica del Cantabrico, S.A.'s "BBB-" Long term IDR and "F3" Short term IDR on RWN.

Fitch placed the utilities companies rating with a significant exposition to Spain on RWN in July 2013, and has subsequently maintained the RWN on 15 January 2014. This rating review is to comply with Fitch's internal guideline to review ratings on Rating Watch every three months following the initial six-month review. The RWN followed the introduction by the Spanish government of regulatory changes affecting the remuneration of electricity sector activities including electricity distribution and renewable generation assets. Fitch expects to resolve the watch once the updated strategy is available and in light of management actions to cope with the new regulation and market scenario.

##### **EDP Renováveis enters the Mexican wind energy market**

On 28 April, EDP Renováveis, S.A. ("EDPR") has established an agreement with Industrias Peñoles, a leading Mexican mining company, for an Electricity Supply Agreement under self-supply regime for the energy produced by a wind farm currently designed for 180 MW, expected to be installed in 2016 by EDPR. The contract is set in USD and for a 25-year period. The project, located in a region with very strong wind resource in the State of Coahuila in the North of Mexico has an expected load factor above 40%.

This agreement with Industrias Peñoles, a company with solid financial position and creditworthiness, provides EDPR with an attractive and low-risk opportunity to enter the Mexican market in a sizeable and robust way.

EDPR considers that Mexico meets its required criteria for investment and potential future growth, namely due to its attractive renewable resources and low risk profile through the establishment of long term agreements with energy-intensive industries looking for competitive energy costs with long-term stability.

The success of EDPR on securing new long term energy supply agreements reinforces the low risk profile and provides solid visibility on the company's growth prospects.

#### **49. 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 are the following:

- IFRS 10 - Demonstrações Financeiras Consolidadas

The Group presents the impact from the adoption of this standard on note 47.

- IFRS 11 - Joint Arrangements

The Group presents the impact from the adoption of this standard on note 47.

- IFRS 12 - Disclosure of Interests in Other Entities

The disclosures resulted from the adoption of this standard were made in the notes 5 and 20.

- IAS 27 (Amended) - Separate Financial Statements

No significant impact in the Group resulted from the adoption of this standard.

- IAS 28 (Amended) - Investments in Associates and Joint Ventures

No significant impact in the Group resulted from the adoption of amendment.

- IAS 32 (Amended) - Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

No significant impact in the Group resulted from the adoption of amendment.

- IAS 36 (Amended) - Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets

No significant impact in the Group resulted from the adoption of amendment.

- IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting

No significant impact in the Group resulted from the adoption of amendment.

- Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27

No impact in the Group resulted from the adoption of amendment.

Standards, amendments and interpretations issued but not yet effective for the Group:

- IFRS 9 - Financial Instruments;
- IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations;
- IFRS 14 - Regulatory Deferral Accounts;
- IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contribution;
- IFRIC 21 - Levies;
- Annual Improvement Project (2010-2012);
- Annual Improvement Project (2011-2013).

#### **50. EDP BRANCH IN SPAIN**

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

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

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

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The Executive Committee is composed essentially of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Commercial Shared Services ("Direcção de Serviços Partilhados Comerciais"), Department of Corporate Shared Services ("Direcção de Serviços Partilhados Corporativos") and IT Department ("Direcção de Sistemas de Informação") and "Share EDP Project" ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Spanish branch of EDP has direct representation on Iberian ambit EDP Management Committee particularly the Energy Planning Committees, Price and Volume, Markets, Distribution Networks, Commercial and Production.

