September 30, 2013

report

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edp

financial statements

auditor review reports

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

edp in the world

Employees	303
Installed Capacity (MW)*	3,637
Net Generation (GWh)	7,310
Generation from renewable sources**	100%

edp renewables

Employees	35
Installed Capacity (MW)*	371
Net Generation (GWh)	531
Generation from renewable sources**	100%

edp renewables

Employees	31

edp renewables

Employees	73
Installed Capacity (MW)*	709
Net Generation (GWh)	793
Generation from renewable sources**	100%

edp renewables

Employees	1

edp

Employees	21
Installed Capacity (MW)*	40
Net Generation (GWh)	63
Generation from renewable sources**	100%

edp renewables

Employees	2,947
Electricity Customers	3,022,795
Installed Capacity (MW)*	2,242
Net Generation (GWh)	6,371
Generation from renewable sources**	86%
Electricity Distribution (GWh)	19,227

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edp renewables

Employees	6,942
Electricity Customers	5,757,102
Gas Customers	355,069
Installed Capacity (MW)*	9,532
Net Generation (GWh)	18,533
Generation from renewable sources**	64%
Electricity Distribution (GWh)	32,550
Gas Distribution (GWh)	5,120

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edp renewables

Employees	1,941
Electricity Customers	1,105,059
Gas Customers	789,684
Installed Capacity (MW)*	6,163
Net Generation (GWh)	11,231
Generation from renewable sources**	46%
Electricity Distribution (GWh)	6,808
Gas Distribution (GWh)	39,337

edp hc energia

edp naturgas energia

edp renewables

* MW EBITDA
**Includes hydro, mini-hydro, wind and biomass

vision, values and commitments

VISION

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

VALUES

Initiative
Demonstrated through behavior and attitude of our people.

Excellence
In the way we implement.

Trust
Of shareholders, customers, suppliers and other stakeholders.

Sustainability
Aiming at improving the quality of life of current and future generations.

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

COMMITMENTS

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

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

We actively promote energy efficiency.

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

We promote the development of skills and merit.

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

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

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

We demand excellence in everything that we do.

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

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

We surprise our Customers by anticipating their needs.

recognition

Corporate

Jan 22 - EDP is RobecoSAM Gold Class: For the sixth year running, EDP was considered a member of the Sustainability Yearbook and was placed in the Gold Class 2013 for the fourth consecutive year as one of the world leaders. The Sustainability Yearbook 2013 was presented at the World Economic Forum in Davos, Switzerland in January.

Mar 06 - EDP recognised as one of the most ethical companies in the world: The award was given to EDP for the second year running by the Ethisphere Institute. Its scoring method includes the following criteria: ethics and compliance, reputation, leadership and innovation, governance model, corporate citizenship and social responsibility and sustainability.

Mar 14 - Universidade EDP receives Global Council of Corporate Universities (GCCU) award: EDP received an award in the category "Best Corporate University embodying the identity, the culture and the brand of the organization in its stakeholders", from the well-known international association (GCCU), thanks to their degree of excellence and the creation of strategic value for their companies, people and society as a whole.

Jun 24 - IR Magazine Europe Awards 2013: EDP achieved the 14th position in the general classification among 429 stock companies. In the sustainability practices category, the company obtained the first place, and the third in the CFO (large cap) category. Concerning the country and the utilities EDP achieved the first place.

Sep 12 - EDP is leader of the "Utilities: Power, Water and Gas" Sector of the Dow Jones Sustainability World and Europe Indices: EDP obtained the highest ever score of 90 points, after detailed analysis of 1,831 companies covering 24 groups of industrial activity, 818 of which were the focus of final scrutiny. EDP obtained the best score (100 points) in the following criteria: "Price Risk Management", "Risk & crisis management" and "Scorecards/Measurement Systems" (economic dimension); "Biodiversity" (environmental dimension); and "Human Capital Development" (social dimension), in which it is the sector leader.

Sep 23 - edpON is Europe's best intranet: The edpON intranet was the big winner in the intranet category of the Digital Communication Awards 2013. Other companies competing with EDP on the shortlist were Coca-Cola Enterprises, with its "iConnect Mobile", and Beiersdorf Shared Services GmbH, with "BSS live". These awards annually recognise the most innovative projects in the Digital Communication field, in 38 different categories.

Portugal

Feb 11 - "Valuing Experience" receives award from "Associação para o Desenvolvimento Económico e Social" (Association for Economic and Social Development): EDP won an award in the Senior Talent Management category in the "Excelência SEDES 2012" awards, an initiative of the SEDES Human Capital Working Group in partnership with Human Resources Portugal magazine.

Feb 19 - EDP receives 2012 Excellence at Work Award: EDP Group won first place in the Large Companies category (with more than 1,000 employees) and was also chosen in the Industry and Energy sector. The third edition of this award, which is an initiative by Heidrick & Struggles in partnership with "Diário Económico" newspaper and ISCTE Business School, recognised the companies that most value and invest in human resources.

Apr 22 - EDP wins Design Award "Meios & Publicidade" in the Rebranding category for the change in its global brand, which took place in 2011.

Apr 22 - EDP wins Kaizen Prize: EDP wins the highest award from the Kaizen Institute for the productivity gains obtained from more than 4,000 Lean initiatives developed since 2004. EDP also received an honourable mention in the "Continuous Improvement System Excellence" category for the Lean EDPWay Programme.

Apr 30 - EDP receives Retirement Responsibility Certificate: The Portuguese Association of Pension and Asset Investment Funds (APFIPP) distinguished EDP for funding pension plans, valuing the well-being of its employees after their working life has ended, and enhancing the so-called third pillar of social security.

May 31 - EDP won the "Energy" category of the Marketeer 2013 Awards: The list of nominees was drawn up for each of the 20 categories by the editorial staff and Editorial Board of Marketeer, based on the organised collection of information on the marketing and brand strategies/initiatives undertaken during 2012.

May 31 - The Corporate Safety Management System of EDP in Portugal is certified in accordance with the OHSAS 18001:2007 standard: The certification was awarded by Lloyd's Register Quality Assurance and reinforces the commitments made and safety practices of the EDP Group companies.

Jul 03 - EDP certified in Portugal as family responsible company by Fundación Másfamilia: This award is in recognition of the adoption of more than 170 measures that are internally promoted among all employees under the slogan, "Happier people are more productive employees. Socially sustainable companies are more competitive". HC Energia, Naturgás Energia and EDP Renováveis Europa were already certified by the same entity between 2011 and 2012.

Jul 03 - EDP wins four APCE 2013 awards: The EDP Group intranet, corporate TV, 2011 Annual Report and the corporate image We Are EDP (in partnership with Desafio Global), were the company's projects that earned the recognition of the APCE jury (Associação Portuguesa Comunicação de Empresa). 157 projects spread over 20 categories were entered for the awards.

Jul 09 - EDP wins Company of the Year Grand Prix of Meios e Publicidade magazine: The company received a total of seven prizes in the communication awards: Event award in the internal event category, for the annual meetings of EDP employees; the Media/Press Kit Award for the 2012 summer festivals press kit; and the Social Responsibility/Responsible Company Award, for the volunteering programme.

Aug 02 - EDP achieves AAA rating in Corporate Governance: EDP achieves a AAA rating in Corporate Governance for the second consecutive year, relative to the degree of compliance with the recommendations for Corporate Governance of companies in Portugal. This rating was awarded by the Portuguese Catholic University, Lisbon/Associação de Empresas Emitentes de Valores Cotados em Mercado [Portuguese Listed Securities Issuers' Association].

Sep 04 - EDP is the brand with the best environmental reputation: The study in Portugal was conducted by a questionnaire sent to around 12,000 subscribers of Reader's Digest magazine. 88% of the respondents indicated EDP as the company with the best environmental reputation in the "energy supplier" category. "Trusted Brands" is one of the most comprehensive market studies conducted in Europe, surveying more than 18,000 people in 12 countries: Portugal, Germany, Belgium, Slovenia, Finland, France, Netherlands, Poland, Czech Republic, Romania, Russia and Switzerland.

Sep 30 - Alqueva II is hydroelectric project of the year: The prize was awarded by the "International Water Power and Dam Construction" magazine. The same edition of the magazine also includes an article on the 15 most important hydroelectric projects under construction in Europe, in terms of installed capacity, and Venda Nova III is placed 12th in the ranking.

Spain

Jan 31 - HC Energía's good sustainability practices recognised by "Red Española de Pacto Mundial", ASEPAM: ASEPAM consulted sustainability and progress reports and compiled a series of good sustainability practices. HC Energía achieved the highest qualification level (Advanced) for the second year running.

EDP Renewables

Mar - EDP receives award from Institutional Investor Magazine (IIM): EDP and EDPR received an award from the IIM for their investor relations. EDPR is the second best European and the best Portuguese company on the All-Europe Executive Team 2013 list. The winners were chosen from a survey involving 858 asset managers representing 460 institutional investors and 1,580 financial analysts. Find out more on: www.edp.pt> sustainability> approach to sustainability> recognition.

Mar 26 - EDP Renewables wins award as the best workplace in Poland in 2013 from Great Place to Work: EDPR was recognised in the category of companies with less than 50 employees, after an organisational culture survey that analysed equal opportunities, flexibility, integrity and work environment, among other variables. The company received the country's highest score.

Apr 10 - EDP Renewables placed first worldwide among the utilities of the FTSE4Good index: EDPR joined the FTSE4Good index in September 2011, reaching number one among utilities in the revision of March 2013.

May 09 and 13 - EDP Renewables wins award as one of the best workplace in 2013, both in Spain and Scotland, from Great Place to Work: EDPR was recognised, in Spain and Scotland, in the category of companies with 250 to 500 employees and less than 50 employees, respectively, after an organisational culture survey that analysed equal opportunities, flexibility, integrity and work environment, among other variables.

Brazil

Jan 07 - In Brazil, EDP shares included in Bovespa Index: EDP's shares were quoted in the Bovespa Index (Ibovespa) with a 0.645% stake as of 7 January. Ibovespa's portfolio has now 69 shares and is one of the most important share price performance indicators in the Brazilian stock market.

Feb 01 - EDP among the most innovative companies in the south: EDP Brasil, through EDP Renováveis Brasil, which owns the Cenaeel Wind Farm in Santa Catarina, is once again in the "Campeãs de Inovação" ranking placing it among the 50 most innovative companies in the south of the country, according to Amanhã magazine.

Mar 18 - EDP Brasil voted one of the best companies to work for: The company was recognised for the second year running by Top Employers Brasil as having the best people management practices in accordance with criteria such as training and development, organisational culture and career development. In addition to being among the 17 companies to receive the award, EDP was voted one of the three key companies in the area of human capital management. Top Employers certification is given by the CRF Institute, which is based in the Netherlands and operates in 13 countries on four continents.

Apr 19 - EDP Brasil among the best companies in organisational human development and corporate citizenship: The company is among the 100 Best Companies of the Organisational Human Development Indicator (IDHO) and the 50 Best Companies in terms of Corporate Citizenship, meaning that it can now use those seals in its publications.

Aug 26- EDP Brasil receives distinction from Greenhouse Gas Protocol: The inventory of emissions of EDP Brasil 2012 was awarded the Golden Seal for the fourth consecutive year. The company was recognised for taking part in all the editions of the programme which began in 2008.

Sep 19- António Mexia wins award in Brazil: The Portuguese Chamber of Commerce of Rio de Janeiro celebrated 102 years since its establishment by presenting awards to the Portuguese who most stood out in relations between Portugal and Brazil. The CEO of EDP was distiguished with the 2013 Manager of the Year Award.

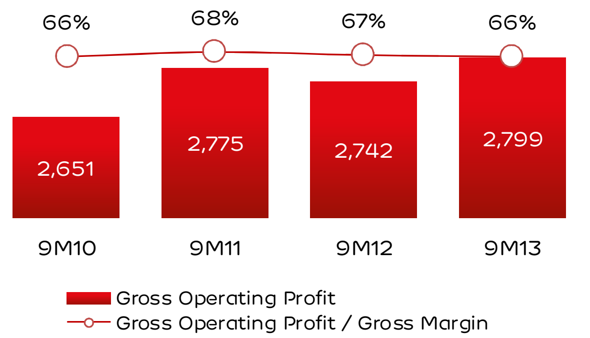
objectives and goals

Objectives	Goals
Economic and social value	
To focus on growth	EBITDA CAGR 2011-2015: ~5% per year Net Profit CAGR 2011-2015: low single digit Payout ratio between 55% and 65% of recurrent Net Profit (min. €0.185 per share) Annual average Operational Investment: €2,000 million Total investment on renewable energies: 60% annual average Installed Capacity of 26 GW by 2015 Clean installed capacity higher than 70% of total installed capacity by 2015
To promote internal efficiency	OPEX savings of €130 million in 2015
To control risk exposure	Ratio Adjusted Net Debt/EBITDA lower than 3.0x in 2015
To improve the integration of sustainability practices in the internal management	Keep the SAM Gold Class
Eco-efficiency and environmental protection	
To focus growth on a cleaner production	Reduce CO_2 specific emissions by 70% until 2020, in comparison with 2008 values
To strenghten an appropriate environmental management of EDP's activities	Increase 426 MW of installed capacity certified by ISO 14001 in 2013
To promote the best environmental practices in the value chain	Join the Better Coal international Initiative
Innovation	
To promote competitiveness and productivity through innovation	Finance R&D and Innovation projects totalling at least €20 million per year until 2015
Integrity and good governance	
To strenghten ethics in all EDP's stakeholders' culture	Keep the World Most Ethical Companies recognition of Ethisphere Institute Revision of EDP's Code of Ethics in 2013 Preparation and launching of new training programmes in 2013/2014 Initiate monitoring the performance of EDP's ethics system (according to Code of Ethics Regulations)
Transparency and dialogue	
To report transparently and ensure an open and trusting relationship with stakeholders	Publish a multifunctional and atractive Annual Report in a web format
To improve the Group's environmental performance report	Complete the report of GHG emissions, scope 3 until 2015
Human capital and diversity	
To strenghten health and safety management in all EDP's Group	Obtain and maintain a certified Corporate Safety Management System in 2013
To work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5%, compared to 2012
To keep a high level of employee's satisfaction	Keep the Global Satisfaction level of employees above 80%
To implement an action plan for the Diversity Policy	Between 10 and 15 measures in the period 2013-2015
Access to energy	
To keep or improve the quality levels of technical and commercial services provided to our customers	Ensure that ICEIT and EIDC are above the levels set by Regulators
Social development and citizenship	
To enhance a close relationship between the company and the society	Budget allocated to Fundação EDP up to 0.1% of the Group's 2012 turnover Extend the Volunteer Program to all EDP Group and increase the number of volunteering partnerships by 50% until 2015

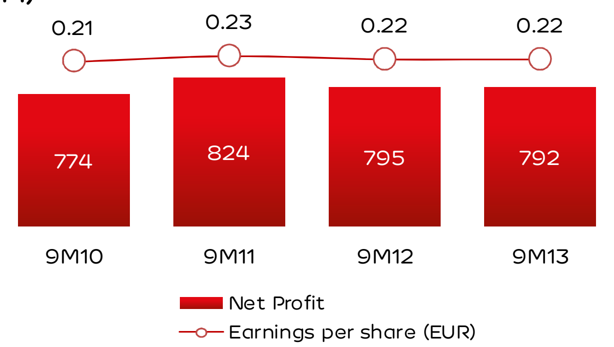
summary of key metrics

Financial Indicators	Unit	9M13	9M12	9M11	9M10
EDP Group					
Turnover	EUR thousands	11,812,201	12,089,966	11,161,907	10,238,609
Gross Operating Profit	EUR thousands	2,799,006	2,742,440	2,775,028	2,650,769
Operating Profit	EUR thousands	1,673,298	1,678,589	1,720,374	1,502,697
Net profit (1)	EUR thousands	792,345	794,526	823,630	774,272
Operating Cash-flow	EUR thousands	2,410,056	1,371,122	2,352,275	1,065,020
Operating investment	EUR thousands	1,165,508	1,197,439	1,352,821	1,958,650
Investment in renewables	%	65	57	58	65
Financial Investment /(Divestiture)	EUR thousands	-365,041	55,751	-136,455	166,183
Net assets	EUR thousands	41,800,790	42,083,336	39,775,327	39,523,957
Equity	EUR thousands	11,517,893	11,278,227	10,922,911	10,378,761
Net debt (2)	EUR thousands	18,096,084	18,181,676	16,591,740	16,246,375
Net debt/Gross Operating Profit	x	4.8	5.0	4.5	4.6
Adjusted Net debt/Gross Operating Profit	x	4.1	4.3	4.1	4.3
Net debt/Equity	%	157	161	152	157
Earnings per share	EUR	0.22	0.22	0.23	0.21
Dividend Yield	%	6.9	8.6	7.3	6.2
Payout ratio	%	66.8	60.1	57.6	55.4
Market capitalisation	EUR thousands	9,872,652	7,832,304	8,464,885	9,192,536

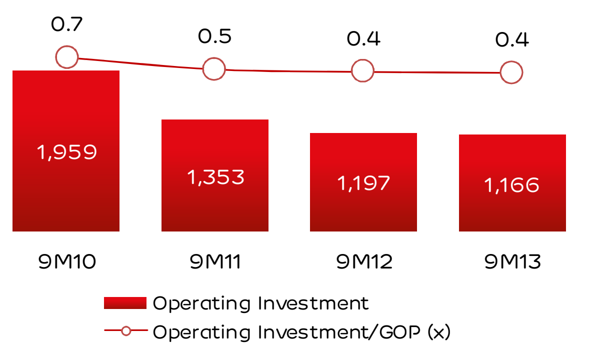
Gross Operating Profit (€M)



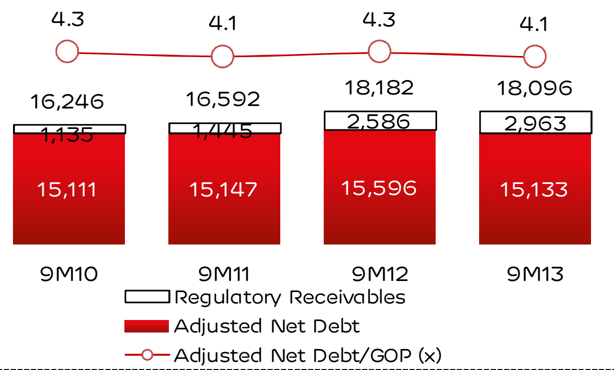
Net Profit (1) (€M)



Operating Investment (€M)



Net Debt (2) (€M)

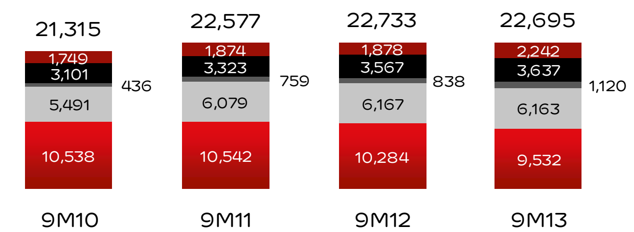


(1) Net Profit atributable to EDP Equity holders

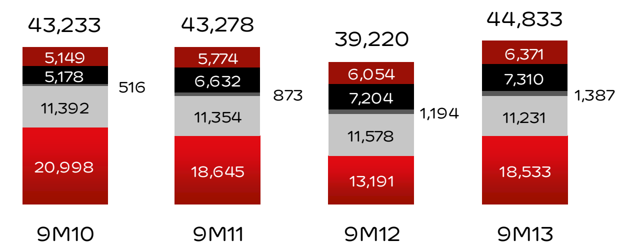
(2) Includes Financial Debt, Cash and equivalents, short-term assets at fair value and fair value and net investment hedges and collateral deposits related with financial debt. 2012 Net debt restated with the inclusion of collateral deposits.

Operational Indicators (1/2)	Unit	9M13	9M12	9M11	9M10
Installed Capacity	**MW**	**22,695**	**22,733**	**22,577**	**21,315**
Hydro	MW	7,498	7,236	6,795	6,740
Thermal	MW	7,057	7,643	8,354	7,925
Conventional Thermal (Coal and fuel)	MW	3,165	3,752	4,462	4,462
CCGT	MW	3,736	3,736	3,736	3,308
Other [1]	MW	156	156	156	156
Wind	MW	7,720	7,388	6,959	6,181
Other Renewables	MW	239	192	195	195
Other	MW	181	275	275	275
Net Electricity Generation	**GWh**	**44,833**	**39,220**	**43,278**	**43,233**
Hydro	GWh	16,294	9,562	14,550	17,410
Thermal	GWh	12,866	14,679	14,980	14,120
Conventional Thermal (Coal and fuel)	GWh	11,137	11,504	8,349	6,066
CCGT	GWh	895	2,284	5,759	7,202
Other [1]	GWh	834	891	872	853
Wind	GWh	14,211	13,345	11,975	9,818
Other Renewables	GWh	627	301	495	613
Other	GWh	835	1,333	1,279	1,272
Steam	*GWh*	1,185	1,593	1,577	1,504
Electricity Distributed	**GWh**	**58,586**	**58,665**	**60,555**	**60,158**
Portugal	GWh	32,550	33,249	34,879	35,539
Spain	GWh	6,808	6,791	7,220	6,837
Brazil	GWh	19,227	18,625	18,457	17,782
Electricity Supply Points	**'000**	**9,763**	**9,667**	**9,616**	**9,504**
Portugal	'000	6,082	6,107	6,154	6,144
Spain	'000	659	657	655	649
Brazil	'000	3,023	2,903	2,808	2,711
Installed Capacity Equivalent Interruption Time					
Portugal [1]	minutes	50	38	53	73
Spain	minutes	30	23	28	50
Brazil - Bandeirante (DEC)	hours	9.0	8.7	10.4	15.7
Brazil - Escelsa (DEC)	hours	10.5	9.8	10.4	11.4
Gas Distributed	**GWh**	**44,457**	**48,386**	**40,692**	**39,251**
Portugal	GWh	5,120	5,520	5,296	5,048
Spain	GWh	39,337	42,866	35,396	34,202
Gas Supply Points	**'000**	**1,315**	**1,289**	**1,254**	**1,220**
Portugal	'000	301	285	264	241
Spain	'000	1,014	1,004	989	979

Installed Capacity (MW)

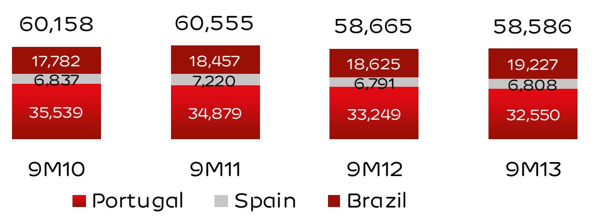


Net Generation (GWh)

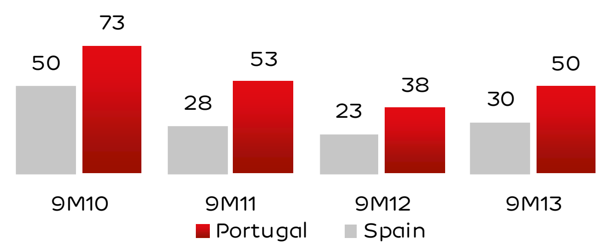


Portugal Spain Rest of Europe North America Brazil

Electricity Distributed (GWh)



ICEIT (minutes)

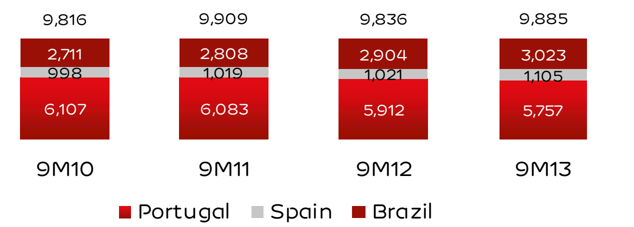


[1] Nuclear powerplant Trillo in Spain [2] Installed Capacity Equivalent Interruption Time in MV grid, excluding extraordinary events