The condensed statement of financial position of the Branch as at 31 March 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	EDP Branch	
	Mar 2014	Dec 2013
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,087,871	2,087,871
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
Deferred tax assets	5,143	9,481
Other debtors and others assets	63,787	63,467
<b>Total Non-Current Assets</b>	<b>5,861,239</b>	<b>5,865,257</b>
Trade receivables	6,134	9,168
Debtors and other assets	108,018	197,514
Tax receivable	65,455	92,169
Cash and cash equivalents	1,392	1,407
<b>Total Current Assets</b>	<b>180,999</b>	<b>300,258</b>
<b>Total Assets</b>	<b>6,042,238</b>	<b>6,165,515</b>
Equity	3,505,528	3,529,730
Trade and other payables	2,440,402	2,439,880
Provisions	4,035	3,518
<b>Total Non-Current Liabilities</b>	<b>2,444,437</b>	<b>2,443,398</b>
Trade and other payables	80,976	191,461
Tax payable	11,297	926
<b>Total Current Liabilities</b>	<b>92,273</b>	<b>192,387</b>
<b>Total Liabilities</b>	<b>2,536,710</b>	<b>2,635,785</b>
<b>Total Equity and Liabilities</b>	<b>6,042,238</b>	<b>6,165,515</b>

## 51. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

As mentioned in note 3, in Portugal, Decree - Law 237-B/2006 of 19 December 2006 and Decree - Law 165/2008 of 21 August, refer to the transfer to third parties of the right to receive tariff adjustments (deviations and deficits) of the National Electricity System, through which the EDP Group has made, since 2008, a number of transfer operations of financial assets.

For the following operations, assets were transferred to securitization companies, that financed their purchases through debt securities registered in the Securities Commission (CMVM):

- In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);
- In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;
- In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, net of expenses, generating a gain of 22,510 thousands of Euros. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,789 thousands of Euros, as at 31 March 2014.

Under IAS 39, the assets (tariff adjustments) transferred in these operations were derecognised from the balance sheet of EDP Group.



## **52. OPERATING SEGMENTS REPORT**

In accordance with IFRS 8, an operating segment is a Group component:

- (i) that engages in business activities from which it may earn revenues and incur expenses;
- (ii) whose operating results are reviewed regularly by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- (iii) for which discrete financial information is available.

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

The Group manages its activities based on several business segments, which includes the activities in Iberia. Moreover, the EDP Group also makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Finally, taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Brasil).

The Executive Board of Directors regularly reviews segmental reports, using them to assess and release each business performance, as well as to allocate resources.

The segments defined by the Group are the following:

- Long Term Contracted Generation in Iberia;
- Liberalised Activities in Iberia;
- Regulated Networks in Iberia;
- EDP Renováveis;
- EDP Brasil.

The Long Term Contracted Generation in Iberia segment corresponds to the activity of electricity generation of plants with CMEC and SRP plants in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
- Fisigen - Empresa de Cogeração, S.A.

The Liberalised Activities segment in Iberia corresponds to the activity of unregulated generation and supply of electricity and gas in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
- Empresa Hidroeléctrica do Guadiana, S.A.;
- Electrica de la Ribera del Ebro, S.A.;
- Hidroeléctrica Del Cantábrico, S.L.;
- Central Térmica Ciclo Combinado Grupo 4, S.A.;
- Patrimonial de La Ribera del Ebro, S.L.;
- EDP Comercial - Comercialização de Energia, S.A.;
- Hidrocantábrico Energia, S.A.U.;
- Naturgás Comercializadora, S.A.

The Regulated Networks segment in Iberia corresponds to the activities of electricity and gas distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição - Energia, S.A.;
- EDP Serviço Universal, S.A.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico Distribucion Eléctrica, S.A.U.;
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.;
- EDP Gás Serviço Universal, S.A.;
- Naturgás Energia Distribución, S.A.U.

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

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

**EDP - Energias de Portugal, S.A.**  
**Notes to the Condensed Consolidated and Company Financial Statements**  
**for the three-month period ended 31 March 2014**

**Segment Definition**

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

Nevertheless, since EDP - Gestão da Produção de Energia, S.A.'s assets belong to more than one business segment, namely the CMEC and SRP generation plants - allocated to the Long Term Contracted Generation - and the liberalised generation plants - allocated to the Liberalised Activities -, it was necessary to allocate all its gains, costs, assets, liabilities and operational investment to those power plants.

Preferentially, it was used analytical accounting reports to allocate gains, costs, assets and liabilities by plant. For the remaining information, since those reports don't comprise all the costs - namely the shared costs in the Supplies and Services, Personnel Costs and Employee benefits captions, and since the applicability of the previous criterion it's not possible, the shared costs were allocated in the proportion of costs directly allocated to each plant in the total costs and the remaining assets and liabilities were allocated following the proportion of each plant net assets in the total assets.

During 2013, the Group analysed the nature of each asset, liability and operating investment reported in each business segment, which resulted in the revision of its allocation to each segment. The same criteria was adopted in the presentation of comparative information.

In each business segment, Assets include the Property, Plant and Equipment, Intangible Assets, Goodwill, Trade Receivables and Inventories captions. The captions Debtors and other assets are allocated to each segment according to its nature. The remaining assets are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, Liabilities include the Provisions and Employee benefits captions. The captions Trade and other payables are allocated to each segment according to its nature. The remaining liabilities are presented in the "Reconciliation of information between Operating Segments and Financial Statements".

In each business segment, the Operating Investment caption includes increases in Property, Plant and Equipment and in Intangible Assets, excluding CO2 licences and Green certificates, net of increases in Government grants and customers contributions for investment.

In the last quarter of 2013, the EDP Group changed the information disclosed by Operating Segment, according to the mentioned above criteria. To be comparable, the information as of 31 March 2013 has been restated.

The EDP Group by operating segment report is presented in Annex I.

**53. 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

## EDP Group Operating Segment Report 31 March 2014

Thousands of Euros	LT Contracted Generation	Iberia Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
<b>Revenues from energy sales and services and other</b>	277,902	2,214,361	1,821,522	348,532	669,061	5,331,378
<b>Gross Profit</b>	207,270	290,530	440,644	344,560	194,267	1,477,271
Other income	1,718	8,373	11,965	47,083	6,367	75,506
Supplies and services	(13,220)	(47,263)	(93,273)	(58,839)	(34,029)	(246,624)
Personnel costs and employee benefits	(16,884)	(16,472)	(43,539)	(17,513)	(27,259)	(121,667)
Other costs	(3,353)	(43,071)	(70,808)	(26,327)	(12,740)	(156,299)
<b>Gross Operating Profit</b>	175,531	192,097	244,989	288,964	126,606	1,028,187
Provisions	(5,111)	(1,214)	810	-	(1,178)	(6,693)
Amortisation and impairment	(38,589)	(48,916)	(82,642)	(110,363)	(27,109)	(307,619)
<b>Operating Profit</b>	131,831	141,967	163,157	178,601	98,319	713,875
<b>Share of net profit in joint ventures and associates</b>	(198)	2,356	32	12,211	(4,311)	10,090
<b>Assets</b>	4,196,649	7,581,616	9,688,775	11,571,078	3,118,802	36,156,920
<b>Liabilities</b>	942,797	1,236,931	2,343,423	783,542	752,319	6,059,012
<b>Operating Investment</b>	2,701	124,357	69,675	43,897	26,353	266,983