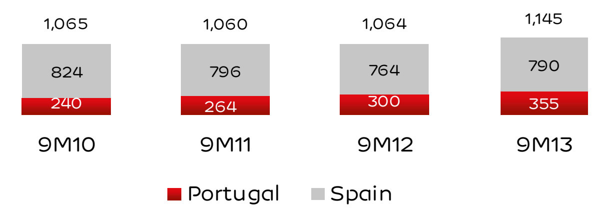
Operational Indicators (2/2)

Operational Indicators (2/2)	Unit	9M13	9M12	9M11	9M10
Electricity Supplied	**GWh**	**55,183**	**56,752**	**60,494**	**63,716**
Portugal	GWh	20,239	22,009	25,333	29,453
Free Market	GWh	9,516	7,189	6,843	6,480
Last resort supply	GWh	10,723	14,820	18,490	22,974
Spain	GWh	13,777	15,355	16,225	17,236
Free Market	GWh	13,326	14,804	15,588	16,361
Last resort supply	GWh	451	551	637	876
Brazil	GWh	21,167	19,388	18,936	17,026
Free Market	GWh	9,312	8,150	7,555	6,039
Last resort supply	GWh	11,854	11,238	11,381	10,987
Electricity Supplied - Green Tariff	**GWh**	**12,242**	**10,854**	**10,439**	**8,808**
Portugal	GWh	8	8	10	10
Spain	GWh	4,923	3,643	3,797	3,620
USA	GWh	7,310	7,204	6,632	5,178
Electricity Supplied - Special Needs	**GWh**	**1.2**	**0.9**	**0.8**	**0.7**
Electricity Supplied - Social Tariff	**GWh**	**247,307**	**367**	**435**	**284**
Portugal	GWh	85	115	115	n.a.
Spain	GWh	90	89	94	74
Brazil	GWh	247,132	162	225	210
Electricity Customers	**#**	**9,884,956**	**9,836,377**	**9,909,309**	**9,816,151**
Portugal	#	5,757,102	5,912,075	6,082,643	6,106,981
Free Market	#	1,666,243	547,590	292,646	304,507
Last resort supply	#	4,090,859	5,364,485	5,789,997	5,802,474
Spain	#	1,105,059	1,020,605	1,018,902	998,438
Free Market	#	843,789	731,499	695,243	615,211
Last resort supply	#	261,270	289,106	323,659	383,227
Brazil	#	3,022,795	2,903,697	2,807,764	2,710,732
Free Market	#	319	233	121	84
Last resort supply	#	3,022,476	2,903,464	2,807,643	2,710,648
Electricity Customers - Green Tariff	**#**	**585,985**	**519,191**	**348,884**	**386,884**
Portugal	#	4,804	4,627	5,334	5,635
Spain	#	581,181	514,564	343,550	381,249
Electricity Customers - Special Needs	**#**	**822**	**842**	**863**	**718**
Portugal	#	497	589	561	470
Brazil	#	325	253	302	248
Electricity Customers - Social Tariff	**#**	**329,125**	**260,935**	**392,988**	**424,870**
Portugal	#	57,273	72,766	76,905	7,123
Spain	#	61,219	60,766	60,973	54,756
Brazil	#	210,633	127,403	255,110	362,991
Gas Supplied	**GWh**	**25,679**	**26,214**	**26,868**	**26,703**
Portugal	GWh	4,812	5,515	6,246	6,102
Free Market	GWh	4,053	4,525	5,203	4,644
Last resort supply	GWh	758	990	1,043	1,458
Spain	GWh	20,867	20,699	20,622	20,600
Free Market	GWh	20,602	20,389	20,287	19,931
Last resort supply	GWh	265	310	335	670
Gas Customers	**#**	**1,144,753**	**1,064,097**	**1,060,287**	**1,064,954**
Portugal	#	355,069	300,361	264,302	240,474
Free Market	#	186,204	29,237	708	177
Last resort supply	#	168,865	271,124	263,594	240,297
Spain	#	789,684	763,736	795,985	824,480
Free Market	#	715,313	673,171	679,842	676,421
Last resort supply	#	74,371	90,565	116,143	148,059

Electricity Customers ('000)



Gas Customers ('000)



Sustainability Index	Unit	9M13	Base 100 [1]
Sustainability Index (SI) [2]		**102.1**	**100.0**
Main factors (SI evolution)			
Revenues from ISO 14001 certified installations	%	32.6	28.9
Specific water use	m^3/MWh	26	22
Specific production of waste	g/MWh	5.9	9.7
Investments and expenses in biodiversity preservation	%	0.4	0.3
Generation from renewable sources/Total generation	%	71	64
Pay ratio by gender		1.0	1.0
Training hours/Working hours	%	1.5	2.0
Work accidents - Severity rate	Tg	126	140

Economic Indicators	Unit	9M13	9M12	9M11	9M10
Economic Indicators					
GVA per employee [3]	**EUR**	**287,163**	**282,213**	**274,672**	**284,407**
Direct economic value generated [4]	EUR thousands	12,783,237	12,889,920	12,014,299	11,014,766
Economic value distributed [4]	EUR thousands	11,398,606	11,453,176	10,596,027	9,446,874
Economic Value Accumulated [4]	EUR thousands	1,384,631	1,436,745	1,418,272	1,567,892
Fines and penalties	EUR thousands	28,958	44	60	3,448
Support from Public Authorities	EUR thousands	32,797	87,945	n.d	n.d
Energy services revenues [6]	EUR thousands	152,805	109,197	32,398	15,279

[1] EDP's Sustainability Index was revised and the new Base 100 is related with three homologous quarters.

[2] EDP's Sustainability Index was revised, replacing the previous according to EDP Strategy 2012-2015. For more information see www.edp.pt >sustainability> approach to sustainability.

[3] The 2010 figure for the "GVA" indicator was revised according to what is stipulated in the Global Reporting Initiative. The 2011-2012 figures were revised for the employees indicators to exclude Pecém powerplant.

[4] The 2010 figures for "Economic value generated, distributed and accumulated" were revised in accordance with what is stipulated in the Global Reporting Initiative.

[5] The details can be consulted in social indicators map.

[6] The 2012 and 2011 figures were revised due to a correction in the energy services revenues in Brazil.

Direct impacts (some)

11,029,709 Customers
103,043 GWh Energy distributed
80,862 GWh Energy

Indirect impacts (some)

- Micro-generation, grids and energy storage and electric vehicles
- First projects of solar photovoltaic

Direct impacts (some)

671 €M Dividend
7,596 €M Purchases of raw
253 €M Taxes
16 €M Donations

Indirect impacts (some)

- 845,511 total individual beneficiaries (LBG methodology)
- 903 number of beneficiary organizations (LBG methodology)

Economic value generated *
€M 12,783

Economic value distributed *
€M 11,399

Economic value accumulated *
€M 1,385

* Economic value generated (EVG): Turnover + other operating income + gains/losses on the sale of financial assets + share of profit in associates + financial income

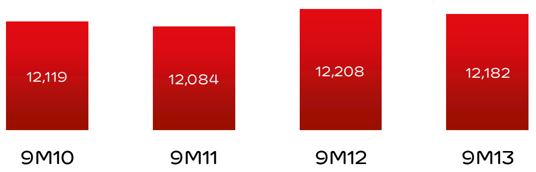
Economic value distributed (EVD): Cost of sales + operating expenses + other operating expenses + current tax + financial expenses + dividend payment

Economic value accumulated (EVA): EVG – EVD.

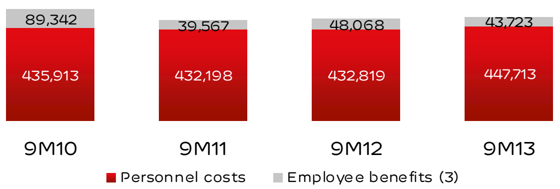
Social Indicators [1]

Social Indicators [1]	Unit	9M13	9M12	9M11	9M10
Employment					
Employees [2]	#	12,182	12,208	12,084	12,119
Portugal	#	6,880	7,122	7,165	n.d
Spain	#	1,601	1,649	1,682	n.d
EDP Renewables	#	893	850	802	n.d
EDP Brasil	#	2,808	2,587	2,435	n.d
Female employees [2]	#	2,752	2,677	2,632	n.d
Portugal	#	1,455	1,447	1,423	n.d
Spain	#	378	382	378	n.d
EDP Renewables	#	275	269	247	n.d
EDP Brasil	#	644	579	584	n.d
Turnover	%	4.6	4.6	4.4	4.1
Employees' average age	years	46	46	46	46
Absenteeism rate	%	2.9	3.1	3.4	3.6
Personnel costs	EUR thousands	447,713	432,819	432,198	435,913
Employee benefits [3]	EUR thousands	43,723	48,068	39,567	89,342
Training					
Total training hours	hours	240,658	323,806	314,877	276,601
Total training rate [2]	h/p	19.8	26.5	26.1	22.8
Employees trained	%	55	78	70	88
Total training costs	EUR thousands	3,383	4,227	4,560	4670
Work productivity	€/h	222	221	205	234
Prevention and safety					
On-duty accidents [4]	#	31	24	31	32
On-duty fatal accidents	#	3	1	1	1
Fatal accidents of contracted workers	#	6	10	2	2
EDP severity index [4]	Tg	126	122	178	119
EDP frequency index [4]	Tf	1.96	1.55	1.92	2.06
PSE frequency index [4]	Tf	5.00	5.51	4.67	7.23
EDP + PSE frequency index [4]	Tf	4.03	4.18	3.80	5.07
Total lost days due to accidents	#	1,986	1,890	2,873	1,851
Social Volunteer Contributions (LBG Model)					
Volunteer contributions / EBITDA	%	0.56	0.37	0.49	0.36

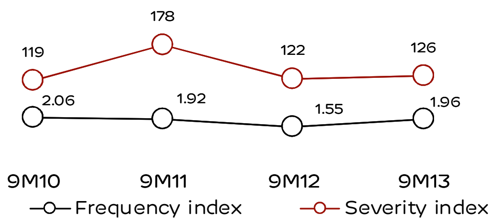
Number of employees [2]



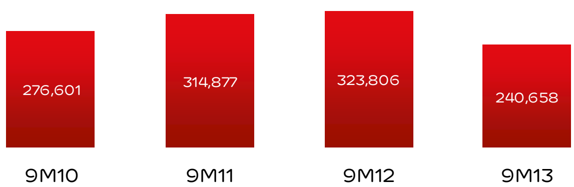
Personnel Costs and Employee benefits [3] (€ thousands)



EDP severity and frequency indexes [4]



Training volume (h)

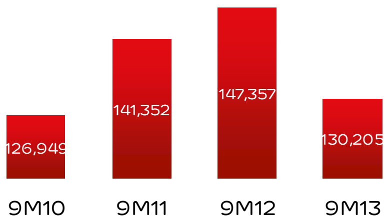


[1] Pecém Powerplant has not been considered for the purposes of detailed Human Resources information (115 employees in September 2013).
[2] The 2011 figure was revised due to changes in "headcount" methodology, so as to include Executive Governing Bodies.
[3] In September 2011, financial costs related with pension funds were reclassified.
[4] Adjustment of the value in 2012 not to include Pecém.

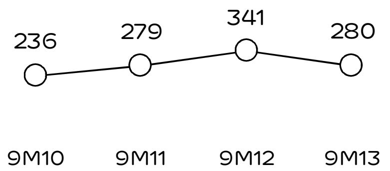
Environment Indicators [1] (1/2)

Environment Indicators [1] (1/2)	Unit	9M13	9M12	9M11	9M10
Primary energy consumption [2]	**TJ**	**130,205**	**147,357**	**141,352**	**126,949**
Total for generation, transportation and distribution [2]	TJ	130,045	147,182	141,100	126,730
Coal	TJ	104,207	107,405	75,888	54,557
Fuel-oil	TJ	335	510	522	729
Natural gas [2]	TJ	14,925	29,150	51,119	59,678
Diesel	TJ	73	113	63	329
Forest waste	TJ	2,418	2,394	3,762	3,165
Residual gases (steel plant gas, blast furnace gas, coke gas)	TJ	8,087	7,611	9,746	8,307
Fuel for vehicle fleet	TJ	159	175	253	253
Electricity consumption					
Own consumption in generation [3]	MWh	2,085,625	1,919,743	1,465,266	1,244,904
Administrative services [4]	MWh	28,505	27,687	26,239	28,517
Grid losses	%	10.2	9.0	7.2	8.3
Atmospheric emissions					
Total Emissions					
CO_2 [5]	kt	12,648	13,599	12,279	10,373
SO_2	kt	9.3	12.1	5.1	6.6
NOx	kt	11.6	11.2	11.3	12.0
Particles	kt	0.4	0.5	0.5	0.3
Overall specific emissions (6)					
CO_2	g/kWh	280	341	279	236
SO_2	g/kWh	0.21	0.30	0.12	0.15
NOx	g/kWh	0.26	0.28	0.26	0.27
Particles	g/kWh	0.01	0.01	0.01	0.01
Specific emissions from thermal power stations (6)					
CO_2	g/kWh	891	806	718	641
SO_2	g/kWh	0.66	0.72	0.30	0.41
NOx	g/kWh	0.82	0.66	0.66	0.74
Particles	g/kWh	0.03	0.03	0.00	0.02
Avoided CO_2 through the use of renewable sources [7]	kt	21,871	13,412	14,984	16,229
CO_2 intensity	g/€	1,046	1,125	1,100	1,013
Direct emissions (scope 1)	kt CO2 eq	12,666	13,630	12,309	10,388
Indirect emissions (scope 2) [3] [4]	kt CO2 eq	1,305	1,144	842	n.a.

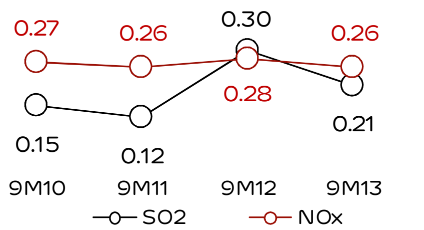
Primary energy consumption (TJ)



CO_2 specific emissions (g/kWh)



SO_2 and NOx specific emissions (g/kWh)



[1] Pecém Powerplant has not been considered for the purposes of detailed environment information due to the unavailability of data. Exception for coal primary energy (10,100 TJ) and CO2 emissions (894 kt).

[2] Figure for 2011 was changed to include gas consumption in gas transportation and distribution activities.

[3] 2011 and 2012 figures were revised to include backfeed power.

[4] 2011 figure 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 HC Generación.

[5] Excludes vehicle fleet.

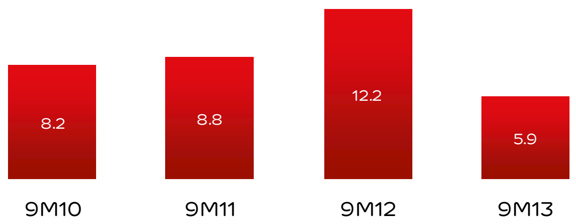
[6] Calculated for net generation, as stipulated in the Global Reporting Initiative. Include heat generation.

[7] The values for 2010-2012 were reviewed. The new methodology does not include nuclear powerplants in each countries emission factor.

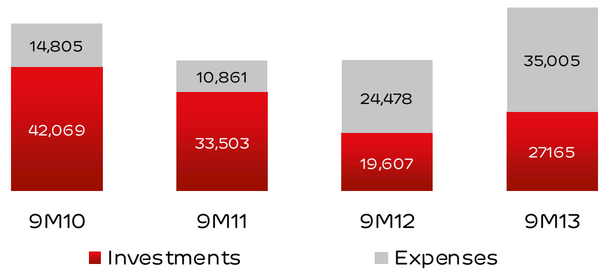
Environment Indicators [1] (2/2)

Environment Indicators (1) (2/2)	Unit	9M13	9M12	9M11	9M10
Use of Water	m^3x10^3	**1,195,309**	**1,086,912**	**1,017,244**	**751,642**
Cooling water	m^3x10^3	1,190,199	1,080,760	1,011,744	747,521
Raw water	m^3x10^3	4,870	5,977	5,244	3,892
Drinking water	m^3x10^3	241	175	256	229
Waste					
Total waste	t	267,759	488,063	385,515	360,033
Total hazardous waste	t	5,690	4,043	20,884	3,770
Recovered waste	%	62	63	72	91
By-products	t	286,814	246,855	298,076	n.a.
Environmental Investments and Expenses					
Environmental expenditures	EUR thousands	62,171	44,084	44,364	56,874
Environmental management expenses	EUR thousands	7,549	8,102	n.d	n.d
Environmental remediation expenses	EUR thousands	15,772	3,400	n.d	n.d
Environmental prevention expenses	EUR thousands	38,849	32,582	n.d	n.d
Environmental income	EUR thousands	3,013	2,796	4,491	972
Environmental investment as a proportion of total investment	%	0.6	1.6	2.5	2.1
Environmental fines and penalties	EUR thousands	32	211	2	5
Environmental Certification (ISO 14001)					
Certified production facilities	#	244	166	108	83
Maximum net installed capacity certified	%	75	72	70	68
Certified substations	#	154	128	43	21
Installed capacity of substations certified	%	30	24	7	3
Certified gas distribution	%	100	100	100	100

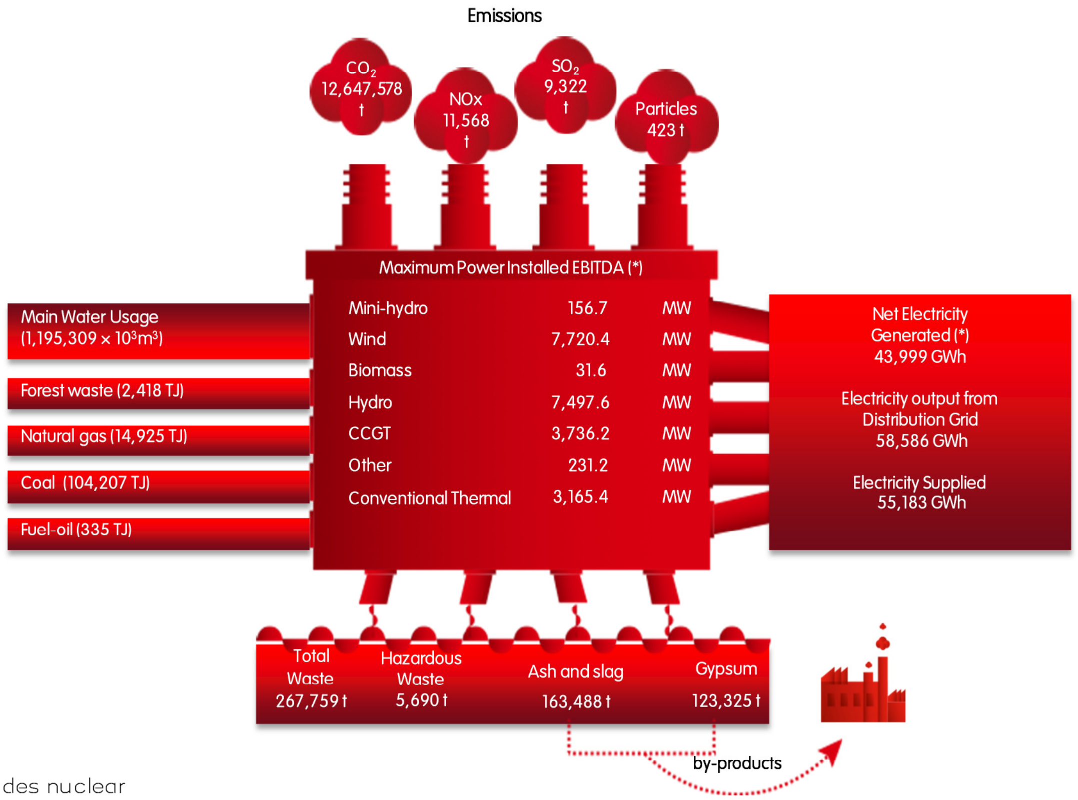
Waste per generated electricity unit (g/kWh) [2]



Environmental Expenditures (€ thousands)



[1] Pecém Powerplant has not been considered for the purposes of detailed environment information due to the unavailability of data. Exception for investment and expenses indicators, and certified installed capacity.
[2] The specific production was calculated with net generation. Include heat generation.



(*) Excludes nuclear

Note: The figures for Pecém powerplant were included in CO_2 emissions (894 kt) and coal primary energy (10,100 TJ).

financial statements

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

edp group's business evolution

In the nine months of 2013, the **EDP Group's net profit attributable to EDP shareholders** reached EUR 792 million, compared with EUR 795 million in the nine months of 2012.

EUR Million	9M13	9M12	Δ %
Gross Profit	**4,216**	**4,100**	**3%**
Supplies and services	672	673	-0%
Personnel costs, employees benefits	491	481	2%
Other operating costs (net)	254	204	25%
Net Operating costs	**1,417**	**1,358**	**4%**
EBITDA	**2,799**	**2,742**	**2%**
Provisions	40	3	-
Net depreciation and amortisation	1,086	1,060	2%
EBIT	**1,673**	**1,679**	**-0%**
Capital gains/(losses)	0	3	-100%
Financial results	(515)	(516)	0%
Results from associated companies	25	17	47%
Pre-tax Profit	**1,183**	**1,183**	**-0%**
Income tax expense	242	273	-11%
Net profit for the period	941	910	3%
Net Profit Attributable to EDP Shareholders	**792**	**795**	**-0%**
Non-controlling Interest	149	115	30%

Consolidated EBITDA rose by 2% (+EUR 57 million), to EUR 2,799 million in the nine months of 2013. EBITDA growth was essentially prompted by operations at our subsidiaries' EDP Brasil (+EUR 100 million) and EDP Renováveis (+EUR 33 million). EDP Brasil's 25% year-on-year EBITDA growth was boosted by: (i) the recovery through CDE's contributions, which corresponds to the compensation to distribution companies by increased costs associated with the purchase of energy and system charges and (ii) the positive EBITDA contribution from Pecém I in the third quarter of 2013 following its full commissioning in the second quarter of 2013. EDP Renováveis' 5% increase in EBITDA in the nine months of 2013 was mainly driven by new capacity on stream, while capped by regulatory changes in Spain (-EUR 25 million). In the Iberian market, EBITDA dropped by 5% year-on-year (-EUR 77 million), as good results with energy management in the first half of 2013 and higher hydro output (backed by new capacity on stream and strong hydro resources) were dented by the decommissioning of Setúbal fuel oil plant (-EUR 78 million in the nine months of 2012), lower return on RAB in electricity distribution in Portugal following lower Portuguese 5-year credit default swap, end of CO2 free allowances and several adverse regulatory developments.

Overall, EDP Group's EBITDA growth was hit by generation taxes in Spain (-EUR 81 million), regulatory cuts (-EUR 34 million in the nine months of 2013 including capacity payments in Iberian Peninsula and cuts in distribution remuneration in Spain) and the end of CO2 free allowances. Forex impact on EBITDA totalled -EUR 77 million, backed by 12% BRL depreciation versus Euro and 3% depreciation of USD versus Euro.

In the nine months of 2013, EDP continues to diversify its portfolio geographically: Portugal accounted for 43% of the group's EBITDA, Spain for 26%, Brazil for 18%, USA for 9% and the Rest of Europe (excluding Iberia) accounted for 4% of EBITDA.

Operating costs (excluding other net operating costs) rose by 1% year-on-year, to EUR 1,163 million in the nine months of 2013, supported by a tight cost control and the delivery of our corporate efficiency program. Other net operating costs in the nine months of 2013 rose by 25% year-on-year, mainly reflecting the new tax over electricity generation in Spain (EUR 81 million), to fines and penalties recognized by the delay in the start of the commercial activity of Pecém I thermoelectric plant in Brazil (EUR 29 million) and a provision for inventory from distribution activity in Brazil (EUR 10 million). These impacts were only partially compensated by the EUR 56 million gain on the sale of the gas transmission assets in Spain and by a higher gains on disposal of tangible fixed assets in Brazil (+EUR 13 million year-on-year).

Provisions includes a net increase in provisions for labor, legal and other contingencies in Brazil in the amount of EUR 17.1 million, as well as provisions for contractual, legal and other contingencies in Spain of approximately EUR 22.2 million.

Net depreciation and amortisation increased by 2% to EUR 1,086 million in the nine months of 2013 supported by: (i) EUR 7 million at EDP Renováveis level due to the commissioning of new capacity addition, (ii) EUR 35 million on the back of start-up of Pecém I coal plant in Brazil and preliminary assessment performed by distribution companies Bandeirante and Escelsa relating to physical inventory of assets assigned to concessions as a result of ANEEL Resolution 367/09 during the third quarter of 2013 and (iii) entry into operation of a new hydro plant in Portugal in December 2012 (Alqueva II). These impacts were compensated by the decommissioning of Setúbal's plant and the sale of Soporgen's cogeneration plant (combined impact of –EUR 15 million).

Financial results totalled –EUR 515 million reflecting a 3% increase of average net debt and an average cost of debt 30 basis points higher year-on-year, at 4.3% in the nine months of 2013. This impact was offset primarily due to a gain with tariff securitisation deals in the second quarter of 2013.

Non-controlling interests rose 30% year-on-year, driven by the sale of non-controlling interests in wind farms in United States of America to Borealis in the fourth quarter of 2012 and in Portugal to China Three Gorges in the second quarter of 2013, together with the impact from higher net profit at EDP Renováveis and, particularly, at EDP Brasil.

Capex (including the cash-in of a cash-grant related to a United States of America wind farm worth EUR 91 million) fell 3% year-on-year to EUR 1,166 million in the nine months of 2013. Excluding this impact, capex went up 5% year-on-year to EUR 1,257 million in the nine months of 2013, reflecting higher investment in new hydro capacity in Portugal and Brazil and in wind capacity outside of Iberia. Maintenance capex fell 5% year-on-year to EUR 422 million in the nine months of 2013, supported by lower investment needs at our Iberian regulated networks. By September 2013, EDP had 2.3GW of new capacity under construction: new wind capacity in 6 countries, new hydro capacity in Portugal and Brazil.

Net debt amounted to EUR 18.1 billion at 30 of September 2013, falling EUR 0.1 billion short of December 2012, as the proceeds from tariff deficit securitisations in Portugal and Spain (EUR 1 billion in the first half of 2013), coupled with proceeds from asset disposals (EUR 0.6 billion from sale of minority stake in EDP Renováveis Portugal to China Three Gorges and gas transmission assets in Spain in the first half of 2013); were partially mitigated by higher regulatory receivables in Portugal and Spain (+EUR 1.2 billion versus December 2012 largely concentrated in the first half of 2013), by the payment of the 2012 annual dividend (EUR 0.7 billion in May 2013) and by expansion capex incurred in the nine months of 2013 (EUR 0.7 billion).

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Condensed Financial Statements

30 September 2013

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the nine-month period ended 30 September 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	11,812,201	12,089,966
Cost of electricity	6	-5,916,757	-6,128,295
Cost of gas	6	-937,190	-1,044,847
Changes in inventories and cost of raw materials and consumables used	6	-742,457	-817,001
		4,215,797	4,099,823
Revenue from assets assigned to concessions	7	267,001	285,765
Expenditure with assets assigned to concessions	7	-267,001	-285,765
		-	-
Other operating income / (expenses):			
Other operating income	8	265,785	219,849
Supplies and services	9	-672,093	-673,325
Personnel costs and employee benefits	10	-491,436	-480,887
Other operating expenses	11	-519,048	-423,020
		-1,416,792	-1,357,383
		2,799,005	2,742,440
Provisions	12	-40,045	-3,410
Depreciation, amortisation expense and impairment	13	-1,105,648	-1,079,511
Compensation of amortisation and depreciation	13	19,986	19,070
		1,673,298	1,678,589
Gains / (losses) on the sale of financial assets		12	2,857
Financial income	15	680,676	559,808
Financial expenses	15	-1,195,613	-1,075,478
Share of profit in associates		24,563	17,440
Profit before income tax		1,182,936	1,183,216
Income tax expense	16	-241,927	-273,133
Net profit for the period		941,009	910,083
Attributable to:			
Equity holders of EDP		792,345	794,526
Non-controlling Interests	33	148,664	115,557
Net profit for the period		941,009	910,083
Earnings per share (Basic and Diluted) - Euros	30	**0.22**	**0.22**

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 30 September 2013 and 2012

Thousands of Euros	2013 Equity holders of EDP	2013 Non-controlling Interests	2012 Equity holders of EDP	2012 Non-controlling Interests
Net profit for the period	792,345	148,664	794,526	115,557
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	13,169	-6,687	12,692	3,889
Tax effect from the actuarial gains / (losses)	-1,929	2,274	-2,533	-1,322
	11,240	-4,413	10,159	2,567
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-99,535	-165,049	-71,918	-134,497
Fair value reserve (cash flow hedge)	37,117	8,952	-81,405	-16,528
Tax effect from the fair value reserve (cash flow hedge)	-10,794	-2,670	22,964	4,521
Fair value reserve (available for sale investments)	10,139	153	-255	-341
Tax effect from the fair value reserve (available for sale investments)	-886	-52	363	116
Share of other comprehensive income of associates, net of taxes	3,308	1,012	-3,764	-850
	-60,651	-157,654	-134,015	-147,579
Other comprehensive income for the period (net of income tax)	-49,411	-162,067	-123,856	-145,012
Total comprehensive income for the period	742,934	-13,403	670,670	-29,455

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.° 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 Financial Position as at 30 September 2013 and 31 December 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	17	20,619,135	20,905,340
Intangible assets	18	6,215,583	6,541,862
Goodwill	19	3,303,225	3,318,457
Investments in associates	21	175,984	163,881
Available for sale investments	22	187,413	181,298
Deferred tax assets	23	405,917	340,816
Trade receivables	25	97,655	97,099
Debtors and other assets from commercial activities	26	2,911,082	2,736,902
Other debtors and other assets	27	490,740	534,573
Collateral deposits associated to financial debt	35	455,738	415,045
Total Non-Current Assets		34,862,472	35,235,273
Inventories	24	242,642	377,618
Trade receivables	25	1,794,770	2,280,104
Debtors and other assets from commercial activities	26	2,461,096	2,051,519
Other debtors and other assets	27	294,597	296,674
Current tax assets	28	282,199	435,628
Financial assets at fair value through profit or loss		4,679	390
Collateral deposits associated to financial debt	35	33,477	13,451
Cash and cash equivalents	29	1,824,858	1,695,336
Assets classified as held for sale	42	-	241,851
Total Current Assets		6,938,318	7,392,571
Total Assets		41,800,790	42,627,844
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-86,352	-103,706
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,516,465	3,123,116
Consolidated net profit attributable to equity holders of EDP		792,345	1,012,483
Total Equity attributable to equity holders of EDP		8,382,919	8,192,354
Non-controlling Interests	33	3,134,974	3,239,314
Total Equity		11,517,893	11,431,668
Liabilities			
Financial debt	35	15,035,579	16,715,725
Employee benefits	36	1,837,704	1,933,425
Provisions	37	404,383	382,866
Hydrological correction account	34	8,803	33,644
Deferred tax liabilities	23	939,147	852,054
Institutional partnerships in USA wind farms	38	1,568,363	1,679,753
Trade and other payables from commercial activities	39	1,317,256	1,262,771
Other liabilities and other payables	40	476,054	409,737
Total Non-Current Liabilities		21,587,289	23,269,975
Financial debt	35	5,450,898	3,807,503
Hydrological correction account	34	32,118	22,832
Trade and other payables from commercial activities	39	2,465,057	3,220,599
Other liabilities and other payables	40	220,286	368,143
Current tax liabilities	41	527,249	467,738
Liabilities classified as held for sale	42	-	39,386
Total Current Liabilities		8,695,608	7,926,201
Total Liabilities		30,282,897	31,196,176
Total Equity and Liabilities		41,800,790	42,627,844

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013	2012
Turnover	3,691,446	3,876,434
Cost of electricity	-1,828,057	-1,955,953
Cost of gas	-277,292	-331,751
Changes in inventories and cost of raw materials and consumables used	-284,853	-278,149
	1,301,244	1,310,581
Revenue from assets assigned to concessions	99,565	106,912
Expenditure with assets assigned to concessions	-99,565	-106,912
	-	-
Other operating income / (expenses):		
Other operating income	74,822	65,480
Supplies and services	-220,915	-227,736
Personnel costs and employee benefits	-153,689	-150,656
Other operating expenses	-159,165	-140,337
	-458,947	-453,249
	842,297	857,332
Provisions	-3,195	3,341
Depreciation, amortisation expense and impairment	-386,588	-362,404
Compensation of amortisation and depreciation	6,450	5,941
	458,964	504,210
Gains / (losses) on the sale of financial assets	-	-
Financial income	151,220	193,621
Financial expenses	-333,268	-356,250
Share of profit in associates	5,770	6,976
Profit before income tax	282,686	348,557
Income tax expense	-51,867	-114,193
Net profit for the period	230,819	234,364
Attributable to:		
Equity holders of EDP	189,126	212,758
Non-controlling Interests	41,693	21,606
Net profit for the period	230,819	234,364
Earnings per share (Basic and Diluted) - Euros	**0.05**	**0.06**

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at
for the three-month period from 1 July to 30 September 2013 and 2012

	2013		2012	
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	189,126	41,693	212,758	21,606
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	321	312	-69	-66
Tax effect from the actuarial gains / (losses)	-110	-106	24	23
	211	206	-45	-43
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-40,417	-74,838	-6,906	-27,945
Fair value reserve (cash flow hedge)	8,098	357	-29,856	-7,328
Tax effect from the fair value reserve (cash flow hedge)	-2,518	-171	8,065	1,814
Fair value reserve (available for sale investments)	1,518	925	-564	6
Tax effect from the fair value reserve (available for sale investments)	-570	-315	-17	-2
Share of other comprehensive income of associates, net of taxes	256	222	-697	77
	-33,633	-73,820	-29,975	-33,378
Other comprehensive income for the period (net of income tax)	-33,422	-73,614	-30,020	-33,421
Total comprehensive income for the period	155,704	-31,921	182,738	-11,815

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Changes in Equity as at 30 September 2013 and 31 December 2012

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the period	910,083	-	-	-	794,526	-	-	-	-	794,526	115,557
Changes in the fair value reserve (cash flow hedge) net of taxes	-70,448	-	-	-	-	-58,441	-	-	-	-58,441	-12,007
Changes in the fair value reserve (available for sale investments) net of taxes	-117	-	-	-	-	-	108	-	-	108	-225
Share of other comprehensive income of associates, net of taxes	-4,614	-	-	-	-	-3,093	-	-671	-	-3,764	-850
Actuarial gains/(losses) net of taxes	12,726	-	-	-	10,159	-	-	-	-	10,159	2,567
Exchange differences arising on consolidation	-206,415	-	-	-	-	-	-	-71,918	-	-71,918	-134,497
Total comprehensive income for the period	641,215	-	-	-	804,685	-61,534	108	-72,589	-	670,670	-29,455
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-83,331	-	-	-	-	-	-	-	-	-	-83,331
Purchase and sale of treasury stock	-1,388	-	-	-	-5,889	-	-	-	4,501	-1,388	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Changes resulting from acquisitions/sales and equity increases	3,300	-	-	-	-	-	-		-	-	3,300
Other reserves arising on consolidation	150	-	-	-	100	-	-	-14	-	86	64
Balance as at 30 September 2012	**11,278,227**	**3,656,538**	**503,923**	**578,435**	**3,474,709**	**-88,622**	**41,468**	**48,866**	**-104,913**	**8,110,404**	**3,167,823**
Comprehensive income:											
Net profit for the period	272,072	-	-	-	217,957	-	-	-	-	217,957	54,115
Changes in the fair value reserve (cash flow hedge) net of taxes	3,794	-	-	-	-	4,307	-	-	-	4,307	-513
Changes in the fair value reserve (available for sale investments) net of taxes	2,877	-	-	-	-	-	2,474	-	-	2,474	403
Share of other comprehensive income of associates, net of taxes	-1,670	-	-	-	-	-668	-	-684	-	-1,352	-318
Actuarial gains/(losses) net of taxes	-153,137	-	-	-	-120,006	-	-	-	-	-120,006	-33,131
Exchange differences arising on consolidation	-61,109	-	-	-	-	-	-	-21,997	-	-21,997	-39,112
Total comprehensive income for the period	62,827	-	-	-	97,951	3,639	2,474	-22,681	-	81,383	-18,556
Transfer to legal reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
Dividends attributable to non-controlling interests	-87,023	-	-	-	-	-	-	-	-	-	-87,023
Purchase and sale of treasury stock	531	-	-	-	-676	-	-	-	1,207	531	-
Share-based payments	-	-	-	-	-	-	-	-	-	-	-
Sale without loss of control of Vento II (EDPR NA)	176,122	-	-	-	3,113	-1,135	-	-2,470	-	-492	176,614
Changes resulting from acquisitions/sales and equity increases	1,011	-	-	-	-	-	-	553	-	553	458
Other reserves arising on consolidation	-27	-	-	-	-25	-	-	-	-	-25	-2
Balance as at 31 December 2012	**11,431,668**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,239,314**
Comprehensive income:											
Net profit for the period	941,009	-	-	-	792,345	-	-	-	-	792,345	148,664
Changes in the fair value reserve (cash flow hedge) net of taxes	32,605	-	-	-	-	26,323	-	-	-	26,323	6,282
Changes in the fair value reserve (available for sale investments) net of taxes	9,354	-	-	-	-	-	9,253	-	-	9,253	101
Share of other comprehensive income of associates, net of taxes	4,320	-	-	-	-	3,393	-	-85	-	3,308	1,012
Actuarial gains/(losses) net of taxes	6,827	-	-	-	11,240	-	-	-	-	11,240	-4,413
Exchange differences arising on consolidation	-264,584	-	-	-	-	-	-	-99,535	-	-99,535	-165,049
Total comprehensive income for the period	729,531	-	-	-	803,585	29,716	9,253	-99,620	-	742,934	-13,403
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-98,156	-	-	-	-	-	-	-	-	-	-98,156
Purchase and sale of treasury stock	8,817	-	-	-	-7,049	-	-	-	15,866	8,817	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	224,178	-	-	-	112,859	-	-	-	-	112,859	111,319
Changes resulting from acquisitions/sales and equity increases	-109,121	-	-	-	-4,685	-328	-	-	-	-5,013	-104,108
Other reserves arising on consolidation	22	-	-	-	14	-	-	-	-	14	8
Balance as at 30 September 2013	**11,517,893**	**3,656,538**	**503,923**	**620,069**	**3,767,628**	**-56,730**	**53,195**	**-75,352**	**-86,352**	**8,382,919**	**3,134,974**

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Condensed Consolidated and Company Statement of Cash Flows
as at 30 September 2013 and 2012

Thousands of Euros	Group		Company	
	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Operating activities				
Cash receipts from customers	10,940,333	10,926,286	1,646,686	1,409,810
Proceeds from tariff adjustments securitization	1,007,823	167,936	-	-
Payments to suppliers	-8,331,082	-8,693,805	-1,564,901	-1,632,445
Payments to personnel	-607,816	-667,997	-10,127	-20,264
Concession rents paid	-204,528	-182,584	-	-
Other receipts / (payments) relating to operating activities	-214,502	-108,549	81,563	9,445
Net cash from operations	2,590,228	1,441,287	153,221	-233,454
Income tax received / (paid)	-180,172	-70,165	-24,771	28,224
Net cash from operating activities	2,410,056	1,371,122	128,450	-205,230
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	256,113	4,196	-	-
Other financial assets and investments	1,049	4,875	161,580	-
Property, plant and equipment and intangible assets	21,369	5,962	345	2,903
Investment grants	1,620	37,668	-	-
Interest and similar income	48,191	64,386	277,114	249,834
Dividends	19,070	18,636	681,364	708,264
	347,412	135,723	1,120,403	961,001
Cash payments relating to:				
Acquisition of assets / subsidiaries	-144,258	-60,360	-	-
Other financial assets and investments	-5,817	-4,462	-161,508	-2,733
Changes in cash resulting from consolidation perimeter variations	48	4,176	-	-
Property, plant and equipment and intangible assets	-1,680,588	-1,552,458	-23,190	-12,105
	-1,830,615	-1,613,104	-184,698	-14,838
Net cash from investing activities	-1,483,203	-1,477,381	935,705	946,163
Financing activities				
Receipts / (payments) relating to loans	399,211	1,986,475	-562,574	-31,863
Interest and similar costs including hedge derivatives	-622,916	-551,952	-230,723	-210,414
Governmental grants received	91,292	4,516	-	-
Share capital increases / (decreases) by non-controlling interests	-92,736	-	-	-
Receipts / (payments) relating to derivative financial instruments	20,664	-42,195	10,475	17,335
Dividends paid to equity holders of EDP	-670,932	-670,829	-671,212	-670,829
Dividends paid to non-controlling interests	-130,250	-109,519	-	-
Treasury stock sold / (purchased)	8,817	-1,388	10,703	662
Sale of assets / subsidiaries without loss of control	257,954	-	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-31,347	-11,089	-	-
Net cash from financing activities	-770,243	604,019	-1,443,331	-895,109
Changes in cash and cash equivalents	156,610	497,760	-379,176	-154,176
Effect of exchange rate fluctuations on cash held	-27,088	-21,747	189	-38
Cash and cash equivalents at the beginning of the period	1,695,336	1,731,524	1,305,235	661,609
Cash and cash equivalents at the end of the period (*)	1,824,858	2,207,537	926,248	507,395

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

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the nine-month period ended 30 September 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	1,740,296	1,566,209
Cost of electricity	6	-1,393,618	-1,259,924
Changes in inventories and cost of raw materials and consumables used	6	-196,269	-250,564
		150,409	55,721
Other operating income / (expenses):			
Other operating income	8	8,925	10,419
Supplies and services	9	-128,560	-137,678
Personnel costs and employee benefits	10	-11,020	-9,410
Other operating expenses	11	-9,864	-10,276
		-140,519	-146,945
		9,890	-91,224
Provisions	12	-2,741	3,077
Depreciation, amortisation expense and impairment	13	-11,656	-10,247
		-4,507	-98,394
Gains / (losses) on the sale of financial assets	14	12	87,945
Financial income	15	1,386,247	1,186,905
Financial expenses	15	-719,821	-532,211
Profit before income tax		661,931	644,245
Income tax expense	16	-61,863	86,572
Net profit for the period		600,068	730,817

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at 30 September 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the period	600,068	730,817
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	12,944	-21,017
Tax effect from the fair value reserve (cash flow hedge)	-3,760	6,087
Fair value reserve (available for sale investments)	2,812	-1,947
Tax effect from the fair value reserve (available for sale investments)	45	729
Other comprehensive income for the period, net of income tax	12,041	-16,148
Total comprehensive income for the period	612,109	714,669

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EDP - Energias de Portugal, S.A.

Condensed Company Statement of Financial Position as at 30 September 2013 and 31 December 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	17	214,955	208,569
Intangible assets		6	8
Investments in subsidiaries	20	9,909,534	9,909,534
Investments in associates	21	-	-
Available for sale investments	22	43,031	40,461
Investment property		9,999	10,490
Deferred tax assets	23	21,262	69,799
Debtors and other assets from commercial activities		2,148	1,555
Other debtors and other assets	27	6,096,620	6,014,090
Collateral deposits associated to financial debt	35	334,497	348,713
Total Non-Current Assets		16,632,052	16,603,219
Inventories		1,105	103
Trade receivables	25	152,407	172,773
Debtors and other assets from commercial activities	26	255,016	269,143
Other debtors and other assets	27	2,519,369	2,294,529
Current tax assets	28	82,630	195,587
Collateral deposits associated to financial debt	35	12,675	12,732
Cash and cash equivalents	29	926,248	1,305,235
Total Current Assets		3,949,450	4,250,102
Total Assets		20,581,502	20,853,321
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-80,257	-97,611
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,157,539	1,990,679
Net profit for the period		600,068	832,682
Total Equity		6,837,811	6,886,211
Liabilities			
Financial debt	35	4,996,000	2,032,437
Provisions	37	23,713	27,882
Hydrological correction account	34	8,803	33,644
Trade and other payables from commercial activities		3,292	3,831
Other liabilities and other payables	40	2,938,197	3,017,085
Total Non-Current Liabilities		7,970,005	5,114,879
Financial debt	35	4,579,305	7,557,620
Hydrological correction account	34	32,118	22,832
Trade and other payables from commercial activities	39	518,262	488,086
Other liabilities and other payables	40	580,924	771,228
Current tax liabilities	41	63,077	12,465
Total Current Liabilities		5,773,686	8,852,231
Total Liabilities		13,743,691	13,967,110
Total Equity and Liabilities		20,581,502	20,853,321

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THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013	2012
Turnover	627,634	530,696
Cost of electricity	-503,558	-418,777
Changes in inventories and cost of raw materials and consumables used	-70,279	-89,584
	53,797	22,335
Other operating income / (expenses):		
Other operating income	3,052	3,110
Supplies and services	-42,573	-45,388
Personnel costs and employee benefits	-2,529	-3,228
Other operating expenses	-752	-886
	-42,802	-46,392
	10,995	-24,057
Provisions	34	8,951
Depreciation, amortisation expense and impairment	-3,905	-3,415
	7,124	-18,521
Gains / (losses) on the sale of financial assets	-	87,945
Financial income	181,006	212,103
Financial expenses	-152,791	-161,819
Profit before income tax	35,339	119,708
Income tax expense	1,320	-13,801
Net profit for the period	36,659	105,907

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EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at for the three-month period from 1 July to 30 September 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the period	36,659	105,907
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	9,033	-269
Tax effect from the fair value reserve (cash flow hedge)	-2,598	78
Fair value reserve (available for sale investments)	299	-1,607
Tax effect from the fair value reserve (available for sale investments)	-43	233
Other comprehensive income for the period, net of income tax	6,691	-1,565
Total comprehensive income for the period	43,350	104,342

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

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at
30 September 2013 and 31 December 2012

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the period	730,817	-	-	-	730,817	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-14,930	-	-	-	-	-14,930	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-1,218	-	-	-	-	-	-1,218	-
Total comprehensive income for the period	714,669	-	-	-	730,817	-14,930	-1,218	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-1,388	-	-	-	-5,889	-	-	4,501
Share-based payments	2,051	-	-	-	35	-	-	2,016
Balance as at 30 September 2012	**6,781,288**	**3,656,538**	**503,923**	**578,435**	**2,144,673**	**-12,462**	**8,999**	**-98,818**
Comprehensive income:								
Net profit for the period	101,865	-	-	-	101,865	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	1,331	-	-	-	-	1,331	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	1,196	-	-	-	-	-	1,196	-
Total comprehensive income for the period	104,392	-	-	-	101,865	1,331	1,196	-
Transfer to legal reserve	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-
Purchase and sale of treasury stock	531	-	-	-	-676	-	-	1,207
Share-based payments	-	-	-	-	-	-	-	-
Balance as at 31 December 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**
Comprehensive income:								
Net profit for the period	600,068	-	-	-	600,068	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	9,184	-	-	-	-	9,184	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,857	-	-	-	-	-	2,857	-
Total comprehensive income for the period	612,109	-	-	-	600,068	9,184	2,857	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	8,817	-	-	-	-7,049	-	-	15,866
Share-based payments	1,886	-	-	-	398	-	-	1,488
Balance as at 30 September 2013	**6,837,811**	**3,656,538**	**503,923**	**620,069**	**2,126,433**	**-1,947**	**13,052**	**-80,257**

LISBON, 31 OCTOBER 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

NOTES TO THE CONDENSED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

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.