# Reconciliation of information between Operating Segments and Financial Statements

Thousands of Euros

<b>Total Revenues from energy sales and services and other of Reported Segments</b>	<b>5,331,378</b>
Revenues from energy sales and services and other from Other Segments	125,867
Adjustments and Inter-segments eliminations	(1,130,032)
<b>Total Revenues from energy sales and services and other of EDP Group</b>	<b>4,327,213</b>
<b>Total Gross Profit of Reported Segments</b>	<b>1,477,271</b>
Gross Profit from Other Segments	116,657
Adjustments and Inter-segments eliminations	(110,889)
<b>Total Gross Profit of EDP Group</b>	<b>1,483,039</b>
<b>Total Gross Operating Profit of Reported Segments</b>	<b>1,028,187</b>
Gross Operating Profit from Other Segments	61
Adjustments and Inter-segments eliminations	2,153
<b>Total Gross Operating Profit of EDP Group</b>	<b>1,030,401</b>
<b>Total Operating Profit of Reported Segments</b>	<b>713,875</b>
Operating Profit from Other Segments	(5,193)
Adjustments and Inter-segments eliminations	(9,188)
<b>Total Operating Profit of EDP Group</b>	<b>699,494</b>
<b>Total Assets of Reported Segments</b>	<b>36,156,920</b>
Assets Not Allocated	5,690,065
Financial Assets	3,798,173
Taxes Assets	606,196
Other Assets	1,285,696
Assets from Other Segments	432,244
Inter-segments assets eliminations	(294,496)
<b>Total Assets of EDP Group</b>	<b>41,984,733</b>
<b>Total Liabilities of Reported Segments</b>	<b>6,059,012</b>
Liabilities Not Allocated	23,730,220
Financial Liabilities	19,902,546
Institutional partnership in USA wind farms	1,475,763
Taxes Liabilities	1,352,719
Other payables	972,092
Hydrological correction account	27,100
Liabilities from Other Segments	1,614,811
Inter-segments Liabilities eliminations	(1,402,286)
<b>Total Liabilities of EDP Group</b>	<b>30,001,757</b>
<b>Total Operating Investment of Reported Segments</b>	<b>266,983</b>
Operating Investment from Other Segments	10,792
<b>Total Operating Investment of EDP Group</b>	<b>277,775</b>

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	75,506	7,776	(11,970)	71,312
Supplies and services	(246,624)	(73,989)	118,256	(202,357)
Personnel costs and employee benefits	(121,667)	(47,243)	4,900	(164,010)
Other costs	(156,299)	(3,139)	1,855	(157,583)
Provisions	(6,693)	(192)	-	(6,885)
Amortisation and impairment	(307,619)	(5,061)	(11,342)	(324,022)
Share of net profit in joint ventures and associates	10,090	1,580	(9)	11,661

## EDP Group Operating Segment Report 31 March 2013\*

Thousands of Euros	LT Contracted Generation	Iberia Liberalised Activities	Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
<b>Revenues from energy sales and services and other</b>	340,788	2,071,700	1,847,577	370,047	712,710	5,342,822
<b>Gross Profit</b>	228,187	204,952	447,963	365,913	260,501	1,507,516
Other income	4,584	2,046	69,940	54,921	7,300	138,791
Supplies and services	(16,040)	(35,824)	(102,625)	(59,394)	(40,914)	(254,797)
Personnel costs and employee benefits	(16,290)	(17,812)	(44,996)	(17,838)	(32,140)	(129,076)
Other costs	(6,922)	(42,415)	(80,462)	(26,446)	(17,318)	(173,563)
<b>Gross Operating Profit</b>	193,519	110,947	289,820	317,156	177,429	1,088,871
Provisions	(630)	(316)	(246)	-	(2,152)	(3,344)
Amortisation and impairment	(41,203)	(57,239)	(82,111)	(113,383)	(33,966)	(327,902)
<b>Operating Profit</b>	151,686	53,392	207,463	203,773	141,311	757,625
<b>Share of net profit in joint ventures and associates</b>	492	863	36	7,611	(23,339)	(14,337)
<b>Assets</b>	4,746,221	7,361,342	9,283,904	11,613,424	2,807,322	35,812,213
<b>Liabilities</b>	927,061	1,374,856	2,937,279	858,569	599,401	6,697,166
<b>Operating Investment</b>	10,757	138,543	71,508	(53,187)	53,223	220,844