During the nine-month period ended 30 September 2013 the following significant changes occurred in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity

Generation

On 27 February, the Law 85-A/2013 was published, approving the nominal tariff applicable to the tariff repercussion of the yearly fixed amount of the costs for maintenance of the Contractual Stability Compensation (CMEC), setting the rate at 4.72%. This rate is applicable between 1 January 2013 and 31 December 2027 and reflects a costs reduction for the system of approximately 13 millions of Euros per year, which corresponds to a present value of 120 millions of Euros. This adjustment results from the application of the calculating mechanism of the interest rate related with the fixed portion set out in Decree-Law 240/2004, of 27 December, amended by Decree-Law 32/2013, of 26 February (point iv) of paragraph b) n. 4 of article 5. º).

Activity in the energy sector in Spain

Electricity

Generation

Producers have the right to use primary energy sources in their generation units as deemed most appropriate, with the applicable environmental restrictions. As at 1 October 2010, the Royal Decree Law 1221/2010 was approved (which changed the Royal Decree Law 134/2010 of 12 February) that establishes the procedure for supply restrictions, as a protective measure to promote the consumption of local coal. As at 23 December of the same year entered into force the Royal Decree Law 14/2010, which obliges the producers to pay for the use of the transmission and distribution networks. On 27 January 2012 the promulgation of the Law 1/2012, temporarily suspended the new facilities' right to benefit from the specific remuneration regime of the facilities which use renewable energy sources, waste or cogeneration (applicable to the facilities that, since 28 January 2012, do not fulfill the administrative requirements referred in this standard). From 1 January 2013, the amounts of the premiums applicable to the remuneration of all facilities of the special regime were also eliminated, leaving only the tariff option or market price (Royal Decree-Law 2/2013).

On 12 July 2013, the Spanish Government approved, the Royal Decree-Law 9/2013, which changes the remuneration scheme for facilities that use cogeneration, renewable energy sources and waste based on standard costs (investment and operation costs) by type of facility. The rate of return on assets will considerer the rate of the Spanish Government ten-year bonds yield, plus 300 b.p. The economic effect of this measure depends on the assumptions for each technology, as well as the number of operation years of each facility. This Royal Decree provides a reduction for the investment incentive in long-term capacity in combined cycle plants for 10,000€ /MW/year against 26,000€ /MW/year previously allocated, besides the extension of tthe applicable period to the double.

Distribution

Law 54/1997 establishes that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation, that connects the distribution network to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution and their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity renumeration will be calculated based on the Spanish Government ten-year bonds yield, plus 100 b.p. during the second quarter of 2013 and 200 b.p. from 2014 forward.

Vulnerable Consumers

The Royal Decree-Law 9/2013 establishes that social allowance will be financed by vertically integrated companies that perform simultaneously the activities of production, distribution and sale of electricity.

Activity in the energy sector in Brazil

Electricity

Several significant changes in regulation regarding the electric sector occurred during 2012, such as the Provisional Measure 579/2012, in which the Federal Government presented measures to reduce electric energy bill to the consumer. The expected average reduction for Brasil amounts to 20.2% due to government actions: Concession Renewals (13%) and Sector charges (7%). This measure results in the Law 12,783 of 11 January 2013.

Regarding concessions renewal, the generation concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and shall make available their physical energy guarantee for the quotas system to be distributed proportionally to the market share of each distributor, affecting the energy acquisition contracts. The transmission concessionaires in which contracts expire between 2015 and 2017 may renew their concessions and, considering that the assets bounded to the electricity transmission service are totally depreciated, only the operation and maintance costs will be considered for the annual allowed revenues calculation.

On 23 January 2013, was published the Provisional Measure 605, which objective is to increase the scope of application of the resources of the CDE (Energy Development Account), which began promoting resources to cover the discounts applied to the tariffs and involuntary exposure of distributors resulting from the non-adherence to the extension of the generation concessions, this measure amended tthe Law 10,438/2002 which establishes the application of CDE resources.

The Decree 7,891 of 23 January 2013, establishes more options for the implementation of CDE resources, which can be used to compensate the discount on the electricity tariffs established by law, such as the social tariff of low income, rural, water, sewage and sanitation, among others. Thus, the difference the revenue due to the discounts will no longer be reimbursed through the tariffs of other consumers. This decree was amended on 7 March 2013, by the Decree 9,745, which increased the costs that can be incurred with funds from the Energy Development Account - CDE.

CDE is responsible for monthly transfer to the distribution utilities the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013.

On 6 March de 2013, the National Energy Policy Council (CNPE) issued the Resolution CNPE 3/2013 which determined a new methodology for sharing the costs incurred for the dispatch of thermoelectric power plants, due to mechanisms of risk aversion (safety of the system), following the hydrological crisis in Brazil. According to this temporary methodology, 50% of the above mentioned costs will be prorated among the purchase agents in the Short Term Market (MCP) and the remaining 50% will be prorated among all market agents, through the System Services Charge (ESS). Several Brazilian industry associations of electricity generators and traders interpose injuctions against this Resolution, therefore it's effects were suspended and the previous methodology is still being applied, being these costs shared and allocated to the consumers and the distribution companies.

On 7 May 2013, a new regulation (Resolução Normativa 549/2013) was published, determining that the incremental costs with the acquisition of energy and other system charges (ESS) occurred in 2013, would be funded by the Energetic Development Account, the CDE - Conta de Desenvolvimento Energético (positive balances in "Conta de Compensação de Variação de Valores da Parcela A - CVA"). This new regulation establishes the compensation criteria and determines that ANEEL will publish in each ordinary tariff revision the amounts that should be paid by Eletrobras to the distribution companies (through CDE) and referring to the costs and "CVA" charges mentioned above.

On 29 May 2013, the Decree 8,020/2013 was published allowing the transference in advance of seven months of the discounts applied on the distribution tariffs. This measure was taken by the government, anticipating that the Provisional Measure 605, would not be approved timely by the Senate, expiring. With the expiry of the Provisional Measure 605, the transfer of CDE resources that were also used to cover the Involuntary Exposure generated by quotas, ceased. The Provisional Measure 605 was included as an amendment in the Provisional Measure 609, which was converted to the Law 12,839 on 9 July 2013, in that way the CDE resources covers the mentioned transfers.

Activity in the Renewable Energies Sector

Electricity

Generation

Regulatory framework for the activities in Spain

On 4 February 2013, the Spanish Government published in the Official State Gazette the Royal Decree-Law 2/2013 that includes a set of regulatory modifications applicable to the Spanish electricity sector and affecting the wind energy assets.

The main regulatory modifications that Royal Decree-Law2/2013 presents towards the Royal Decree-Law 661/2007 with impact in EDP Renováveis S.A. (EDPR) effective from 1 January 2013 onwards, are as follows:

- Every energy production facilities operating under the special regime are to be remunerated according to current feed-in tariff schemes for the remaining useful life of the asset;
- Energy production facilities operating under the special regime currently remunerated according to the market option were able to chose, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price with no renewable energy premium, and neither cap nor floor prices;
- The index used to annually update all the regulated activities in the electricity sector is the annual inflation excluding energy products and food prices, and any impact of tax changes.

The Spanish government disclosed the Energy Market Reform, which aims to end with the Spanish tariff deficit. The government claims that the reform may eliminate 4.5 billions of Euros/year of the structural deficit by: (i) 2.7 billons of Euros reduction in regulated costs of utilities and renewable energy source companies, and (ii) 0.9 billions of Euros contribution from the Spanish Treasury which will pay throught the Budget 50% of the extra costs of generation in the non-mainland territories.

The complete regulatory package will consist of: (i) a Royal Decree-Law (RD-L 9/2013, published in the Diário Oficial da União on 13 July), (ii) eight Decrees and Orders and (iii) the submission in the Parliament of the Project of Law ("Anteproyecto de Ley").

Until now, RD-L 9/2013 is the only rule approved and published: it outlines the principles that will govern the renewable energy source energy sector but it does not disclose the details of the new remuneration. According to this RD-L, renewable energy source plants will be subject to a new legal and economic framework: previous RD 661 framework will disappear and renewable energy source plants will receive the market price plus a payment per installed MW, so that the return on investment will be equivalent to the Spanish Government 10-year bonds yield plus a spread of 300bp. This Royal Decree-Law also suppresses the renewables remuneration for reactive power (2€/MWh).

On 16 July 2013, the Government submitted to CNMC a draft decree describing the new remuneration scheme for renewables facilities. However, this draft decree does not include the parameters to calculate the remuneration, as these parameters will be published in the future and retrospectively applied since 14 July.

Regulatory framework for the activities in Portugal

The Portuguese Government published on 28 February 2013, the Decree Law 35/2013, that maintains the legal stability of the current contracts (Decree-Law 33-A/2005) and protects the value of the investments made by the wind energy producers in the Portuguese economy. The wind energy producers can voluntarily invest to secure further remuneration stability, through a new tariff scheme to be applied upon the actual 15 years established by law. The total investment will be used to reduce the overall costs of the Portuguese electricity system. In order to maximise the number of wind developers that voluntarily adheres to the extension of the remuneration framework, the Government proposed four alternative tariff schemes to be elected by each of the wind developers, that include the following conditions: (i) alternative cap and floor selling prices; (ii) alternative durations to the new scheme beyond the initial 15 years of the current contracts; and consequently (iii) alternative levels of investment (on a per MW basis) to adhere to the new scheme. EDPR has chosen a 7 year extension of the tariff defined as the average market price of previous twelve months, with a floor of 74€/MWh and a cap of 98€/MWh updated with inflation from 2021 onwards, in exchange for a payment of 5,800€/MW from 2013 to 2020. This decree also includes the possibility for wind farms under the new regime (i.e. ENEOP) to adhere to a similar scheme, still in negotiation.

This Decree-Law modifies the remuneration regime applicable to the production of electricity by mini hydro plants (PCH). Establishes that the PCH that were framed by a remuneration regime prior to Decree-Law 33-A/2005, of 16 February, benefit from that remuneration regime for a period of 25 years from the date they were attributed the exploration license or until the expiration date of their water use license, whichever occurs first. After this 25- year period and as longer as the above mentioned license remains valid, electricity produced by these plants will be sold at market prices.

Regulatory framework for the activities in the United States of America

On 1 January 2013, the US Congress approved "The American Taxpayer Relief Act" that includes an extension of the Production Tax Credit (PTC) for wind energy, including the possibility of a 30% Investment Tax Credit (ITC) instead of the PTC. Congress set 31 December 2013 as the new expiration date of these benefits and changed the qualification criteria (projects will only qualify as long as they are under construction by year-end 2013). The legislation also includes a depreciation bonus on new equipment placed in service which allows the depreciation of a higher percentage of the cost of the project (less 50% of the Investment Tax Credit) in the year that it is placed in service. This bonus depreciation was 100% in 2011 and 50% for 2012.

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 nine-month period ended 30 September 2013 and condensed consolidated and company statement of financial position as at 30 September 2013.

EDP S.A.'s Executive Board of Directors approved the condensed consolidated and company financial statements (referred to as financial statements) on 31 October 2013. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (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 nine-month period ended 30 September 2013 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2013 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 2012.

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.

These financial statements also present the third quarter income statement of 2013 with comparative figures for third quarter of previous year.

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

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

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

Accounting policies have been applied consistently by all Group companies and in all periods presented in the condensed consolidated financial statements.

b) Basis of consolidation

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

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

Subsidiaries

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

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

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any 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.

Associates

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

The existence of significant influence by the Group is usually evidenced by one or more of the following:
- Representation on the Executive Board of Directors or equivalent governing body of the investee;
- Participation in policy-making processes, including participation in decisions about dividends and other distributions;
- Existence of material transactions between the Group and the investee;
- Interchange of managerial personnel;
- Provision of essential technical information.

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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 taht 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 the 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.

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.

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.

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.

CO_2 licenses held by the Group for trade purposes are booked as inventories and measured at fair value, at each balance sheet date, against the income statement.

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

Actuarial gains and losses resulting from (i) differences between financial and actuarial assumptions used and actual amounts and (ii) changes in the actuarial assumptions, are recognised against equity.

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

The Group recognises as operational expenses, in the income statement, the current service cost and the effect of early retirements. Interest cost and estimated return of the fund assets are recognised as financial results.

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not 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) Segment reporting

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

In accordance with IFRS 8, an operating segment is a Group component:
(i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
(ii) whose operating results are reviewed regularly by the entity's chief operating decision maker in order to make decisions about resources to be allocated to the segment and assess its performance; and,
(iii) for which discrete financial information is available.

x) Tariff adjustments

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

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Turnover of Electricity and network accesses the effects resulting from the recognition of tariff adjustments, against Debtors and other assets. According to the referred Decree-Law, the tariff adjustments determined annually, will be recovered by the regulated operators even in case of insolvency or cease of operations. ERSE is the entity responsible to establish the method to ensure that the entity entitled to these rights continues to recover the tariff adjustments until its complete payment. The Decree-Law also allows the transfer of the right to receive the tariff adjustment to third parties, in whole or in part, through future electricity tariffs.

Decree-Law 87/2011, approved on 14 April and published in Diário da República on 17 July, confirmed the unconditional right of the regulated operators of the natural gas sector to recover the tariff adjustments. Consequently, EDP Group booked under the income statement caption Turnover of Gas and network accesses the effects resulting from the recognition of tariff adjustments against Debtors and other assets and Trade and other payables, in the same terms defined for the electric sector as mentioned above.

y) CO_2 licenses and greenhouse gas emissions

The Group holds CO_2 licenses in order to deal with gas emissions resulting from its operational activity and licenses for trading. The CO_2 and gas emissions licenses 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 licenses held by the Group for trading purposes are booked under Inventories at acquisition cost, subsequently adjusted to the respective fair value, calculated on the basis of the market quote in the last working day of each month. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

z) Cash Flow Statement

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

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

aa) Group concession activities

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

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

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

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

Financial Asset Model

This model is applicable when the operator has an unconditional right to receive certain monetary amounts regardless 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.

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 7).

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

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

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

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

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

In the second quarter of 2011 EDPR Group changed the useful life of the wind farms from 20 to 25 years. The redefinition of the useful life of the wind generation assets was based on a technical study performed by an independent entity which considered the technical availability for an additional period of 5 years of useful life of these assets. The referred study covered 95% of wind installed capacity of EDPR Group, in the different geographies (Europe and North America), considering assumptions and estimates that required judgement.

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

Useful lives of generation assets - Hydro independent generator in Brazil

The hydro generation assets in Brazil for Independent Generators are amortised during the estimated useful lives, considering the existing facts and circumstances at the date of preparation of the financial statements which includes, among other issues, EDP's best estimates of the useful lives of such assets, which are consistent with the useful lives defined by the regulator (ANEEL) 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.

Considering the current legislation which establishes an unconditional right of the regulated operators to recover or return the tariff adjustments, the EDP Group booked in the caption Turnover - Electricity and network access of the period, the effects of the recognition of the tariff adjustment, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities. Under the current legislation, regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the electricity and gas tariffs.

Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised an unconditional right of the operators of the binding sector to recover the tariff deficit of 2006 and 2007, regardless of the form of its future payment or in situations of insolvency and cease of operations. The Decree-Law also allows the transfer of the tariff deficit collection right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit of 2006 and part of the 2007 deficit. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009. In September 2011, the EDP Group sold unconditionally tariff adjustment for the additional cost of cogeneration for the period 2009-2011. In December 2012, in accordance with the terms of Decree-Law 109/2011, EDP Distribuição sold without recourse the right to recover 2010 annual adjustment of the compensation due for early termination of the power purchase agreements. In April and May 2013, as referred in the note 26, EDP Group sold without recourse part of the tariff adjustment related to the estimated overcost for the electric energy acquisition to the special regime production for 2012.

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_2 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.

The Royal Decree Law 14/2010, published in 2010, 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.

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 can be five years for annual periods starting from 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods. In 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 to 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 b.p, (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.

Presently, the Spanish Government is still preparing the specific regulation to rule this new law, which will be retrospectively applied since 14 July 2013. In the absence of specific regulations to implement this law, namely the benchmark to use in the definition of the standard model applicable to wind generation and cogeneration assets, the financial statements as at 30 September 2013 do not include the potencial effects of such legislation in wind generation and cogeneration activity,namely regarding the revenue recognition and the potential impacts regarding the recoverability of assets and goodwill associated with this activity.

Considering that the Royal Decree-Law 9/2013 determines a change in the remuneration scheme applicable to wind and cogeneration producers, with reference to the date of entry into force of the Royal Decree, 14 July 2013, the revenue recognition will be updated with reference to 14 July 2013, in accordance with the regulation still to be issued by the Spanish Government, which will define the new methodology to be applied to the remuneration of such producers. After publication of these regulation, it will also be assessed and quantified any potential impact on the Group's goodwill and / or assets recoverability allocated to this activity in Spain.

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (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 30 September 2013 and 31 December 2012, would lead to an increase / (decrease) in the EDP Group results and equity as follows:

	Sep 2013			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	34,190	-41,788	-11,586	14,160
RON	891	-1,089	-	-
PLN	18,432	-22,528	-	-
	53,513	-65,405	-11,586	14,160

	Dec 2012			
	Results		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	40,462	-49,454	-27,842	34,029
RON	5,957	-7,280	-	-
PLN	11,628	-14,213	-	-
	58,047	-70,947	-27,842	34,029

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 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 100 basis points change in the reference interest rates at 30 September 2013 and 31 December 2012 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Sep 2013			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-25,121	25,121	-	-
Unhedged debt	-76,437	76,437	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	47,919	-54,409
Trading derivatives (accounting perspective)	-3,826	1,116	-	-
	-105,384	102,674	47,919	-54,409

	Dec 2012			
	Results		Equity	
Thousands of Euros	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-20,121	20,121	-	-
Unhedged debt	-83,238	83,238	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	53,985	-59,599
Trading derivatives (accounting perspective)	-4,016	1,355	-	-
	-107,375	104,714	53,985	-59,599

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

Counterparty credit risk management

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

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

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

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

Liquidity risk management

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

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO_2) 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. In June 2013, P@R has included wholesale gas business.

As at 30 September 2013 and 31 December 2012, the P@R Distribution by risk factor is as follows:

	P@R Distribution by risk factor	
Thousands of Euros	Sep 2013	Dec 2012
Risk factor		
Negotiation	1,000	-
Fuel	9,000	26,000
CO_2	8,000	2,000
Electricity	17,000	18,000
Hydrological	33,000	38,000
Diversification effect	-32,000	-43,000
	36,000	41,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (e.g. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 30 September 2013 and 31 December 2012 the EDP Group's exposure to credit risk rating is as follows:

	Sep 2013	Dec 2012
Credit risk rating (S&P)		
AAA to AA-	3.14%	6.63%
A+ to A-	67.79%	56.54%
BBB+ to BBB-	12.36%	33.55%
BB+ to B-	1.20%	0.59%
No rating assigned	15.51%	2.69%
	100.00%	100.00%

Brazil - Interest rate and exchange rate risk management

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

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

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

The summary of VaR on the operations of the Brazilian subsidiaries at 30 September 2013 and 31 December 2012 is as follows:

	VaR	
Thousands of Euros	Sep 2013	Dec 2012
Exchange rate risk	2,256	1,309
Interest rate risk	6,871	4,097
Covariation	-2,778	-1,993
	6,349	3,413

5. CONSOLIDATION PERIMETER

During the nine-month period ended 30 September 2013, the following changes occurred in the EDP Group consolidation perimeter as described below:

Companies acquired:

- EDP Renewables, SGPS, S.A. acquired 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda.;
- EDP Energias do Brasil, S.A. acquired 50% of the share capital of Mabe Construções e Administração de Projetos, Lda.;
- South África Wind & Solar Power, S.L. (which was incorporated in March 2013) acquired 42.5% of the share capital of Modderfontein Wind Energy Project, Ltd., 100% of the share capital of Dejann Trading and Investments Proprietary Ltd., and 100% of the share capital of EDP Renewables South Africa, Proprietary Ltd.;
- EDP Renewables North America L.L.C. acquired 100% of the share capital of EDPR Agincourt L.L.C. and of EDPR Marathon L.L.C.;
- EDP Renewables Polska, S.P. ZO.O acquired 65,1% of the share capital of Mollen Wind II S.P. ZO.O.

Companies sold and liquidated:

- Millenium Energy, S.L. sold by 115,493 thousands of Euros all of its interests in the gas transmission business (Gas Transporte Span, S.L. and Naturgas Energia Transportes, S.A.U.);
- EDP Gestão da Produção de Energia, S.A. sold all of its interests in Soporgen, S.A. by the amount of 5,060 thousands of Euros;
- Arquiled - Projectos de Iluminação, S.A. liquidated Futurcompact, Lda.;
- A 49% share interest in EDP Renováveis Portugal, S.A. was sold by 257,954 thousands of Euros, as part of a transaction totalling 368,483 thousands of Euros deducted of loans totalling 110,529 thousands of Euros, with a loss of share interest held by EDP Group in Eólica de Alagoa, S.A., Eólica de Montenegrelo, S.A., Eólica da Serra das Alturas, S.A. and Malhadizes, S.A. This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 112,859 thousands of Euros, was booked against reserves under the corresponding accounting policy.

Companies merged:
- Naturgas Energia Participaciones, S.A.U. was merged into Naturgas Energia Grupo, S.A.

Companies incorporated:
- Empresa de Energia Cachoeira Caldeirão, S.A.;
- South África Wind & Solar Power, S.L.;
- Sustaining Power Solutions, L.L.C.;
- Green Power Offsets, L.L.C. *;
- Arquiled Brasil - Projectos de Iluminação Ltda;
- Bourbriac II, S.A.S.;
- EDPR France Holding, S.A.S.;
- Parc Eolien de Montagne Fayel, S.A.S.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally established without share capital and that as at 30 September 2013 do not have any assets, liabilities, or any operating activity.

Other changes:
- EDP Ventures, SGPS, S.A. increased its shareholding from 40.01% to 46.22% in the share capital of Arquiled - Projectos de Iluminação, S.A.;
- Arquiled - Projectos de Iluminação, S.A. increased its shareholding to 96% in the share capital of Arquiservice - Consultoria Serviços, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Greenwind, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Relax Wind Park I, S.P. ZO.O through its subsidiary EDP Renewables Polska, S.P. ZO.O.;
- EDP Energias do Brasil, S.A. increased its shareholding to 100% in the share capital of Terra Verde Bioenergia Participações, S.A.;
- Decrease of the financial interest in Principle Power, Inc. from 50.29% to 33.46% through dilution, following a share capital increase not subscribed by EDP Inovação, S.A.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Electricity and network access	10,445,030	10,640,565	1,457,506	1,281,140
Gas and network access	1,243,160	1,348,448	170,382	177,547
Other	124,011	100,953	112,408	107,522
	11,812,201	12,089,966	1,740,296	1,566,209

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

	Sep 2013					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	5,870,846	2,284,348	1,870,467	273,084	146,285	10,445,030
Gas and network access	195,040	1,048,120	-	-	-	1,243,160
Other	58,486	31,119	33,945	16	445	124,011
	6,124,372	3,363,587	1,904,412	273,100	146,730	11,812,201

	Sep 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	6,050,776	2,390,306	1,806,682	264,710	128,091	10,640,565
Gas and network access	195,204	1,153,244	-	-	-	1,348,448
Other	63,235	27,261	10,266	-	191	100,953
	6,309,215	3,570,811	1,816,948	264,710	128,282	12,089,966

During the third quarter of 2013, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,388,596 thousands of Euros (income in 30 September 2012: 1,095,911 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 119,546 thousands of Euros (30 September 2012: 376,939 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

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

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

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Cost of electricity	5,916,757	6,128,295	1,393,618	1,259,924
Cost of gas	937,190	1,044,847	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	350,068	372,732	-	-
Gas	236,036	363,696	174,014	242,430
Cost of consumables used	13,937	14,349	-	-
CO_2 licenses	79,533	5,943	22,241	8,127
Own work capitalised	-53,914	-65,403	-	-
Other	116,797	125,684	14	7
	742,457	817,001	196,269	250,564
	7,596,404	7,990,143	1,589,887	1,510,488

On a company basis, Cost of electricity includes costs of 739,248 thousands of Euros (30 September 2012: 661,302 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

7. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

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

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Revenue from assets assigned to concessions	267,001	285,765
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-199,865	-212,436
Personnel costs capitalised (see note 10)	-61,370	-64,628
Capitalised borrowing costs (see note 15)	-5,766	-8,701
	-267,001	-285,765
	-	-

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

	Sep 2013			Sep 2012		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	192,603	74,398	267,001	221,765	64,000	285,765
Expenditure with assets assigned to concessions	-192,603	-74,398	-267,001	-221,765	-64,000	-285,765
	-	-	-	-	-	-

8. OTHER OPERATING INCOME

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

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Gains on fixed assets	21,347	10,261
Customers contributions	11,886	35,333
Income arising from institutional partnerships - EDPR NA	91,002	94,225
Gains on disposals	58,305	-
Other operating income	83,245	80,030
	265,785	219,849

Gains on fixed assets include the effect from the sale of a land by Escelsa to Campo Participações Imobiliárias, S.A. generating a gain of 18,600 thousands of Euros (52,000 thousands of Reais).

Customers contributions include the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 11,305 thousands of Euros (30 September 2012: 33,606 thousands of Euros), as referred in accounting policy 2h).

Income arising from institutional partnerships - EDPR NA relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV, V, VI, VII, VIII, IX and X projects, in wind farms in U.S.A. (see note 38).

Gains on disposals relate 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 (see note 42).

Other operating income includes the power purchase agreements between EDPR NA and its customers which were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other operating income. As at 30 September 2013, the amortisation for the period amounts to 6,323 thousands of Euros (30 September 2012: 7,439 thousands of Euros). This caption also includes 13,894 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.

Other operating income, for the Company, is analysed as follows:

	Company	
Thousands of Euros	Sep 2013	Sep 2012
Gains on fixed assets	50	1,038
Other operating income	8,875	9,381
	8,925	10,419

9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Consumables and communications	38,132	41,054	6,162	8,366
Rents and leases	88,007	83,050	34,919	35,184
Maintenance and repairs	235,410	232,199	13,461	13,442
Specialised works:				
- Commercial activity	115,911	110,030	3,033	3,589
- IT services, legal and advisory fees	60,682	70,393	13,609	24,327
- Other services	40,070	40,231	9,703	8,272
Provided personnel	-	-	34,918	32,037
Other supplies and services	93,881	96,368	12,755	12,461
	672,093	673,325	128,560	137,678

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Personnel costs				
Board of Directors remuneration	12,005	12,228	4,614	3,887
Employees' remuneration	373,430	374,010	1,289	1,067
Social charges on remuneration	93,174	90,500	379	299
Performance, assiduity and seniority bonus	57,735	54,759	3,646	2,894
Other costs	18,722	18,095	727	907
Own work capitalised:				
- Assigned to concessions (see note 7)	-61,370	-64,628	-	-
- Other	-45,983	-52,145	-	-
	447,713	432,819	10,655	9,054
Employee benefits				
Pension plans costs	19,904	21,977	208	217
Medical plans costs and other benefits	7,411	6,557	108	97
Cost of rationalising human resources	-	3,744	-	-
Other	16,408	15,790	49	42
	43,723	48,068	365	356
	491,436	480,887	11,020	9,410

Pension plans costs include 8,955 thousands of Euros (30 September 2012: 9,405 thousands of Euros) related to defined benefit plans (see note 36) and 10,949 thousands of Euros (30 September 2012: 12,572 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 7,411 thousands of Euros (30 September 2012: 6,557 thousands of Euros) related to the charge of the period. As at 30 September 2012, the cost of rationalising human resources results essentially from the project for the restructuring of EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante.

Other employee benefits include costs with medical services of employees in the amount of 5,760 thousands of Euros (30 September 2012: 5,207 thousands of Euros) and costs with tariff discount of active workers in the amount of 8,259 thousands of Euros (30 September 2012: 5,075 thousands of Euros).

11. OTHER OPERATING EXPENSES

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

Thousands of Euros	Group Sep 2013	Group Sep 2012
Concession rents paid to local authorities and others	204,725	209,063
Direct and indirect taxes	168,088	83,016
Donations	14,975	14,895
Impairment losses:		
- Trade receivables	34,074	51,841
- Debtors	4,435	1,450
Other operating costs	92,751	62,755
	519,048	423,020

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, as at 30 September 2013, includes the amount of 80.7 millions of Euros related to a new tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

The caption Other operating costs, as at 30 September 2013, includes the amount of 28,785 thousands of Euros related to fines and penalties recognized for the delay in the start of the commercial activity of Porto de Pecém thermoelectric plant. Additionally, this caption also includes the recognition of an inventories provision in the amount of 10,412 thousands of Euros (29,082 thousands of Reais) based on the preliminary assessment resulting of the ANEEL Resolution 367/09 under which the distributors Bandeirante and Escelsa conducted a physical inventory of assets assigned to concessions.

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

Thousands of Euros	Company Sep 2013	Company Sep 2012
Direct and indirect taxes	742	707
Donations	7,668	7,783
Impairment losses:		
- Trade receivables	-	4
- Debtors	15	14
Other operating costs	1,439	1,768
	9,864	10,276

12. PROVISIONS

Provisions are analysed as follows:

Thousands of Euros	Group Sep 2013	Group Sep 2012	Company Sep 2013	Company Sep 2012
Charge for the period	71,294	28,827	7,310	6,656
Write-back for the period	-31,249	-25,417	-4,569	-9,733
	40,045	3,410	2,741	-3,077

Provisions for the period, at 30 September 2013, include a net increase in provisions for labor, legal and other contingences in Brazil in the amount of 17.1 millions of Euros, as well as provisions for contractual, legal and other contingences in Spain of approximately 22.2 millions of Euros, which are classified as probable contingencies.

13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

Thousands of Euros	Group Sep 2013	Group Sep 2012	Company Sep 2013	Company Sep 2012
Property, plant and equipment				
Buildings and other constructions	16,431	11,000	2,131	2,175
Plant and machinery	693,959	698,355	19	19
Other	49,503	57,886	9,498	8,047
Impairment loss	11,588	8,979	-	-
	771,481	776,220	11,648	10,241
Intangible assets				
Concession rights and impairment	63,592	58,276	-	-
Intangible assets assigned to concessions - IFRIC 12	268,647	242,528	-	-
Other intangibles	1,928	2,487	8	6
	334,167	303,291	8	6
	1,105,648	1,079,511	11,656	10,247
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-19,986	-19,070	-	-
	1,085,662	1,060,441	11,656	10,247

Impairment losses of 6,647 thousands of Euros (30 September 2012: 8,563 thousands of Euros) and 3,748 thousands of Euros were booked on plant and machinery related to wind generation assets in Spain and in the United States of America, respectively. These impairment losses result from regulatory changes in Spain, following the publication of Royal Decree-Law 2/2013, and from the write-off of assets under construction in United States of America (see note 17).

Under the ANEEL Resolution 367/09, during the third quarter of 2013, the distributors Bandeirante and Escelsa conducted a physical inventory on assets assigned to concessions. Based on the preliminary assessment, a loss (write-down) in the amount of 21,610 thousands of Euros (60,255 thousands of Reais) was booked, under the caption amortisation of intangible assets assigned to concessions - IFRIC 12 (see note 18).

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.

14. GAINS/ (LOSSES) ON THE SALE OF FINANCIAL ASSETS

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

	Sep 2013		Sep 2012	
Thousands of Euros	Disposal %	Value	Disposal %	Value
Available for sale investments	-	12	-	-
Investments in subsidiaries and associates:				
EDP - Energias do Brasil, S.A.	-	-	11.23%	87,945
		12		87,945

In August 2012, the shares that EDP, S.A. held on EDP Energias do Brasil, S.A., corresponding to 53,482,659 ordinary shares, representing 11.23% of the voting rights, totalling 193,909 thousands of Euros were used as a contribution in kind to subscribe a share capital increase in EDP Investments and Services, S.L. of 281,854 thousands of Euros. In accordance with the company's accounting policy, common control transactions are accounted for in company's separate financial statements in accordance with the fair value accounting method, which determined the recognition of a gain of 87,945 thousands of Euros. In October 2012, the financial investment in EDP Investments and Services, S.L. was allocated to EDP Branch in Spain.

15. FINANCIAL INCOME AND EXPENSES

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

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Financial income		
Interest income from bank deposits and other applications	33,813	43,330
Interest income from loans to associates	14,269	8,349
Interest from derivative financial instruments	97,020	102,688
Derivative financial instruments	298,355	174,962
Other interest income	34,776	41,693
Foreign exchange gains	31,978	49,847
CMEC	38,471	56,120
Other financial income	131,994	82,819
	680,676	559,808
Financial expenses		
Interest expense on financial debt	666,418	589,471
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	-5,766	-8,701
- Other	-95,025	-97,136
Interest from derivative financial instruments	79,327	84,491
Derivative financial instruments	293,062	196,902
Other interest expense	28,177	31,997
Impairment of available for sale financial assets	3,631	9,390
Foreign exchange losses	41,087	67,107
CMEC	14,293	13,680
Unwinding of liabilities	79,857	87,252
Unwinding of pension liabilities (see note 36)	23,008	34,634
Unwinding of medical liabilities and other plans (see note 36)	30,121	33,996
Other financial expenses	37,423	32,395
	1,195,613	1,075,478
Financial income / (expenses)	-514,937	-515,670

The caption Financial income - CMEC totalling 38,471 thousands of Euros includes 12,484 thousands of Euros related to interest on the initial CMEC (30 September 2012: 14,232 thousands of Euros) included in the annuity for 2013 and 25,987 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 September 2012: 41,888 thousands of Euros).

The caption Other financial income includes essentially 71,586 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 September 2012: 57,064 thousands of Euros), 6,165 thousands of Euros (30 September 2012: 4,877 thousands of Euros) related with interest income on tariff adjustment and tariff deficit in Spain and 40,275 thousands of Euros related to gains, as at 30 September 2013, on three securitization operations of part of the 2012 electricity tariff deficit related to the 2012 over cost for the aquisition of electricity from Special Regime Generators (see note 26).

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 14,293 thousands of Euros (30 September 2012: 13,680 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for 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 liability associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe.

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

	Company	
Thousands of Euros	Sep 2013	Sep 2012
Financial income		
Interest income from loans to subsidiaries and related parties	362,318	317,837
Derivative financial instruments	384,351	271,045
Income from equity investments	595,160	557,205
Other financial income	44,418	40,818
	1,386,247	1,186,905
Financial expenses		
Interest expense on financial debt	281,589	230,146
Derivative financial instruments	393,283	259,767
Other financial expenses	44,949	42,298
	719,821	532,211
Financial income / (expenses)	666,426	654,694

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods, from the date that the income tax return is filed. In Portugal the limit is 4 years, or 5 or 6 years if tax losses and tax benefits have been used. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, ingeneral, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is 3 years.

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (5 years in Portugal since 2012, 18 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, although in Brazil it is limited to 30% of the taxable income of each period). The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

In August 2011, the Royal Decree-Law 9/2011 was approved, introducing a set of amendments to the Spanish income tax legislation. From 1 January 2012 onwards, the period for off setting prior years' tax losses carry forward was extended from 15 to 18 years.

The Law 64-B/2011 of 30 December (2012 State Budget Law) has extended the period to carry forward tax losses from 4 to 5 years (for tax losses generated after 1 January 2012). However, the deduction of tax losses (even if generated before 2012) cannot exceed 75% of the taxable income earned in each tax period. This limitation does not prevent the deduction of the non-deducted losses, in the same conditions, until the end of the respective tax deductible period.

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 with interest 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.

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:
- Companies whose last year income 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
- Companies whose last year income 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:
- 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
- Possibility of companies revaluate 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 (revaluation) was tax deductible for the revaluated assets remaining useful life.

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.

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 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 29 May 2013, an additional favourable decision was issued 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.

Following these decisions, as at 30 September 2013, the total amount of 2011 municipal surcharge paid in excess, for which EDP Group is still awaiting for a formal decision on the administrative and legal procedures, amounts to 11 millions of Euros.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Current tax	-252,800	-139,494	-31,612	-6,773
Deferred tax	10,873	-133,639	-30,251	93,345
	-241,927	-273,133	-61,863	86,572

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2013, is analysed as follows:

	Sep 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,182,936	313,478
Tax losses and tax credits	5.0%	222,502	58,963
Tax benefits	-2.0%	-89,725	-23,777
Non deductible provisions and amortisations for tax purposes	0.7%	30,600	8,109
Accounting revaluations	-14.1%	-629,415	-166,795
Tax differential (includes state surcharge)	5.5%	246,177	65,237
Other adjustments and changes in estimates	-1.1%	-50,143	-13,288
Effective tax rate and total income tax	20.5%	912,932	241,927

The caption Accounting revaluations includes essentially the fiscal revaluation of EDP's assets held in Spain in accordance with Law 16/2012 of 27 December, which does not have accounting impact but led to an increase of the assets' tax basis of 542 millions of Euros. Therefore, the Group recognised deferred tax assets of 160 millions of Euros, that will be recovered through the tax deduction of assets' increased depreciation charge of the year starting on 1 January 2015 and along its remaining useful life. The effect of the revaluation was taxed in 2013 at a 5% flat rate, whose effect was recognised under current income tax, in the total amount of 27 millions of Euros. Consequently, the net effect of this revaluation in the net income for the period is approximately 133 millions of Euros, as presented in the caption Accounting revaluations.

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

The Law 64-A/2011 of 30 December, modified the above referred tax, where the state surcharge applies (i) at a rate of 3% over taxable income in the range of 1.5 to 10 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 10 millions of Euros. The Law 66-B/2012 of 31 December aggravated the state surcharge as follows: (i) at a rate of 3% over taxable income in the range of 1.5 to 7.5 millions of Euros, and (ii) at a rate of 5% over taxable income exceeding 7.5 millions of Euros. In accordance with n.º 4 of Article 116º of the Law 64-B/2011, such modification applies for a two year period starting in 1 January 2012. Accordingly, during 2012 and 2013, the 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 reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2012, is analysed as follows:

	Sep 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,183,216	313,552
Tax losses and tax credits	0.7%	33,106	8,773
Dividends	1.2%	54,238	14,373
Tax benefits	-2.0%	-89,740	-23,781
Non deductible provisions and amortisations for tax purposes	-1.2%	-55,506	-14,709
Fair value of financial instruments and financial investments	1.0%	42,996	11,394
Financial investments in associates and subsidiaries	-6.1%	-271,185	-71,864
Tax differential (includes state surcharge)	3.6%	161,300	42,744
Other adjustments and changes in estimates	-0.6%	-27,734	-7,349
Effective tax rate and total income tax	23.1%	1,030,691	273,133

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2013, is analysed as follows:

	Sep 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	661,931	175,412
Tax losses and tax credits	5.5%	138,332	36,658
Dividends	-25.5%	-637,223	-168,864
Tax differential (includes state surcharge)	3.0%	75,355	19,969
Other adjustments and changes in estimates	-0.2%	-4,949	-1,312
Effective tax rate and total income tax	9.3%	233,446	61,863

As a result of the changes in the economic, regulatory and tax environment in Spain, the caption Tax losses and tax credits as at 30 September 2013 includes the write-off of deferred tax assets of 27 millions of Euros and the recognition of deferred tax liabilities of 26 millions of Euros related to contingencies on tax losses carried forward in Spain.

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2012, is analysed as follows:

	Sep 2012		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	644,245	170,725
Tax losses and tax credits	-6.2%	-149,785	-39,693
Dividends	-24.0%	-583,611	-154,657
Tax differential (includes state surcharge)	2.6%	62,136	16,466
Financial investments in associates and subsidiaries	-10.5%	-255,181	-67,623
Other adjustments and changes in estimates	-1.8%	-44,491	-11,790
Effective tax rate and total income tax	-13.4%	-326,687	-86,572

Financial investments in associates and subsidiaries include the effect of the reversal of a deferred tax liability which was accounted for following the sale of the shareholding in Oni, by virtue of the extinction of the facts which gave rise to its constitution at the transaction date.

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

	Group		Company	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Profit before tax	1,182,936	1,183,216	661,931	644,245
Income tax	-241,927	-273,133	-61,863	86,572
Effective income tax rate	20.5%	23.1%	9.3%	-13.4%

17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Cost				
Land and natural resources	177,035	175,796	74,569	74,569
Buildings and other constructions	755,452	654,384	93,144	93,556
Plant and machinery:				
- Hydroelectric generation	8,545,704	8,866,085	254	254
- Thermoelectric generation	7,966,859	7,672,378	-	-
- Renewable generation	11,832,589	11,565,234	-	-
- Electricity distribution	1,393,412	1,360,638	-	-
- Gas distribution	1,145,364	1,136,865	-	-
- Other plant and machinery	126,881	121,409	182	182
Other	792,020	809,611	112,095	117,155
Assets under construction	2,786,125	2,784,191	40,629	26,747
	35,521,441	35,146,591	320,873	312,463
Accumulated depreciation and impairment losses				
Depreciation charge	-759,893	-1,030,086	-11,648	-14,000
Accumulated depreciation in previous years	-14,069,349	-13,147,618	-94,270	-89,894
Impairment losses	-11,588	-54,131	-	-
Impairment losses in previous years	-61,476	-9,416	-	-
	-14,902,306	-14,241,251	-105,918	-103,894
Carrying amount	20,619,135	20,905,340	214,955	208,569

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost							
Land and natural resources	175,796	6,694	-648	1,271	-7,464	1,386	177,035
Buildings and other constructions	654,384	159	-1,214	161,651	-59,400	-128	755,452
Plant and machinery	30,722,609	15,232	-15,961	637,774	-355,358	6,513	31,010,809
Other	809,611	8,241	-29,704	12,302	-1,783	-6,647	792,020
Assets under construction	2,784,191	911,188	-27,276	-812,998	-70,106	1,126	2,786,125
	35,146,591	941,514	-74,803	-	-494,111	2,250	35,521,441

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Buildings and other constructions	160,069	16,431	-426	-	-8,328	45	167,791
Plant and machinery	13,461,264	705,547	-10,995	-	-62,372	1,513	14,094,957
Other	619,918	49,503	-27,116	-	-1,242	-1,505	639,558
	14,241,251	771,481	-38,537	-	-71,942	53	14,902,306

Acquisitions / Increases 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. The subgroup EDP Brasil carried out investments related with Porto de Pecém coal power plant, with Santo Antônio do Jari hydroelectric plant and Cachoeira Caldeirão hydroelectric plant. 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, Venda Nova III, Salamonde II e Ribeiradio-Ermida).

Charge / Impairment losses include 11,588 thousands of Euros, from which 10,395 thousands of Euros are related with wind generation assets in Spain and in United States of America (see note 13).

Transfers from assets under construction into operation during 2013, refer mainly to wind farms of EDP Renováveis that became operational and to the enter into operation of second group of the thermoelectric plant of Pecém I.

The movement in Exchange differences in the period results mainly from the depreciation of American Dollar (USD), of Polish Zloty (PLN) and Brazilian Real (BRL) against the Euro during the nine-month period ended at 30 September 2013.

Perimeter Variations / Regularisations includes the effect of the acquisition of 100% of the share capital of EDPR Agincourt L.L.C., EDPR Marathon L.L.C., Gravitangle - Fotovoltaica Unipessoal, Lda., Dejann Trading and Investments Proprietary Ltd. and Mollen Wind II S.P. ZO.O.(see note 5).

The EDP Group has finance lease commitments and purchase obligations as disclosed in note 44.

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Cost							
Land and natural resources	176,310	2,447	-554	1,736	-6,233	1,388	175,094
Buildings and other constructions	551,944	893	-3,215	4,099	-25,793	415	528,343
Plant and machinery	29,893,469	7,928	-116,698	413,320	-126,340	-3,165	30,068,514
Other	775,526	11,665	-15,673	13,835	-1,679	-25	783,649
Assets under construction	2,731,386	893,991	-2,460	-432,990	-62,506	950	3,128,371
	34,128,635	916,924	-138,600	-	-222,551	-437	34,683,971

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Buildings and other constructions	155,315	11,000	-2,401	-	-5,626	367	158,655
Plant and machinery	12,699,358	706,918	-113,646	-	-23,693	-2,276	13,266,661
Other	565,649	58,302	-13,965	-	-1,500	568	609,054
	13,420,322	776,220	-130,012	-	-30,819	-1,341	14,034,370

Charge / Impairment losses include an impairment loss of 8,563 thousands of Euros on wind generation assets under construction in Spain (see note 13).

The movement in Exchange differences in the period results mainly from the appreciation of the Polish Zloty (PLN), the depreciation of the Romenian Leu (RON) and Brazilian Real (BRL) against the Euro, during the nine months period ended at 30 September 2012.

Perimeter Variations / Regularisations include the effect of the acquisition of Pietragalla Eolico S.R.L. and of J&Z SP. ZO.O., the effect of the sale of the companies holders of the mini-hydrics in Spain, which generated a gain of 2,857 thousands of Euros recognised under Gains / (losses) on disposal of financial assets, as well the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during the first nine months of 2012.

Disposals / Write-offs includes 88,228 thousands of Euros related with Barreiro thermal power plant due to the completion of dismantling works, during the second quarter of 2012. The accumulated depreciation associated to this thermal power plant amounts to 88,228 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost						
Land and natural resources	74,569	-	-	-	-	74,569
Buildings and other constructions	93,556	-	-412	-	-	93,144
Other	117,591	2,861	-9,760	1,839	-	112,531
Assets under construction	26,747	15,727	-	-1,839	-6	40,629
	312,463	18,588	-10,172	-	-6	320,873

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses						
Buildings and other constructions	23,303	2,131	-38	-	-	25,396
Other	80,591	9,517	-9,586	-	-	80,522
	103,894	11,648	-9,624	-	-	105,918

Acquisitions / Increases include the investment in the new building of EDP Group in Lisbon in the amount of 10,224 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Cost						
Land and natural resources	75,026	-	-457	-	-	74,569
Buildings and other constructions	95,906	-	-2,789	-	355	93,472
Other	109,742	1,413	-804	125	-	110,476
Assets under construction	12,432	8,583	-	-125	-	20,890
	293,106	9,996	-4,050	-	355	299,407

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses						
Buildings and other constructions	22,473	2,175	-2,159	-	355	22,844
Other	69,884	8,066	-615	-	584	77,919
	92,357	10,241	-2,774	-	939	100,763

18. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Cost		
Concession rights	15,246,347	15,443,537
CO_2 licenses	210,214	320,164
Other intangibles	123,514	101,616
Intangible assets in progress	614,198	551,038
	16,194,273	16,416,355
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-332,239	-406,567
Depreciation of other intangibles	-1,928	-3,105
Accumulated depreciation in previous years	-9,644,523	-9,464,821
	-9,978,690	-9,874,493
Carrying amount	6,215,583	6,541,862

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, 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.

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 nine-month period ended 30 September 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	6,730	-	-	-73,756	-	1,302,878
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	15,410	-	-	-	-	1,415,829
- Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	320,164	36,034	-145,606	-	-	-378	210,214
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	998	-47,752	154,700	-253,520	-	12,378,459
- Intangible assets in progress	160,408	266,003	-180	-218,140	-5,286	313	203,118
Other intangibles	101,616	24,184	-28	218	-2,151	-325	123,514
Other intangible assets in progress	390,630	22,596	-287	-218	-2,159	518	411,080
	16,416,355	371,955	-193,853	-63,440	-336,872	128	16,194,273

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Concession rights	740,426	63,592	-	-	-13,544	-	790,474
Intangible assets assigned to concessions (IFRIC 12)	9,102,486	268,647	-41,689	-	-176,203	2,123	9,155,364
Other intangibles	31,581	1,928	-25	-	-674	42	32,852
	9,874,493	334,167	-41,714	-	-190,421	2,165	9,978,690

Transfers of intangible assets assigned to concessions of 63,440 thousands of Euros relates to increases of financial assets under to IFRIC 12, included under Debtors and other assets from commercial activities caption (see note 26).