\* Restated for IFRS 10 and 11 purposes

**Reconciliation of information between Operating Segments and Financial Statements\***

Thousands of Euros

<b>Total Revenues from energy sales and services and other of Reported Segments</b>	<b>5,342,822</b>
Revenues from energy sales and services and other from Other Segments	118,246
Adjustments and Inter-segments eliminations	(1,046,428)
<b>Total Revenues from energy sales and services and other of EDP Group</b>	<b>4,414,640</b>
<b>Total Gross Profit of Reported Segments</b>	<b>1,507,516</b>
Gross Profit from Other Segments	112,295
Adjustments and Inter-segments eliminations	(112,932)
<b>Total Gross Profit of EDP Group</b>	<b>1,506,879</b>
<b>Total Gross Operating Profit of Reported Segments</b>	<b>1,088,871</b>
Gross Operating Profit from Other Segments	(5,491)
Adjustments and Inter-segments eliminations	2,777
<b>Total Gross Operating Profit of EDP Group</b>	<b>1,086,157</b>
<b>Total Operating Profit of Reported Segments</b>	<b>757,625</b>
Operating Profit from Other Segments	(6,094)
Adjustments and Inter-segments eliminations	(18,947)
<b>Total Operating Profit of EDP Group</b>	<b>732,584</b>
<b>Total Assets of Reported Segments</b>	<b>35,812,213</b>
Assets Not Allocated	6,081,151
Financial Assets	4,173,474
Taxes Assets	753,642
Other Assets	1,154,035
Assets from Other Segments	889,218
Inter-segments assets eliminations	(717,045)
<b>Total Assets of EDP Group</b>	<b>42,065,537</b>
<b>Total Liabilities of Reported Segments</b>	<b>6,697,166</b>
Liabilities Not Allocated	24,126,950
Financial Liabilities	20,336,773
Institutional partnership in USA wind farms	1,508,495
Taxes Liabilities	1,333,172
Other payables	912,869
Hydrological correction account	35,641
Liabilities from Other Segments	889,361
Inter-segments Liabilities eliminations	(1,175,842)
<b>Total Liabilities of EDP Group</b>	<b>30,537,635</b>
<b>Total Operating Investment of Reported Segments</b>	<b>220,844</b>
Operating Investment from Other Segments	7,025
<b>Total Operating Investment of EDP Group</b>	<b>227,869</b>

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
<b>Other income</b>	<b>138,791</b>	7,764	(10,508)	<b>136,047</b>
<b>Supplies and services</b>	<b>(254,797)</b>	(74,621)	117,339	<b>(212,079)</b>
<b>Personnel costs and employee benefits</b>	<b>(129,076)</b>	(47,903)	7,354	<b>(169,625)</b>
<b>Other costs</b>	<b>(173,563)</b>	(3,026)	1,524	<b>(175,065)</b>
<b>Provisions</b>	<b>(3,344)</b>	6,096	(12,192)	<b>(9,440)</b>
<b>Amortisation and impairment</b>	<b>(327,902)</b>	(6,699)	(9,532)	<b>(344,133)</b>
<b>Share of net profit in joint ventures and associates</b>	<b>(14,337)</b>	2,651	78	<b>(11,608)</b>

\* Restated for IFRS 10 and 11 purposes

# 03

## Annexes

External Checks  
Contacts

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## **LIMITED REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM**

(This report is a free translation to English from the Portuguese version)

### **Introduction**

- 1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim consolidated financial report for the three month period ended 31 March 2014, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 41,984,733 thousand and total equity attributable to the shareholders of Euros 8,802,738 thousand including a consolidated net profit of Euros 296,089 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the three month period then ended and the corresponding notes to the financial statements.
- 2 The amounts included in the consolidated financial statements and the additional financial information were extracted from the accounting records.

### **Responsibilities**

- 3 The Executive Board of Directors is responsible for:
  - a) the preparation of consolidated financial information which gives a true and fair view of the consolidated financial position of the Group and the consolidated result of its operations, the consolidated cash-flows, the consolidated changes in equity and the consolidated comprehensive income;
  - b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by 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 its activity, financial position or results.
- 4 Our responsibility is to verify the above mentioned consolidated financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.

## Scope

- 5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the consolidated financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:
- a) mainly, inquiries and analytical procedures performed to review:
    - the reliability of the assertions included in the interim consolidated financial information;
    - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
    - applicability of the going concern principle;
    - the presentation of the interim consolidated financial information;
    - if the interim consolidated financial information is complete, true, current, clear, objective and fair; and
  - b) substantive tests on material non usual significant transactions.
- 6 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

## Conclusion

- 7 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information for the three month period ended 31 March 2014, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 13 May 2014



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**KPMG & Associados**  
**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**  
Represented by  
Vitor Manuel da Cunha Ribeirinho (ROC nr. 1081)



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## **LIMITED REVIEW REPORT ON INTERIM FINANCIAL INFORMATION PREPARED BY INDEPENDENT AUDITOR REGISTERED IN CMVM**

(This report is a free translation to English from the Portuguese version)

### **Introduction**

- 1 In accordance with the requirements of the 'Código dos Valores Mobiliários' (CVM), we hereby present our limited review report on the interim financial report for the three month period ended 31 March 2014, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 20,639,719 thousand and total equity of Euros 7,060,828 thousand including a net profit of Euros 30,819 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the three month period then ended and the corresponding notes to the financial statements.
- 2 The amounts included in the condensed financial statements and the additional financial information were extracted from the accounting records.

### **Responsibilities**

- 3 The Executive Board of Directors is responsible for:
  - a) the preparation of financial information which gives a true and fair view of the financial position of EDP, the result of its operations, the cash-flows, the changes in equity and the comprehensive income;
  - b) the preparation of historical financial information in accordance with IAS 34 – Interim Financial Reporting and that is complete, true, current, clear, objective and lawful as established by 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 its activity, financial position or results.
- 4 Our responsibility is to verify the above mentioned financial information, namely if it is complete, true, current, clear, objective and fair as required by the CVM, and issue an independent report based on our work.



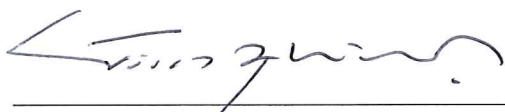
## Scope

- 5 The work that we have performed was conducted with the objective of obtaining a moderate level of assurance about whether the financial information mentioned above is free of material misstatements. Our work was performed based on the Technical Standards and Review/Audit Guidelines issued by the 'Ordem de Revisores Oficiais de Contas', and planned in accordance with that objective and included the following procedures:
- a) mainly, inquiries and analytical procedures performed to review:
    - the reliability of the assertions included in the interim financial information;
    - the adequacy of the accounting policies adopted, considering the circumstances and the consistency of their application;
    - applicability of the going concern principle;
    - the presentation of the interim financial information;
    - if the interim financial information is complete, true, current, clear, objective and fair; and
  - b) substantive tests on material non usual significant transactions.
- 6 We believe that our work provides a reasonable basis to issue the report on the interim financial information.

## Conclusion

- 7 Based on our review, which was performed with the objective of obtaining moderate assurance, nothing has come to our attention that causes us to believe that the accompanying interim financial information for the three month period ended 31 March 2014, is not free of material misstatements that affect its compliance with IAS 34 – Interim Financial Reporting and that is not complete, true, current, clear, objective and lawful.