Acquisitions / Increases of CO_2 Licences is related to licences purchased in the market. The Disposals / write-off of CO_2 licenses include CO_2 licenses consumed during 2012 and delivered to regulatory authorities in the amount of 144,595 thousands of Euros.

The caption Hydric Portugal includes an increase of 15,352 thousands of Euros (30 September 2012: 20,935 thousands of Euros) related to the power enhancement performed during the first nine months of 2013 in the Alqueva hydroelectric power plant.

The movements in Intangible assets during the nine-month period ended 30 September 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions/ Increases	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,448,562	-	-	-	-58,413	-	1,390,149
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,371,528	20,935	-	-	-	25	1,392,488
- Other concession rights	10,827	-	-	-	-	-	10,827
CO_2 licenses	359,058	131,903	-200,367	-	-	-	290,594
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,493,994	27	-22,597	155,759	-198,094	-	12,429,089
- Intangible assets in progress	191,760	285,700	753	-237,878	-5,907	-	234,428
Other intangibles	97,157	100	-11	243	-613	32	96,908
Other intangible assets in progress	371,535	14,770	-37	-243	-1,084	-542	384,399
	16,482,775	453,435	-222,259	-82,119	-264,111	-485	16,367,236

Thousands of Euros	Balance at 1 January	Charge	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisations	Balance at 30 September
Accumulated depreciation and impairment losses							
Concession rights	675,011	58,276	-	-	-9,492	-	723,795
Intangible assets assigned to concessions (IFRIC 12)	8,978,242	242,528	-15,053	-	-133,169	-	9,072,548
Other intangibles	29,044	2,487	-	-	-318	-	31,213
	9,682,297	303,291	-15,053	-	-142,979	-	9,827,556

Transfers of intangible assets assigned to concessions include 82,119 thousands of Euros related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12. This amount includes the effect of the useful lives extension of assets assigned to concessions, determined by the application of the new depreciation rates on the electric sector in Brazil by "Agência de Energia Eléctrica" (ANEEL), in the amount of 13,265 thousands of Euros (32.572 thousands of Reais), during the first nine months of 2012.

Acquisitions / Increases of CO_2 Licences as at 30 September 2012 include 109,026 thousands of Euros of CO_2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 22,877 thousands of Euros of licences purchased at market. The market for CO_2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO_2 licenses correspond to CO_2 licenses consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 458 thousands of Euros sold in the market.

19. GOODWILL

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

	Group	
Thousands of Euros	Sep 2013	Dec 2012
HC Energia Group	1,937,228	1,919,526
EDP Renováveis Group	1,270,018	1,301,218
EDP Brasil Group	53,830	55,564
Other	42,149	42,149
	3,303,225	3,318,457

The movements in Goodwill during the nine-month period ended 30 September 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 September
HC Energia Group	1,919,526	17,702	-	-	-	-	1,937,228
EDP Renováveis Group	1,301,218	2,336	-19,173	-	-14,363	-	1,270,018
EDP Brasil Group	55,564	-	-	-	-1,734	-	53,830
Other	42,149	-	-	-	-	-	42,149
	3,318,457	20,038	-19,173	-	-16,097	-	3,303,225

The movements in Goodwill during the nine-month period ended 30 September 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisations	Balance at 30 September
HC Energia Group	1,916,548	-	-747	-	-	-	1,915,801
EDP Renováveis Group	1,311,133	12,465	-24	-	1,515	-	1,325,089
EDP Brasil Group	57,427	-	-	-	-1,384	-	56,043
Other	42,149	-	-	-	-	-	42,149
	3,327,257	12,465	-771	-	131	-	3,339,082

HC Energia Group

During the nine-month period ended 30 September 2013, the goodwill held in Hidrocantabrico Group increased by 17.702 thousands of Euros (30 September 2012: decrease of 747 thousands of Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Cajastur, through the put option held by this entity over 3.13% of the share capital of HC Energia, as described under accounting policies - note 2b).

EDP Renováveis Group

The goodwill held in EDP Renováveis Group, with reference to 30 September 2013 and 31 December 2012, is analysed as follows:

	EDP Renováveis Group	
Thousands of Euros	Sep 2013	Dec 2012
Goodwill in EDPR Europe Group	682,008	699,522
Goodwill in EDPR North America Group	586,771	600,302
Goodwill in EDPR Brasil Group	1,239	1,394
	1,270,018	1,301,218

The goodwill movement in EDPR Europe Group in 2013 includes an increase of 2,336 thousands of Euros, essentially related with the acquisition of 65,1% of the share capital of Mollen Wind II S.P. ZO.O. and to the acquisition of 100% of the share capital of Gravitangle - Fotovoltaica Unipessoal, Lda.; and a decrease of 19,173 thousands of Euros related to the Relax Wind Group and Greenwind contingent prices revision. These purchase agreements were signed prior to 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b)).

In the nine months period ended 30 September 2012, the increase in EDPR Europe Group in the amount of 12,465 thousands of Euros is due to the acquisition of several companies: Pietragalla Eolico S.R.L., Cujmir Solar S.R.L., Potelu Solar S.R.L., Studina Solar S.R.L., Vanju Mare Solar S.R.L. and Sibioara Wind Farm S.R.L..

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Sep 2013	Dec 2012
Acquisition cost	11,012,092	11,012,092
Effect of equity method (transition to IFRS)	-902,524	-902,524
Equity investments in subsidiaries	10,109,568	10,109,568
Impairment losses on equity investments in subsidiaries	-200,034	-200,034
	9,909,534	9,909,534

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.

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Investments in associates	176,121	164,018	137	137
Impairment losses in investments in associates	-137	-137	-137	-137
Carrying amount	175,984	163,881	-	-

22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Banco Comercial Português, S.A.	36,769	29,653	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	41,230	38,408	41,230	38,408
Tejo Energia, S.A.	26,246	26,246	-	-
Others	83,168	86,991	1,801	2,053
	187,413	181,298	43,031	40,461

During the nine-month period ending 30 September 2013, the financial investment held in Banco Comercial Português, S.A., increased by 7,116 thousands of Euros being the increase booked against fair value reserves (see note 32).

During the nine-month period ended 30 September 2013, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 2,822 thousands of Euros being the increase booked against fair value reserves (see note 32).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 48,940 thousands of Euros (31 December 2012: 48,229 thousands of Euros), as a result of its reinsurance activity.

Available for sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 32). The fair value reserve attributable to the Group as at 30 September 2013 and 31 December 2012 is analysed as follows:

Thousands of Euros	Sep 2013	Dec 2012
Banco Comercial Português	12,568	5,452
REN - Redes Energéticas Nacionais	15,410	12,588
Tejo Energia	19,891	19,891
Others	7,620	7,419
	55,489	45,350

23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Balance as at 1 January	340,816	511,414	-852,054	-954,002
Tariff adjustment for the period	15,912	2,896	-110,490	-205,647
Provisions	-26,752	-16,703	-	-
Property, plant and equipment, intangible assets and accounting revaluations	181,526	-27,382	-32,200	-69,935
Deferred tax over CMECs in the period	-	-	16,154	-62,666
Tax losses and tax credits	54,153	215,569	-	-
Financial and available for sale investments	1,387	-36,981	-3,794	63,465
Other temporary differences	-43,324	-20,626	-74,564	25,948
Netting of deferred tax assets and liabilities	-117,801	-306,944	117,801	306,944
Balance as at 30 September	405,917	321,243	-939,147	-895,893

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:

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Balance as at 1 January	69,799	18,344	-	-
Tax losses and tax credits	-21,799	-1,803	-	-
Provisions	99	-16,751	-	-
Financial and available for sale investments	2,056	1,515	-	67,623
Fair value of derivative financial instruments	-8,642	-5,112	5,396	11,383
Other temporary differences	-12	254	-25,635	-90
Netting of deferred tax assets and liabilities	-20,239	78,916	20,239	-78,916
Balance as at 30 September	21,262	75,363	-	-

24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Merchandise	56,610	75,307
Finished, intermediate products and sub-products	10,825	28,799
Raw and subsidiary materials and consumables (coal and other fuels)	93,715	202,230
Nuclear fuel	19,088	16,905
Others	62,404	54,377
	242,642	377,618

25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	944,026	1,050,200	162,365	182,731
- Spain	537,456	684,331	-	-
- Brazil	404,703	496,175	-	-
- U.S.A.	25,138	42,575	-	-
- Other	52,247	55,620	-	-
Public Sector:				
- Portugal	89,310	102,510	-	-
- Brazil	24,367	53,574	-	-
- Spain	37,401	91,327	-	-
	2,114,648	2,576,312	162,365	182,731
Impairment losses	-319,878	-296,208	-9,958	-9,958
	1,794,770	2,280,104	152,407	172,773
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Brazil	10,688	11,281	-	-
Public Sector:				
- Portugal	122,636	126,501	-	-
- Brazil	7,657	8,571	-	-
	140,981	146,353	-	-
Impairment losses	-43,326	-49,254	-	-
	97,655	97,099	-	-
	1,892,425	2,377,203	152,407	172,773

26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Amounts receivable from tariff expenses - Electricity - Spain	574,877	432,415	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	1,004,575	668,965	-	-
Receivables relating to other goods and services	53,014	75,366	1,569	43,078
Amounts receivable relating to CMEC	271,574	432,133	-	-
Accrued income relating to energy sales and purchase activity	107,171	111,116	198,330	163,640
Advances to Property, plant and equipment suppliers	75,380	54,851	-	-
Sundry debtors and other operations	392,794	292,588	56,063	63,356
	2,479,385	2,067,434	255,962	270,074
Impairment losses on debtors	-18,289	-15,915	-946	-931
	2,461,096	2,051,519	255,016	269,143

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

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Amounts receivable from tariff adjustments - Electricity - Portugal	1,069,216	980,225
Amounts receivable relating to CMEC	1,010,373	944,167
Amounts receivable from concessions - IFRIC 12	747,418	706,480
Sundry debtors and other operations	87,408	109,335
	2,914,415	2,740,207
Impairment losses on debtors	-3,333	-3,305
	2,911,082	2,736,902

The Amounts receivable from tariff expenses - Electricity - Spain correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 September 2013, according to the applicable legal framework (see note 3). During 2013, the Spanish Electricity Deficit Amortisation Fund (FADE), launched ten bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 249,108 thousands of Euros related with tariff adjustments from previous years.

The caption Amounts receivable relating to CMEC totalize 1,281,947 thousands of Euros, and includes 1,010,373 thousands of Euros as non-current and 271,574 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 654,598 thousands of Euros as non-current and 42,481 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 2013. The remaining 355,775 thousands of Euros as non-current and 229,093 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2011 to 2013.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 747,418 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 depreciation of Brazilian Real against Euro in the amount of 31,091 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 63,440 thousands of Euros (see note 18).

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
Balance as at 1 January 2012	374,859	424,787
Receipts through the electric energy tariff	-499,662	-
Tariff adjustment for the period	475,467	690,937
Interest income	30,098	26,966
Transfer from Non-Current to Current	398,957	-398,957
Balance as at 30 September 2012	779,719	743,733
Receipts through the electric energy tariff	-166,554	-
Tariff adjustment of 2011	987	-
Tariff adjustment for the period	143,548	289,070
Transfer from tariff adjustments payable	-9,491	-
Interest income	11,744	-
Securitisation adjustment of 2010 CMEC	-143,566	-
Transfer from Non-Current to Current	52,578	-52,578
Balance as at 31 December 2012	668,965	980,225
Receipts through the electric energy tariff	-476,569	-
Partial securitisations of 2012 over costs for the special regime generators	-713,642	-
Tariff adjustment of 2012	1,351	-
Tariff adjustment for the period	667,767	885,347
Transfer to tariff adjustment payable	-10,397	-842
Interest income	67,089	4,497
Transfer from Non-Current to Current	800,011	-800,011
Balance as at 30 September 2013	1,004,575	1,069,216

During the second quarter of 2013, EDP sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2012 overcost for the acquisition of electricity from special regime generators, in the amount of 713,642 thousands of Euros. In these assets' sales operations, EDP sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 758,715 thousands of Euros and generated gains net of transaction costs, as at 30 September 2013, of 40,275 thousands of Euros (see note 15). The first two transactions were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 308,715 thousands of Euros. The third transaction was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 450,000 thousands of Euros.

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Debtors and other assets - Current				
Loans to subsidiaries	-	-	883,554	1,036,546
Dividends	-	-	-	86,204
Loans to related parties	55,580	38,348	17,161	17,167
Receivables from the State and concessors	53,506	48,349	-	-
Derivative financial instruments	118,724	129,814	119,058	127,169
Subsidiary Companies	-	-	1,493,340	1,022,077
Guarantees and tied deposits	6,540	19,548	-	-
Sundry debtors and other operations	60,247	60,615	6,256	5,366
	294,597	296,674	2,519,369	2,294,529
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,002,939	5,885,502
Loans to related parties	298,844	265,542	90	90
Guarantees and tied deposits	67,071	72,498	5	5
Derivative financial instruments	76,880	147,026	93,586	128,493
Sundry debtors and other operations	47,945	49,507	-	-
	490,740	534,573	6,096,620	6,014,090
	785,337	831,247	8,615,989	8,308,619

28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Income tax	162,555	168,834	66,066	81,917
Value added tax (VAT)	93,331	207,245	12,956	110,415
Turnover tax (Brazil)	5,413	17,026	-	-
Other taxes	20,900	42,523	3,608	3,255
	282,199	435,628	82,630	195,587

The decrease in Value added tax (VAT), relates essentially to the receipt in 2013 of VAT refunds, submitted by EDP S.A.

On EDP Group, the caption Other taxes includes the amount of 10,947 thousands of Euros (31 December 2012: 30,026 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.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Cash	241	60	14	-
Bank deposits				
Current deposits	458,240	416,038	1,801	26,345
Term deposits	1,299,364	1,052,822	721,433	601,914
Other deposits	65,864	29,149	-	-
	1,823,468	1,498,009	723,234	628,259
Operations pending cash settlement				
Current deposits	-	196,976	203,000	676,976
Other short term investments	1,149	291	-	-
	1,824,858	1,695,336	926,248	1,305,235

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 203,000 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 27 September 2013 and was acquired by EDP Finance B.V., but the settlement date was on 1 October 2013.

30. 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:

	Group and Company	
Thousands of Euros	Share capital	Share premium
Balance as at 1 January	3,656,538	503,923
Movements during the period	-	-
Balance as at 30 September	3,656,538	503,923

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

	Group		Company	
	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Net profit attributable to the equity holders of EDP (in Euros)	792,344,918	794,525,951	600,068,288	730,817,414
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	792,344,918	794,525,951		
Weighted average number of ordinary shares outstanding	3,626,894,992	3,623,926,213	3,628,407,992	3,625,439,213
Weighted average number of diluted ordinary shares outstanding	3,627,230,798	3,624,510,426	3,628,743,798	3,626,023,426
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.22		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.22		
Basic earnings per share from continuing operations (in Euros)	0.22	0.22		
Diluted earnings per share from continuing operations (in Euros)	0.22	0.22		

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

The average number of shares was determined as follows:

	Group		Company	
	Sep 2013	Sep 2012	Sep 2013	Sep 2012
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-29,642, 723	-32,611, 502	-28,129, 723	-31,098, 502
Average number of shares during the period	3,626,894,992	3,623,926,213	3,628,407,992	3,625,439,213
Effect of stock options	335,806	584,213	335,806	584,213
Diluted average number of shares during the period	3,627,230,798	3,624,510,426	3,628,743,798	3,626,023,426

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Book value of EDP, S.A. treasury stock (thousands of Euros)	86,352	103,706	80,257	97,611
Number of shares	27,644,802	31,904,523	26,131,802	30,391,523
Market value per share (in Euros)	2.700	2.290	2.700	2.290
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	74,641	73,061	70,556	69,597

Operations performed from 1 January to 30 September 2013:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	300,000	-
Average purchase price (in Euros)	2.365	-
Total purchase value (thousands of Euros)	710	-
Volume sold (number of shares)	-4,559,721	-
Selling price average (in Euros)	2.496	-
Total sale value (thousands of Euros)	11,380	-
Final position (number of shares)	26,131,802	1,513,000
Highest market price (in Euros)	2.730	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	2.508	-

The volume and the selling prices disclosed above include the effect of the treasury stock attributable to employees, as mentioned in note 45 - Share based payments.

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

32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Legal reserve	620,069	578,435	620,069	578,435
Fair value reserve (cash flow hedge)	-79,826	-121,097	-3,125	-16,069
Tax effect of fair value reserve (cash flow hedge)	23,096	34,979	1,178	4,938
Fair value reserve (available for sale investments)	55,489	45,350	11,050	8,238
Tax effect of fair value reserve (available for sale investments)	-2,294	-1,408	2,002	1,957
Exchange differences arising on consolidation	-75,352	24,268	-	-
Treasury stock reserve (EDP, S.A.)	80,257	97,611	80,257	97,611
Other reserves and retained earnings	2,895,026	2,464,978	1,446,108	1,315,569
	3,516,465	3,123,116	2,157,539	1,990,679

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:

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 1 January 2012	485,789	-442,777
Changes in fair value	2,119	-9,986
Transfer of impairment to profit or loss	-	7,612
Balance as at 30 September 2012	487,908	-445,151
Changes in fair value	6,555	-3,953
Transfer of impairment to profit or loss	-	-9
Balance as at 31 December 2012	494,463	-449,113
Changes in fair value	11,616	-3,547
Transfer of impairment to profit or loss	-	2,070
Balance as at 30 September 2013	506,079	-450,590

Changes in fair value reserve attributable to the EDP Group during the nine-month period ended 30 September 2013 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	7,116	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	2,822	-
Others	1,678	-3,547
	11,616	-3,547

Exchange differences on consolidation

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

		Exchange rates at Sep 2013		Exchange rates at Dec 2012		Exchange rates at Sep 2012	
Currency		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.351	1.317	1.319	1.285	1.293	1.281
Brazilian Real	BRL	3.041	2.793	2.704	2.508	2.623	2.456
Macao Pataca	MOP	10.786	10.522	10.533	10.062	10.327	10.023
Canadian Dollar	CAD	1.391	1.348	1.314	1.284	1.268	1.284
Zloty	PLN	4.229	4.201	4.074	4.185	4.104	4.209
Romanian Leu	RON	4.462	4.409	4.445	4.459	4.538	4.436
Pound Sterling	GBP	0.836	0.852	0.816	0.811	0.798	0.812
Rand	ZAR	13.599	12.495	-	-	-	-

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.° 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.

Dividends

On 6 May 2013, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders which ocurred on 23 May 2013 of the net profit for the year 2012 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 5,527 thousands of Euros).

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Non-controlling interests in income statement	148,664	169,672
Non-controlling interests in equity and reserves	2,986,310	3,069,642
	3,134,974	3,239,314

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

	Group	
Thousands of Euros	Sep 2013	Dec 2012
EDP Renováveis Group	1,619,439	1,516,865
EDP Brasil Group	1,396,445	1,604,316
Other	119,090	118,133
	3,134,974	3,239,314

During the nine-month period ended 30 September 2013, EDP Group generated profits of 148,664 thousands of Euros attributable to non-controlling interests (31 December 2012: 169,672 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 45,016 thousands of Euros, a decrease of 24,730 thousands of Euros related to dividends paid and additional acquisitions of wind farms in Europe, without a change of control, which resulted in a decrease of non-controlling interests of 28,782 thousands of Euros. In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in EDP Renováveis Portugal, S.A., and, as a result, the Group recognised non-controlling interests of 111,319 thousands of Euros and an impact in reserves attributable to EDP Group of 112,859 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 97,403 thousands of Euros of profits attributable to non-controlling interests, a decrease of 71,320 thousands of Euros related to dividends paid, negative variations resulting from share capital decreases, deliberated on 3 May 2013 by Lajeado Energia General Shareholders Meeting with an effect in non-controlling interests of 74,428 thousands of Euros (198,619 thousands of Reais), and 159,217 thousands of Euros of negative exchange differences.

34. HYDROLOGICAL ACCOUNT

This caption is analysed as follows:

	Group and Company	
Thousands of Euros	Sep 2013	Dec 2012
Non-Current	8,803	33,644
Current	32,118	22,832
	40,921	56,476

The movements in the Hydrological account are analysed as follows:

	Group and Company	
Thousands of Euros	Sep 2013	Sep 2012
Balance at the beginning of the period	56,476	69,142
Amounts received / (paid) during the period	-17,124	-11,365
Financial charges	1,569	1,914
Balance at the end of the period	40,921	59,691

35. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	46,827	61,567	46,827	61,567
- EDP Finance B.V.	2,758,839	2,205,915	-	-
- EDP Brasil Group	157,978	113,666	-	-
- EDP Renováveis Group	103,051	95,486	-	-
- Others	18,908	42,116	-	-
	3,085,603	2,518,750	46,827	61,567
Non-convertible bond loans:				
- EDP, S.A.	-	150,000	-	150,000
- EDP Finance B.V.	1,526,842	348,231	-	-
- EDP Brasil Group	299,488	141,521	-	-
	1,826,330	639,752	-	150,000
Commercial paper:				
- EDP, S.A.	90,500	319,500	4,480,500	7,335,000
- EDP Brasil Group	147,997	-	-	-
- EDP Renováveis Group	6,578	-	-	-
- HC Energia Group	-	2,192	-	-
	245,075	321,692	4,480,500	7,335,000
Other loans	13,118	15,806	-	-
Accrued interest	267,630	311,503	51,978	11,053
Other liabilities:				
- Fair value of the issued debt hedged risk	13,142	-	-	-
Total Debt and borrowings	5,450,898	3,807,503	4,579,305	7,557,620
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-12,675	-12,732	-12,675	-12,732
Other collateral deposits	-20,802	-719	-	-
Total Collateral Deposits	-33,477	-13,451	-12,675	-12,732
	5,417,421	3,794,052	4,566,630	7,544,888

(*) 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 30 September 2013 is 347,172 thousands of Euros (334,497 thousands of Euros non-current and 12,675 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 142,043 thousands of Euros (121,241 thousands of Euros non-current and 20,802 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	1,056,202	1,097,196	1,056,202	1,097,196
- EDP Finance B.V.	2,773,187	3,653,295	-	-
- EDP Brasil Group	678,715	803,140	-	-
- EDP Renováveis Group	758,862	792,181	-	-
- EDP Produção	146,400	150,876	-	-
- Others	32,337	37,840	-	-
	5,445,703	6,534,528	1,056,202	1,097,196
Non-convertible bond loans:				
- EDP, S.A.	736,858	731,942	3,736,858	731,942
- EDP Finance B.V.	8,185,199	8,654,038	-	-
- EDP Brasil Group	361,038	385,244	-	-
- EDP Renováveis Group	11,423	-	-	-
	9,294,518	9,771,224	3,736,858	731,942
Commercial paper:				
- EDP, S.A.	198,547	196,976	198,547	196,976
	198,547	196,976	198,547	196,976
Other loans:				
- Investco preference shares	16,117	17,263	-	-
- EDP Brasil Group	22,144	35,000	-	-
- EDP Renováveis Group	20,232	21,787	-	-
- Others	2,953	3,482	-	-
	61,446	77,532	-	-
	15,000,214	16,580,260	4,991,607	2,026,114
Accrued interest	22,444	20,056	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	12,921	115,409	4,393	6,323
Total Debt and borrowings	15,035,579	16,715,725	4,996,000	2,032,437
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-334,497	-348,713	-334,497	-348,713
Other collateral deposits	-121,241	-66,332	-	-
Total Collateral Deposits	-455,738	-415,045	-334,497	-348,713
	14,579,841	16,300,680	4,661,503	1,683,724

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 30 September 2013 and 31 December 2012 these loans amounted to 1,025,392 thousands of Euros and 1,018,578 thousands of Euros, respectively. These amounts are already included in the Group's consolidated debt (see note 44).

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 150,000 thousands of Euros with guaranteed placement, being fully available as at 30 September 2013. In January 2013, EDP Group signed a 5 year term loan facility of 1,600,000 thousands of Euros, of which 645,000 thousands of Euros are available and will be used to refinance a Revolving Credit Facility of 1,100,000 thousands of Euros to be repaid at maturity in November 2013. 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 30 September 2013. 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 30 September 2013 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 1,453 thousands of Euros.

The nominal value of Bond loans issued with external counterparts and outstanding, as at 30 September 2013, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Thousands of Euros Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iv)	n.a.	May/18	300,000	300,000
EDP, S.A.	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
					750,000	750,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iv)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00%	Net Investment	Feb/18	740,466	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iv)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (iii)	Feb/09	Fixed rate EUR 5.50%	n.a.	Feb/14	1,000,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iv)	n.a.	Jun/19	75,884	-
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	740,466	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iv)	Net Investment	Feb/15	74,047	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V. (i)	Feb/11	Fixed Rate CHF 3.50%	Fair Value	Feb/14	177,911	-
EDP Finance B.V.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.00%	Fair Value	Nov/18	103,922	-
EDP Finance B.V.	Dec-12	Variable Rate (iv)	n.a.	Dec/13	350,000	-
EDP Finance B.V. (i)	Sep/13	Fixed Rate EUR 4.875%	Fair Value	Sep/20	750,000	-
					9,796,367	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Escelsa	Jul/07	105.0% do CDI	n.a.	Jul/14	27,412	-
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/14	128,264	-
CEJA	Oct/11	110.5% do CDI	n.a.	Oct/13	98,665	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	39,466	-
Energias do Brasil	Sep/12	105.5% do CDI	n.a.	Feb/14	147,997	-
Cachoeira Caldeirão	Mar/13	106.30% do CDI	n.a.	Oct/14	55,252	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	164,441	-
					661,497	-
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	11,511	-
					11,511	-
					11,219,375	750,000

(i) These issues by EDP Finance B.V. are associated with interest rate swaps and/or currency swaps.
(ii) Fixed in each year, varies over the useful life of the loan.
(iii) Part of this loan is associated to interest rate swaps.
(iv) These issues correspond to private placements.

Loans by maturity, are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Bank loans				
Up to 1 year	3,131,963	2,558,583	47,981	64,171
From 1 to 5 years	4,120,920	5,142,798	672,762	659,126
More than 5 years	1,338,032	1,407,686	383,440	438,070
	8,590,915	9,109,067	1,104,183	1,161,367
Bond loans				
Up to 1 year	2,058,531	908,935	48,613	156,537
From 1 to 5 years	6,736,863	6,952,783	3,741,251	456,324
More than 5 years	2,579,771	2,937,950	-	281,941
	11,375,165	10,799,668	3,789,864	894,802
Commercial paper				
Up to 1 year	247,286	324,089	4,482,711	7,336,912
From 1 to 5 years	198,547	196,976	198,547	196,976
	445,833	521,065	4,681,258	7,533,888
Other loans				
Up to 1 year	13,118	15,896	-	-
From 1 to 5 years	55,120	52,837	-	-
More than 5 years	6,326	24,695	-	-
	74,564	93,428	-	-
	20,486,477	20,523,228	9,575,305	9,590,057

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

	Sep 2013		Dec 2012	
Thousands of Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Current	5,450,898	5,203,776	3,807,503	3,452,211
Debt and borrowings - Non-current	15,035,579	15,487,830	16,715,725	17,164,909
	20,486,477	20,691,606	20,523,228	20,617,120

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 30 September 2013, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2013	2014	2015	2016	2017	Following years	Total
Debt and borrowings - Non-current	-	332,464	3,258,947	3,380,373	2,449,419	5,614,376	15,035,579
Debt and borrowings - Current	2,090,581	3,360,317	-	-	-	-	5,450,898
	2,090,581	3,692,781	3,258,947	3,380,373	2,449,419	5,614,376	20,486,477

Future payments of principal and interest and guarantees are detailed in note 44.

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Provisions for social liabilities and benefits	840,936	939,399
Provisions for medical liabilities and other benefits	996,768	994,026
	1,837,704	1,933,425

Provisions for social liabilities and benefits as at 30 September 2013 include 835,237 thousands of Euros relating to retirement pension defined benefit plans (31 December 2012: 932,194 thousands of Euros) and 5,699 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2012: 7,205 thousands of Euros).

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

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Balance at the beginning of the period	939,399	1,003,943
Charge for the period	31,963	44,039
Pre-retirements (curtailments)	-	54
Actuarial (gains)/losses	-15,339	-15,047
Charge-off	-105,579	-108,909
Transfers, reclassifications and exchange differences	-9,508	-2,644
Balance at the end of the period	840,936	921,436

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

	Sep 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	8,327	462	166	8,955
Operational component (see note 10)	8,327	462	166	8,955
Net interest (*)	17,181	2,079	3,748	23,008
Financial component (see note 15)	17,181	2,079	3,748	23,008
	25,508	2,541	3,914	31,963

	Sep 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	9,035	425	-55	9,405
Curtailments / settlements	-	-	54	54
Operational component (see note 10)	9,035	425	-1	9,459
Net interest (*)	30,277	2,827	1,530	34,634
Financial component (see note 15)	30,277	2,827	1,530	34,634
	39,312	3,252	1,529	44,093

(*) The caption Net interest corresponds to interest cost net of expected return on plan assets.

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

	Group	
Thousands of Euros	Sep 2013	Sep 2012
Balance at the beginning of the period	994,026	819,215
Charge for the period	37,532	40,553
Actuarial (gains)/losses	8,857	-1,534
Charge-off	-31,437	-30,793
Transfers, reclassifications and exchange differences	-12,210	-4,928
Balance at the end of the period	996,768	822,513

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

	Sep 2013			Sep 2012		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	6,445	966	7,411	5,017	1,540	6,557
Operational component (see note 10)	6,445	966	7,411	5,017	1,540	6,557
Interest cost	20,526	9,595	30,121	27,282	6,714	33,996
Financial component (see note 15)	20,526	9,595	30,121	27,282	6,714	33,996
	26,971	10,561	37,532	32,299	8,254	40,553

As at 30 September 2013, current service cost and the actuarial assumptions remain unchanged compared to 31 December 2012.

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Provision for legal and labour matters and other contingencies	68,953	78,495	-	-
Provision for customer guarantees under current operations	5,021	10,121	-	-
Provisions for dismantling and decommissioning	175,082	169,402	-	-
Provision for other liabilities and charges	155,327	124,848	23,713	27,882
	404,383	382,866	23,713	27,882

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 of 12,797 thousands of Euros (31 December 2012: 14,722 thousands of Euros). These requests result from the application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) Bandeirante is involved in several legal actions of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 6,728 thousands of Euros;

iii) The Municipal Council of Póvoa do Varzim has brought up a legal action, which estimated liability as at 31 December 2012 was 2,852 thousands of Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro - Financial Stability Fund). The action has been contested by EDP, which was absolved, and the provision was reversed during the second quarter of 2013;

iv) As at 31 December 2012, the litigation with the Municipal Council of Seixal relating to differences regarding taxes and other fees in connection with the use of public space for the years 2006 to 2008 amounted to 3,852 thousands of Euros. During the second quarter of 2013, EDP Distribuição and Municipal Council of Seixal agreed the termination of the lawsuits and the payment of 1,545 thousands of Euros by EDP Distribuição, therefore the provision has been reversed;

v) 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 30 September 2013, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices;

vi) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

Provisions for customer guarantees under current operations of 5,021 thousands of Euros (31 December 2012: 10,121 thousands of Euros) includes essentially provisions for commercial losses.

As at 30 September 2013, Provision for dismantling and decommissioning includes the following situations:

I) The Group holds a provision of 28,444 thousands of Euros (31 December 2012: 29,059 thousands of Euros) to cover the cost of dismantling the Trill Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it;

ii) Provisions for dismantling of wind farms of 66,348 thousands of Euros (31 December 2012: 63,336 thousands of Euros) to cover the costs of returning the sites to their original state, of which 38,270 thousands of Euros refer to the wind farms of the EDPR NA Group, 27,248 thousands of Euros to the wind farms of the EDPR EU Group and 830 thousands of Euros to the wind farms of the EDPR Brasil Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontaminating land where electric power plants are located. As at 30 September 2013, the provision which amounts to 58,600 thousands of Euros (31 December 2012: 56,044 thousands of Euros) and 20,960 thousands of Euros (31 December 2012: 20,194 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

Following the grant of the construction license for the hydroelectric plant - UHE Cachoeira Caldeirão, EDP Brasil took the responsability for implement and perform several social and environmental programs being the estimated amount 19,186 thousands of Euros. A provision for other liabilities and charges was booked in this amount.

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 30 September 2013, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 28,484 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 27,726 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 15,075 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 30 September 2013, the amount of this tax contingency totals 232,5 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 no 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.

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 30 September 2013 amounts to 50,213 thousands of Euros.

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

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

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Deferred income related to benefits provided	693,544	737,598
Liabilities arising from institutional partnerships in USA wind farms	874,819	942,155
	1,568,363	1,679,753

EDPR North America books the receipts of institutional investors associated with wind projects. This liability is reduced by the amount of tax benefits provided and payments made to the institutional investors during the period. The amount of tax benefits provided is booked as a non-current deferred income, recognised over the useful life of 25 years of the related projects (see note 8). Additionally this liability is increased by the estimated interest based on the liability outstanding and the expected return rate of the institutional investors (see note 15).

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Suppliers	832,369	1,169,387	274,283	236,425
Accrued costs related with supplies	341,900	391,834	188,979	175,934
Property, plant and equipment suppliers and accruals	281,911	731,769	1,922	6,708
Holiday pay, bonus and other charges with employees	149,410	142,229	9,782	7,284
CO_2 emission licenses	78,087	142,084	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	156,228	144,994	-	-
Amounts payable for tariff adjustments - Electricity - Spain	110,440	8,280	-	-
Deferred income - CMEC	34,647	-	-	-
Other creditors and sundry operations	480,065	490,022	43,296	61,735
	2,465,057	3,220,599	518,262	488,086

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

	Group	
Thousands of Euros	Sep 2013	Dec 2012
Government grants for investment in fixed assets	586,433	522,551
Amounts payable for tariff adjustments - Electricity - Portugal	41,971	842
Energy sales contracts - EDPR NA	38,873	49,449
Deferred income - CMEC	332,994	392,841
Amounts payable for concessions	246,272	240,051
Other creditors and sundry operations	70,713	57,037
	1,317,256	1,262,771

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	67,473	12,376
Payment through the electricity tariff	-52,633	-
Tariff adjustment of the period	-	70,493
Interest expense	2,305	952
Transfer from Non-Current to Current	9,282	-9,282
Balance as at 30 September 2012	26,427	74,539
Payment through the electricity tariff	-17,544	-
Tariff adjustment of the period	141,202	-70,493
Interest expense	1,196	-
Transfer to tariff adjustments receivable	-10,333	842
Transfer from Non-Current to Current	4,046	-4,046
Balance as at 31 December 2012	144,994	842
Payment through the electricity tariff	-103,522	-
Tariff adjustment of the period	123,388	41,130
Interest expense	1,765	841
Transfer of tariff adjustment to receive	-10,397	-842
Balance as at 30 September 2013	156,228	41,971

The caption CO_2 emission licenses includes the CO_2 consumptions made during 2013 in Portugal and Spain, in the amount of 35,855 thousands of Euros and 42,232 thousands of Euros, respectively.

Government grants for investment in fixed assets non-current correspond to the subsidies for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 13).

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

Deferred income - CMEC current and non-current in the amount of 367,641 thousands of Euros (31 December 2012: 392,841 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 15).

Amounts payable for concessions refer to the non-current amounts payable includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 158,383 thousands of Euros (31 December 2012: 150,489 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 81,706 thousands of Euros (31 December 2012: 89,562 thousands of Euros).

The caption Other creditors and sundry operations - Current, includes 14,317 thousands of Euros related to tariff adjustment payable (31 December 2012: 14,317 thousands of Euros).

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Other liabilities and other payables - Current				
Loans from non-controlling interests	119,789	137,402	-	-
Derivative financial instruments	71,837	62,629	75,227	61,543
Payables - Group companies	-	-	462,312	679,503
Amounts payable for acquisitions and success fees	16,235	135,932	-	-
Other creditors and sundry operations	12,425	32,180	43,385	30,182
	220,286	368,143	580,924	771,228
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	211,307	108,850	-	-
Put options over non-controlling interest liabilities	104,604	90,371	-	-
Derivative financial instruments	116,354	145,614	-	-
Payables - Group companies	-	-	2,927,135	3,006,023
Amounts payable for acquisitions and success fees	21,864	41,735	-	-
Other creditors and sundry operations	21,925	23,167	11,062	11,062
	476,054	409,737	2,938,197	3,017,085
	696,340	777,880	3,519,121	3,788,313

The variation in 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 30 September 2013, this loan amounts to 105,049 thousands of Euros.

The caption Payables - Group companies Current on a company basis includes 454,332 thousands of Euros (31 December 2012: 462,142 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. and 926 thousands of Euros, related to debt financing obtained from EDP Renováveis and EDPR Europe, respectively (see note 46).

The caption Payables - Group companies Non-Current on a company basis, of 2,927,135 thousands of Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Following Ente Vasco de la Energia decision to exercise the Naturgas put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of Naturgas; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of Naturgas between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by Naturgas; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in Naturgas' strategic management to be adjusted in accordance with its shareholding position. As a consequence of the agreement mentioned above, during the first semester of 2013 the Group HC paid the remaining amount of 96,003 thousands of Euros related to the acquisition of 29.43% of the Naturgas' share capital. Additionally, the variation also includes the payment of the contigent price of the solar photovoltaic companies in Romania in the amount of 7,721 thousands of Euros. As at 30 September 2013, the caption Amounts payable for acquisitions and success fees - current includes the contingent price for the acquisition of ECE Participações, S.A. in the amount of 6,553 thousands of Euros.

The caption Put options over non-controlling interest liabilities Non-Current includes the put option of Cajastur over EDP for 3.13 % of HC Energia share capital of 101.127 thousands of Euros (31 December 2012: 83,425 thousands of Euros).

The Amounts payable for acquisitions and success fees Non-Current refers essentially to the contingent price payable arising from the acquisition of Relax Wind Group, EDPR Roménia, Greenwind, Elektrownia, Wiatrowa, Kresy, Feijão, Bodzanow, Starozreby, Wyszorod, Elebrás and solar photovoltaic companies held by EDPR-RO-PV, S.R.L. As at 30 September 2013, this caption includes the contingent price revision associated with the additional acquisitions of Relax Wind Park I in the amount of 17,423 thousands of Euros, and Greenwind in the amount of 1,750 thousands of Euros.

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

Thousands of Euros	Group Sep 2013	Group Dec 2012	Company Sep 2013	Company Dec 2012
Income tax	201,376	103,633	62,541	9,930
Withholding tax	39,243	64,763	286	256
Value added tax (VAT)	94,553	94,461	205	2,229
Turnover tax (Brazil)	37,797	52,956	-	-
Social tax (Brazil)	19,573	41,984	-	-
Other taxes	134,707	109,941	45	50
	527,249	467,738	63,077	12,465

As at 30 September 2013, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 67,358 thousands of Euros, Naturgas Group of 25,253 thousands of Euros (31 December 2012: HC Energia Group of 44,512 thousands of Euros and Naturgás Group of 29,667 thousands of Euros) and EDP Brasil Group of 11,112 thousands of Euros (31 December 2012: 12,710 thousands of Euros).

42. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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

This caption is analysed as follows:

Thousands of Euros	Group Sep 2013	Group Dec 2012
Assets classified as held for sale		
Assets of the business of gas transmission - Naturgas	-	212,850
Assets of the business of cogeneration	-	29,001
	-	241,851
Liabilities classified as held for sale		
Liabilities of the business of gas transmission - Naturgas	-	-23,628
Liabilities of the business of cogeneration	-	-15,758
	-	-39,386
	-	202,465

In 2012, as a result of the negotiations for the sale of the gas transmission network of Naturgás Energia, the assets and liabilities associated with this business were presented as assets and liabilities held for sale. This operation was concluded in February 2013, after obtaining the required authorizations by the regulatory and antitrust authorities. Naturgás sold the gas transmission business to Enagás, S.A. (the Spanish gas transmission system operator) for 115,493 thousands of Euros, generating a gain of 55,829 thousands of Euros (see note 8). In this operation, Enagás also paid an intercompany debt of 129,654 thousands of Euros.

On 21 January 2013, following the exercise of a call option by Soporcel as established in the shareholders' agreement, EDP Produção sold the cogeneration assets, through the sale of 82% shareholding in Soporgen, S.A to the other shareholder, Soporcel, S.A., for 5,060 thousands of Euros, generating a gain of 2,239 thousands of Euros (see note 8). Additionally, an amount of 5,349 thousands of Euros was received related to dividends distributed by Soporgen before this operation. Simultaneously with this divestment, EDP Produção received full reimbursement of the shareholders loans granted to Soporgen, including accrued interest, in the amount of 3,281 thousands of Euros. As at 31 December 2012, the assets and liabilities associated with Soporgen were presented under assets and liabilities classified as held for sale.

43. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial instruments portfolio as at 30 September 2013 and 31 December 2012 is analysed as follows:

Thousands of Euros	Group Sep 2013	Group Dec 2012	Company Sep 2013	Company Dec 2012
Derivatives held for trading	-7,450	26,223	14,592	35,936
Fair value hedge	59,169	162,287	123,206	169,862
Cash flow hedge	-56,779	-123,358	-381	-11,679
Net Investment hedge	12,473	3,445	-	-
	7,413	68,597	137,417	194,119

44. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 September 2013 and 31 December 2012, are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2013	Dec 2012	Sep 2013	Dec 2012
Financial guarantees				
EDP, S.A.	283,524	312,237	283,524	312,237
HC Energia Group	4,005	37,539	-	-
EDP Brasil Group	737,043	867,623	-	-
Other	7,043	7,122	-	-
	1,031,615	1,224,521	283,524	312,237
Operating guarantees				
EDP, S.A.	677,991	745,324	677,991	745,324
HC Energia Group	341,038	334,226	-	-
EDP Brasil Group	341,111	433,613	-	-
EDP Renováveis Group	681,761	1,208,810	-	-
Other	9,224	9,272	-	-
	2,051,125	2,731,245	677,991	745,324
Total	3,082,740	3,955,766	961,515	1,057,561
Real guarantees	22,057	29,504	-	-

The financial guarantees contracted include, at 30 September 2013 and 31 December 2012, 953,319 thousands of Euros and 1,139,074 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 operating guarantees for the current generation and distribution activities. The total operating guarantees outstanding include, at 30 September 2013 and 31 December 2012, 307,705 thousands of Euros and 397,266 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Regarding the information disclosed above, the Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 September 2013 and 31 December 2012 these loans amounted to 1,025,392 thousands of Euros and 1,018,578 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35).

In addition, regarding the information disclosed above, EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 September 2013 and 31 December 2012, EDPR's obligations under the tax equity agreements, in the amount of 842,781 thousands of Euros and 901,301 thousands of Euros, are reflected in liabilities under the Institutional Partnerships in USA Wind farms.

Real guarantees, as at 30 September 2013, include 1,130 thousands of Euros (31 December 2012: 9,615 thousands of Euros) related with guarantees provided to projects and loans obtained in Brazil.

In addition, EDP has constituted an escrow deposit in the amount of 347,172 thousands of Euros (334,497 thousands of Euros non-current and 12,675 thousands of Euros current), as presented in note 35, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the condensed consolidated statement of financial position) and other liabilities relating to purchases and future lease payments under operating leases (not included in the condensed consolidated statement of financial position) are disclosed, as at 30 September 2013 and 31 December 2012, by maturity, as follows:

	Sep 2013				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,809,838	6,027,768	7,820,430	5,387,903	4,573,737
Finance lease commitments	7,298	3,371	3,624	303	-
Operating lease commitments	1,029,368	56,955	82,977	79,961	809,475
Purchase obligations	22,146,809	3,449,782	4,937,497	2,950,951	10,808,579
Other long term commitments	2,052,004	240,966	460,978	421,213	928,847
	49,045,317	9,778,842	13,305,506	8,840,331	17,120,638

	Dec 2012				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,838,923	4,265,240	8,312,603	6,176,972	5,084,108
Finance lease commitments	8,606	3,549	4,325	732	-
Operating lease commitments	977,501	53,430	88,047	73,940	762,084
Purchase obligations	24,614,933	4,067,246	6,142,932	4,034,410	10,370,345
Other long term commitments	2,149,686	249,086	475,500	433,896	991,204
	51,589,649	8,638,551	15,023,407	10,719,950	17,207,741

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 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.

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

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

Other long term commitments relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated statement of financial position (see note 36).

As at 30 September 2013, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. 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 Cajastur for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Cajastur 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;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga 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 Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeirado-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;
- EDP holds, through its subsidiary South África Wind & Solar Power, S.L., a call option of an aditional 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.

45. 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)
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 30 September 2012	567,201	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 30 September 2013	150,690	2.21

Information regarding stock options as at 30 September 2013, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
150,690	2.21	0.58	150,690	132,862

During the nine-month period ended 30 September 2013 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In the first nine months of 2013, EDP Group granted treasury stocks to employees (760,900 shares) totalling 1,886 thousands of Euros.

46. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2013 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Iberdrola Energia S.A.U.	243,395,875	6.66%	6.66%
Oppidum Capital, S.L.	226,046,616	6.18%	6.18%
Capital Group Companies, Inc.	183,792,530	5.03%	5.03%
José de Mello - SGPS, S.A.	168,097,034	4.60%	4.60%
Senfora, SARL	148,431,999	4.06%	4.06%
Millennium BCP Group and Pension Fund	122,667,974	3.35%	3.35%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Holding LLC	82,868,933	2.27%	2.27%
Massachusetts Financial Services Company	78,599,362	2.15%	2.15%
Banco Espírito Santo Group	73,515,620	2.01%	2.01%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	27,644,802	0.76%	
Remaining shareholders	1,360,567,510	37.20%	
	3,656,537,715	**100.00%**	

The number of shares of EDP S.A. held or attributtable to company officers as at 30 June 2013 and 31 December 2012 are as follows:

	Jun 2013 Nr. of shares	Dec 2012 Nr. of shares
General and Supervisory Board		
Eduardo de Almeida Catroga	1,375	1,375
China Three Gorges Corporation (represented by Dingming Zhang)	780,633,782	780,633,782
China International Water & Electric Corp. (represented by Guojun Lu)	-	-
China Three Gorges New Energy Co. Ltd. (represented by Ya Yang)	-	-
CWEI (Europe) S.A. (represented by Shengliang Wu)	780,633,782	780,633,782
Parpública - Participações Públicas (SGPS) S.A.	-	151,517,000
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	-	-
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	168,097,034	168,097,034
Luís Filipe da Conceição Pereira	5,701	1,459
Senfora SARL (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Carlos Jorge Ramalho dos Santos Ferreira	-	40,000
Sonatrach (represented by Harkat Abderezak)	87,007,443	87,007,443
José Maria Espírito Santo Silva Ricciardi	-	-
Alberto João Coraceiro de Castro	6,917	4,578
António Sarmento Gomes Mota	-	-
Maria Celeste Ferreira Lopes Cardona	-	-
Fernando Maria Masaveu Herrero	270,494,695	44,188,463
Ilídio da Costa Leite de Pinho	-	-
Jorge Avelino Braga de Macedo	-	-
Manuel Fernando de Macedo Alves Monteiro	-	-
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	-	-
Vasco Joaquim Rocha Vieira	3,203	3,203
Vitor Fernando da Conceição Gonçalves	3,465	3,465
Rui Eduardo Ferreira Rodrigues Pena	4,541	2,945
Augusto Carlos Serra Ventura Mateus	-	-
Nuno Manuel da Silva Amado	-	-

	Jun 2013 Nr. of shares	Dec 2012 Nr. of shares
Executive Board of Directors		
António Luís Guerra Nunes Mexia	41,000	41,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
João Manuel Veríssimo Marques da Cruz	3,878	3,878
Nuno Maria Pestana de Almeida Alves	125,000	125,000
Miguel Stilwell de Andrade	111,576	111,576

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 111,319 thousands of Euros and an impact in reserves attributable to Group of 112,859 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros (see note 5). 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 30 September 2013, this loan amounts to 105.049 thousands of Euros from which 9,992 thousands of Euros as current and 95,057 thousands of Euros as non-current (see note 40).