Lisbon, 13 May 2014



**KPMG & Associados**

**Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)**

Represented by

Vitor Manuel da Cunha Ribeirinho (ROC nr. 1081)

THE EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (President)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

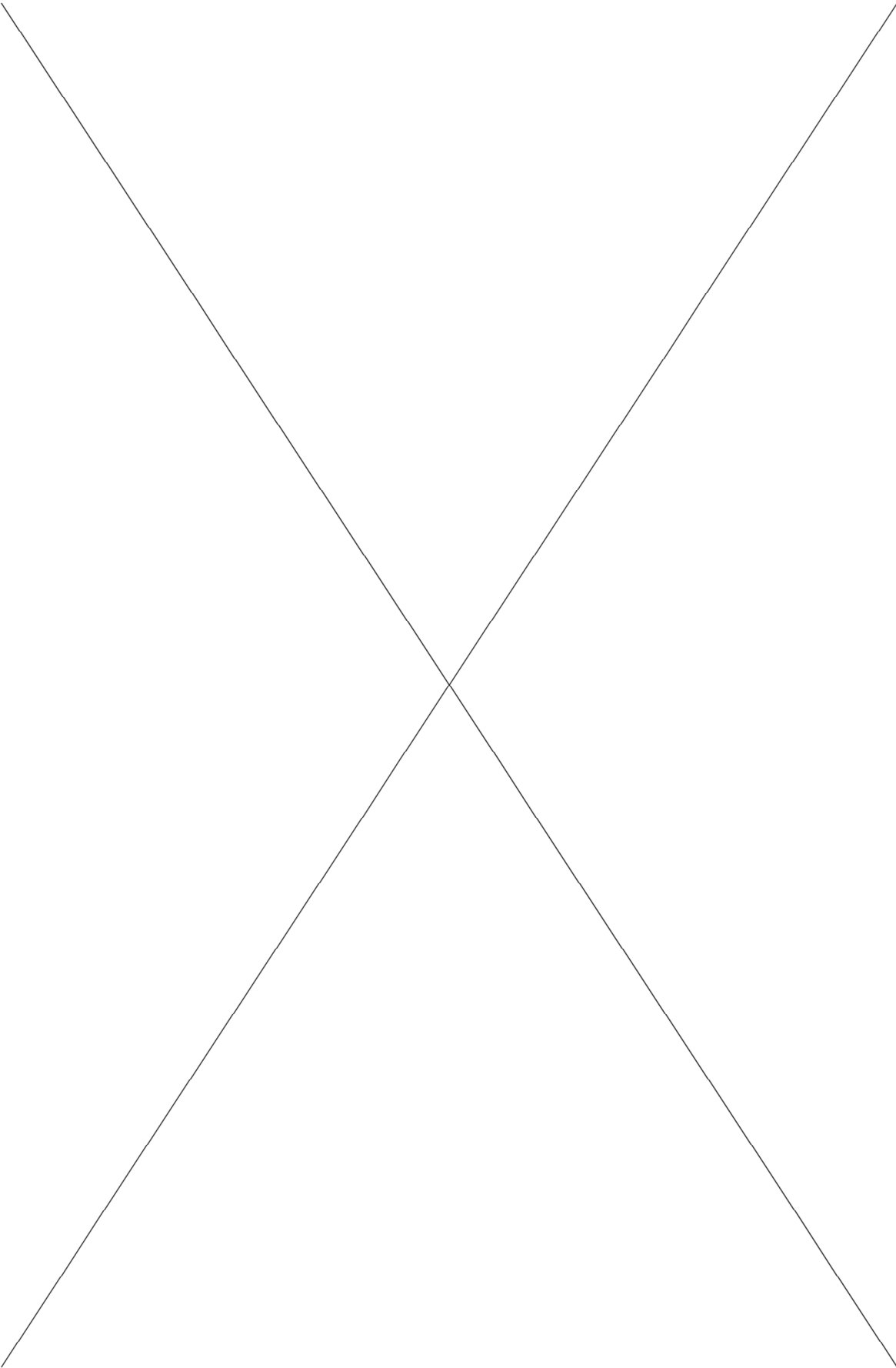
António Manuel Barreto Pita de Abreu

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ECO – Energy Efficiency  
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