Balances and transactions with subsidiaries and associates

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

Credits

	September 2013			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	15,609	261,250	204	277,063
EDP Comercial	14,233	10,174	154,018	178,425
EDP Distribuição	716,811	2,379,471	8,540	3,104,822
EDP Gás - SGPS	21,734	116,897	3,151	141,782
EDP Produção	483,061	4,004,656	112,918	4,600,635
EDP Imobiliária e Participações	-	97,411	78	97,489
EDP Renováveis	-	-	170,097	170,097
Others	83,503	33,795	225,356	342,654
	1,334,951	6,903,654	674,362	8,912,967

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	13,505	265,125	1,691	280,321
EDP Comercial	62,543	10,070	114,903	187,516
EDP Distribuição	529,322	2,339,954	13,283	2,882,559
EDP Finance BV	-	104,009	1,939	105,948
EDP Gás - SGPS	3,114	112,019	1,464	116,597
EDP Produção	314,591	3,979,577	88,037	4,382,205
EDP Imobiliária e Participações	1,870	96,733	299	98,902
EDP Renováveis	-	-	227,552	227,552
Others	31,129	23,144	308,683	362,956
	956,074	6,930,631	757,851	8,644,556

Debits

	September 2013			
Thousands of Euros	Intra-Group Financial Mov.	Loans and payable	Other Debits	Total
EDP Finance BV	-	7,272,005	14,723	7,286,728
EDP Servicios Financieros (España)	-	346,461	769	347,230
EDP Produção	-	-	310,356	310,356
EDP Serviço Universal	-	-	88,988	88,988
Others	13,703	153,927	108,583	276,213
	13,703	7,772,393	523,419	8,309,515

The amount of 7,272,005 thousands of Euros includes an intragroup bonds issuence by EDP Finance BV to EDP SA during the third quarter 2013, in the amount of 3,000,000 thousands of Euros, at five-year variable rate.

	December 2012			
Thousands of Euros	Intra-Group Financial Mov.	Loans and payable	Other Debits	Total
EDP Finance BV	-	10,110,805	6,128	10,116,933
EDP Servicios Financieros (España)	-	213,360	-	213,360
EDP Produção	-	-	232,083	232,083
EDP Renováveis	-	189,116	3,867	192,983
EDP Serviço Universal	-	-	85,905	85,905
Others	13,930	187,744	106,777	308,451
	13,930	10,701,025	434,760	11,149,715

Expenses and income related to intra-Group transactions, at Company level, are analysed as follows:

Expenses

	September 2013			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	184,520	14,353	198,873
EDP Produção	-	-	771,573	771,573
Empresa Hidroeléctrica do Guadiana	-	-	37,692	37,692
EDP Renewables Europe	-	-	26,946	26,946
Others	232	8,168	89,752	98,152
	232	192,688	940,316	1,133,236

	September 2012			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	139,216	3,718	142,934
EDP Produção	333	-	688,944	689,277
Empresa Hidroeléctrica do Guadiana	-	-	18,432	18,432
Naturgás Comercializadora	-	-	16,674	16,674
Others	115	5,664	69,662	75,441
	448	144,880	797,430	942,758

Income

Thousands of Euros	September 2013 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	559	308	558,640	559,507
EDP Distribuição	12,372	117,692	218,961	349,025
EDP Gás.Com	225	-	129,430	129,655
EDP Produção	5,644	203,350	408,734	617,728
Others	1,655	20,513	272,038	294,206
	20,455	341,863	1,587,803	1,950,121

Thousands of Euros	September 2012 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	1,319	1,236	415,212	417,767
EDP Distribuição	8,612	97,411	30,225	136,248
EDP Gás.Com	-	-	183,204	183,204
EDP Produção	632	182,028	31,624	214,284
Others	979	25,406	176,231	202,616
	11,542	306,081	836,496	1,154,119

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

Assets and liabilities

Thousands of Euros	September 2013 Assets	Liabilities	Net Value
Associates	307,404	1,296	306,108
Jointly controlled entities	58,278	17,634	40,644
	365,682	18,930	346,752

Thousands of Euros	December 2012 Assets	Liabilities	Net Value
Associates	268,041	539	267,502
Jointly controlled entities	39,393	12,014	27,379
	307,434	12,553	294,881

Transactions

Thousands of Euros	September 2013 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	12,402	12,465	-1,397	-2,532
Jointly controlled entities	73,716	4,894	-26,881	-3
	86,118	17,359	-28,278	-2,535

Thousands of Euros	September 2012 Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	11,451	8,025	-2,466	-48
Jointly controlled entities	41,752	4,717	-19,973	-392
	53,203	12,742	-22,439	-440

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities as at 30 September 2013 and 31 December 2012 is analysed as follows:

	Group Sep 2013			Group Dec 2012		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	187,413	187,413	-	181,298	181,298	-
Trade receivables	1,892,425	1,892,425	-	2,377,203	2,377,203	-
Debtors and other assets from commercial activities	5,372,178	5,372,178	-	4,788,421	4,788,421	-
Other debtors and other assets	589,733	589,733	-	554,407	554,407	-
Derivative financial instruments	195,604	195,604	-	276,840	276,840	-
Financial assets at fair value through profit or loss	4,679	4,679	-	390	390	-
Collateral deposits associated to financial debt	489,215	489,215	-	428,496	428,496	-
Cash and cash equivalents	1,824,858	1,824,858	-	1,695,336	1,695,336	-
	10,556,105	10,556,105	-	10,302,391	10,302,391	-
Financial liabilities						
Financial debt	20,486,477	20,691,606	205,129	20,523,228	20,617,120	93,892
Suppliers and accruals	1,114,280	1,114,280	-	1,901,156	1,901,156	-
Institutional partnerships in USA wind farms	1,568,363	1,568,363	-	1,679,753	1,679,753	-
Trade and other payables from commercial activities	2,081,600	2,081,600	-	2,059,663	2,059,663	-
Other liabilities and other payables	508,149	508,149	-	569,637	569,637	-
Derivative financial instruments	188,191	188,191	-	208,243	208,243	-
	25,947,060	26,152,189	205,129	26,941,680	27,035,572	93,892

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

The market value of loans is calculated based on the discounted cash flows at market interest rates at the 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.

48. RELEVANT OR SUBSEQUENT EVENTS

EDPR executes a new asset rotation transaction in the USA

On September 2013, EDP Renováveis S.A. has reached an agreement with Fiera Axium Infrastructure US L.P. to sell a 49% equity shareholding in the 97 MW Wheat Field wind farm in the US. The project was installed in the first quarter of 2009 (4.5 years in operation) and has a 20-year Power Purchase Agreement (PPA) in place.

The transaction is subject to the customary regulatory approvals. The total implied asset value amounts to 197 millions of USD, based on (i) the transaction price, (ii) the Cash Grant collected in 2009 and (iii) the operating cash-flow received since the project's inception.

Income Fund of America notifies qualified shareholding position in EDP

Income Fund of America ("IFA") notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it holds a qualifying shareholding of 73,654,630 ordinary shares of EDP, which corresponds to 2.01% of EDP's share capital and 2.01% of the respective voting rights.

The significant shareholding resulted from the acquisition, on 1 October 2013, of 1,273,911 shares which corresponds to 0.035% of EDP's voting rights.

IFA is a mutual fund registered in the United States of America under the investment Company Act of 1940. IFA has granted proxy voting authority to Capital Research and Management Company, its investment adviser. Therefore, shares held by IFA are also imputable to Capital Research and Management Company although IFA is the direct owner of shares.

Capital Research and Management Company is a USA-based investment adviser that manages the American Funds family of mutual funds.

Portuguese Government proposes energy sector extraordinary contribution for 2014

The Portuguese Government announced on 15 October 2013, the draft state budget for 2014 proposing the creation of an extraordinary contribution applicable to economic operators in the energy sector that develop the following activities: i) generation, transmission or distribution of electricity; ii) transport, distribution, storage or wholesale supply of natural gas; iii) refining, treatment, storage, transportation, distribution and wholesale supply of crude oil and oil products.

The contribution rate on the energy sector will be 0.85% on the fixed tangible and intangible assets, as of 1 January 2014 or as of the first day of the fiscal year. In the case of electricity generation activity, this rate will be applicable only to the power plants in operation on that date.

Among other, the following assets will be exempt from this rate:

(i) CCGTs with an annual utilization of installed capacity in 2013, up to 2,000 hours (application of a reduced rate of 0.425% for annual utilization above 2,000 hours and below 3,500 hours);

(ii) The hydroelectric plants with installed capacity below 20 MW;

(iii) Wind farms; and

(iv) Power plants with electricity generation licenses awarded following tender procedures or competitive consultation.

The Government expects the contribution to generate 150 millions of Euros of proceeds, of which 50 millions of Euros will be allocated to the reduction of the tariff deficit of the electricity sector and to energy efficiency measures.

According to the information available in the proposal now presented, the impact net of taxes for EDP of this extraordinary contribution will amount to approximately 45 millions of Euros in 2014.

This proposal will be subject to discussion in the Portuguese Parliament. A final version of the state budget for 2014 will be approved until the end of November 2013.

ANEEL approves a 10.36% tariff increase ate EDP Bandeirante's annual tariff readjustment process

The Brazilian electricity regulator, ANEEL, approved a 10.36% annual tariff readjustment index for EDP Bandeirante, for the period from 23 October 2013 to 22 October 2014.

Within the annual tariff readjustment process, ANEEL takes into consideration the variation in the costs of the sector companies in the preceding 12 months. The formula includes controllable costs (Parcel B), which are updated by inflation (IGP-M index) and by the X Factor, and non-controllable costs (Parcel A), such as electricity purchased from generators, sector costs and transmission charges, as well as financial adjustments recognized by ANEEL in the Parcel A Items Variation Compensation Account (CVA) and other accounts. The X Factor approved in this tariff readjustment is 1.08%, having been defined "Pd" (productivity component) of 1.08%, "T" (efficiency component) of 0.00% and "Q "(quality of service incentive component) of 0.00%.

The approved tariff readjustment includes the reimbursement of the second of three annual tranches of 28 millions of Reais related to the postponing of the EDP Bandeirante's Tariff Review for the period 2011-15 which led to the tariff freezing for the period from 23 October 2011 to 22 October 2012. The last installment will be paid in the tariff adjustment in 2014.

The main financial adjustments recognized by ANEEL in this process was the balance of the Variation of Parcel A (CVA) in the amount of 288 millions of Reais related to the difference between the approved costs and the ones actually incurred for the period between August 2012 to July 2013. Of this amount, EDP Bandeirante will receive 50 millions of Reais through tariff and the remaining 238 millions of Reais through the transfer of the Energy Development Account - CDE, in order to reduce the impact on the tariffs to be applied to the final consumers.

EDPR executes an asset rotation transaction in France

EDP Renováveis S.A. has reached an agreement with Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, to sell a 49% equity shareholding and outstanding shareholders loans in a wind farm portfolio of 100 MW located in France, which currently benefit from a feedin tariff regime. Based on the transaction price, the total implied enterprise value for 100% of the assets amounts to 126 millions of Euros.

49. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

The new standards and interpretations that have been issued and are already effective and that the Group has applied on its consolidated financial statements are the following:

• IFRS 7 (Amended) - Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

No significant impact in the Group financial statements disclosures resulted from the adoption of this amendment.

• IFRS 13 - Fair Value Measurement

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

• IAS 1 (Amended) - Presentation of Financial Statements

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

• IAS 19 (Amended) - Employee Benefits

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

• Improvements to IFRSs (2009-2011)

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

The Group has decided not to early adopt the following standards and interpretations endorsed by the European Union:

• IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2014;
• IAS 32 (Amended) - Financial Instruments: Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application for periods beginning on or after 1 January 2014.

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

• IFRS 9 - Financial Instruments;
• Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27;
• IAS 36 (Amended) - Impairment of Assets : Recoverable Amount Disclosures for Non-Financial Assets;
• IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting;
• IFRIC 21 - Levies.

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.

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 30 September 2013 and 31 December 2012 is analysed as follows:

	EDP Branch	
Thousands of Euros	Sep 2013	Dec 2012
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
- EDP Servicios Financieros España, S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
- Other	60	60
Deferred tax assets	2,193	54,636
Other debtors and others assets	94,101	129,006
Total Non-Current Assets	5,782,590	5,869,938
Trade receivables	11,825	10,985
Debtors and other assets	133,677	325,212
Tax receivable	26,734	43,943
Cash and cash equivalents	92	361
Total Current Assets	172,328	380,501
Total Assets	**5,954,918**	**6,250,439**
Equity	2,534,136	2,515,135
Trade and other payables	2,927,135	3,006,023
Total Non-Current Liabilities	2,927,135	3,006,023
Trade and other payables	476,975	726,998
Tax payable	16,672	2,283
Total Current Liabilities	493,647	729,281
Total Liabilities	**3,420,782**	**3,735,304**
Total Equity and Liabilities	**5,954,918**	**6,250,439**

51. SEGMENTAL REPORTING

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

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

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

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

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

The segments defined by the Group are the following:

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

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

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

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

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

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

- EDP Distribuição de Energia, S.A.;
- EDP Serviço Universal, S.A.;
- Electra de Llobregat Energía, S.L.;
- Hidrocantábrico 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, EDPR Canada and EDPR Brasil subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

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

The column Corporate Activities segment includes the centralised management of financial investments, namely the centralised management of human resources, logistic platforms and shared service centres.

The column Adjustments segment includes the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

Segment Definition

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

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

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

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

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

As at 30 September 2013, the Group analysed the nature of each asset and liability reported by the two EDP Produção segments, which resulted in a revision of its allocation to each segment. The same criteria was adopted in the presentation of the comparative information.

52. 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 Activity by Business Segment
30 September 2013

Thousands of Euros	Iberia: LT Contracted Generation	Iberia: Liberalised Activities	Iberia: Regulated Networks	EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
Turnover									
Electricity and network accesses	956,822	4,815,725	4,335,239	920,013	1,853,267	600	-	(2,436,636)	10,445,030
Gas and network accesses	-	1,217,544	254,899	-	-	-	-	(229,283)	1,243,160
Other	48,407	163,293	10,822	4,308	33,946	16,973	202,311	(356,049)	124,011
	1,005,229	6,196,562	4,600,960	924,321	1,887,213	17,573	202,311	(3,021,968)	11,812,201
Cost of electricity	(36,966)	(3,986,783)	(3,224,535)	(11,728)	(1,089,211)	(601)	-	2,433,067	(5,916,757)
Cost of gas	(13)	(1,045,007)	(34,487)	-	-	-	-	142,317	(937,190)
Change in inventories and cost of raw materials and consumables used	(312,018)	(499,462)	(5,997)	(259)	(39,170)	(4,808)	-	119,257	(742,457)
	(348,997)	(5,531,252)	(3,265,019)	(11,987)	(1,128,381)	(5,409)	-	2,694,641	(7,596,404)
	656,232	665,310	1,335,941	912,334	758,832	12,164	202,311	(327,327)	4,215,797
Other operating income / (expenses)									
Other operating income	8,765	6,025	95,683	121,682	38,114	9,488	27,160	(41,132)	265,785
Supplies and services	(55,745)	(203,789)	(310,822)	(190,849)	(128,475)	(8,801)	(126,599)	352,987	(672,093)
Personnel costs and employee benefits	(46,790)	(81,847)	(125,994)	(53,061)	(96,667)	(7,313)	(99,424)	19,660	(491,436)
Other operating expenses	(18,632)	(105,852)	(222,414)	(82,059)	(74,565)	(6,856)	(12,126)	3,456	(519,048)
	(112,402)	(385,463)	(563,547)	(204,287)	(261,593)	(13,482)	(210,989)	334,971	(1,416,792)
	543,830	279,847	772,394	708,047	497,239	(1,318)	(8,678)	7,644	2,799,005
Provisions	(1,338)	(17,886)	4,625	(254)	(17,237)	3	(7,958)	-	(40,045)
Depreciation, amortisation and impairment	(130,009)	(182,721)	(252,601)	(362,021)	(134,001)	(744)	(14,974)	(28,577)	(1,105,648)
Compensation of amortisation and depreciation	1,434	246	2,075	14,022	2,165	48	15	(19)	19,986
	413,917	79,486	526,493	359,794	348,166	(2,011)	(31,595)	(20,952)	1,673,298
Gain/(losses) on the sale of financial assets	-	-	-	-	-	-	12	-	12
Financial results	(56,442)	(106,743)	(53,859)	(199,251)	(100,991)	(1,676)	779,814	(775,789)	(514,937)
Share of profit in associates	753	(1,640)	107	8,861	(24)	13,116	-	3,390	24,563
Profit/(loss) before income tax	358,228	(28,897)	472,741	169,404	247,151	9,429	748,231	(793,351)	1,182,936
Current tax	(123,560)	17,245	34,736	(72,230)	(85,997)	998	(25,466)	1,474	(252,800)
Deferred tax	58,073	50,206	(95,459)	26,929	(823)	(525)	(27,766)	238	10,873
Net profit/(loss) for the period	**292,741**	**38,554**	**412,018**	**124,103**	**160,331**	**9,902**	**694,999**	**(791,639)**	**941,009**
Equity holders of EDP	292,113	45,445	412,064	101,611	110,867	9,956	701,634	(881,345)	792,345
Non-controlling interests	628	(6,891)	(46)	22,492	49,464	(54)	(6,635)	89,706	148,664
Net profit/(loss) for the period	**292,741**	**38,554**	**412,018**	**124,103**	**160,331**	**9,902**	**694,999**	**(791,639)**	**941,009**
Total assets	5,012,061	7,064,239	8,460,869	13,084,641	4,957,370	139,026	20,148,263	(17,065,679)	41,800,790
Total liabilities	3,111,639	5,606,141	6,844,745	7,069,845	2,878,096	112,208	13,535,516	(8,875,293)	30,282,897
Increase of the period:									
Property, plant and equipment	30,031	384,519	66,290	213,658	220,799	325	25,772	120	941,514
Intangible assets	13,240	50,815	190,336	26,715	88,154	-	345	2,350	371,955
Goodwill	-	-	-	2,335	-	-	-	17,703	20,038

EDP Group Activity by Business Segment
30 September 2012

Thousands of Euros	Iberia: LT Contracted Generation	Iberia: Liberalised Activities	Iberia: Regulated Networks	EDP Renováveis	EDP Brasil	Other Activities	Corporate Activities	Adjustments	EDP Group
Turnover									
Electricity and network accesses	1,103,301	4,614,103	4,448,733	852,119	1,788,368	456	-	(2,166,516)	10,640,564
Gas and network accesses	-	1,304,291	304,282	-	-	-	-	(260,124)	1,348,449
Other	47,235	147,972	12,916	4,758	10,265	21,148	199,655	(342,996)	100,953
	1,150,536	6,066,366	4,765,931	856,877	1,798,633	21,604	199,655	(2,769,636)	12,089,966
Cost of electricity	(40,838)	(3,773,145)	(3,304,322)	(13,201)	(1,151,304)	(456)	-	2,154,971	(6,128,295)
Cost of gas	-	(1,139,457)	(43,985)	-	-	-	-	138,595	(1,044,847)
Change in inventories and cost of raw materials and consumables used	(376,447)	(548,984)	(5,833)	(1,666)	(120)	(7,394)	(69)	123,512	(817,001)
	(417,285)	(5,461,586)	(3,354,140)	(14,867)	(1,151,424)	(7,850)	(69)	2,417,078	(7,990,143)
	733,251	604,780	1,411,791	842,010	647,209	13,754	199,586	(352,558)	4,099,823
Other operating income / (expenses)									
Other operating income	7,944	7,468	72,259	114,542	17,859	14,016	25,586	(39,825)	219,849
Supplies and services	(60,340)	(196,303)	(315,915)	(183,459)	(129,636)	(6,314)	(130,084)	348,726	(673,325)
Personnel costs and employee benefits	(53,337)	(75,774)	(126,786)	(46,836)	(94,340)	(6,948)	(83,948)	7,082	(480,887)
Other operating expenses	(19,033)	(59,824)	(232,095)	(51,574)	(43,735)	(6,348)	(11,567)	1,156	(423,020)
	(124,766)	(324,433)	(602,537)	(167,327)	(249,852)	(5,594)	(200,013)	317,139	(1,357,383)
	608,485	280,347	809,254	674,683	397,357	8,160	(427)	(35,419)	2,742,440
Provisions	(1,156)	2,156	(944)	-	(6,216)	12	2,738	-	(3,410)
Depreciation, amortisation and impairment	(151,524)	(193,704)	(242,150)	(342,283)	(110,121)	(654)	(14,865)	(24,210)	(1,079,511)
Compensation of amortisation and depreciation	1,517	233	1,996	11,497	3,797	48	3	(21)	19,070
	457,322	89,032	568,156	343,897	284,817	7,566	(12,551)	(59,650)	1,678,589
Gain/(losses) on the sale of financial assets	-	-	-	2,857	-	-	87,945	-87,945	2,857
Financial results	(38,718)	(136,736)	(97,549)	(200,696)	(76,625)	(629)	556,572	(521,289)	(515,670)
Share of profit in associates	328	-	119	4,258	(1,350)	10,779	-	3,306	17,440
Profit/(loss) before income tax	418,932	(47,704)	470,726	150,316	206,842	17,716	631,966	(665,578)	1,183,216
Current tax	(44,237)	7,554	92,820	(50,436)	(75,472)	(84)	(48,967)	(20,672)	(139,494)
Deferred tax	(78,736)	(6,081)	(227,124)	(672)	2,354	(2,067)	165,889	12,798	(133,639)
Net profit/(loss) for the period	**295,959**	**(46,231)**	**336,422**	**99,208**	**133,724**	**15,565**	**748,888**	**(673,452)**	**910,083**
Equity holders of EDP	296,534	(35,148)	336,357	92,574	76,328	15,581	763,803	(751,503)	794,526
Non-controlling interests	(575)	(11,083)	65	6,634	57,396	(16)	(14,915)	78,051	115,557
Net profit/(loss) for the period	**295,959**	**(46,231)**	**336,422**	**99,208**	**133,724**	**15,565**	**748,888**	**(673,452)**	**910,083**
Total assets	5,442,736	7,122,009	8,319,316	13,301,973	5,308,419	118,170	20,305,393	(17,290,172)	42,627,844
Total liabilities	3,405,656	5,459,136	6,758,443	7,553,146	2,941,590	88,378	14,076,241	(9,086,414)	31,196,176
Increase of the period:									
Property, plant and equipment	28,569	329,443	78,438	268,652	189,194	502	21,602	524	916,924
Intangible assets	58,358	109,436	220,683	4	64,563	2	417	(28)	453,435
Goodwill	-	-	-	12 465	-	-	-	-	12,465

auditor review reports

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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 nine month period ended 30 September 2013, of EDP – Energias de Portugal, S.A. which includes: the condensed consolidated statement of financial position (with a total assets of Euros 41,800,790 thousand and total equity attributable to the shareholders of Euros 8,382,919 thousand including a consolidated net profit of Euros 792,345 thousand) and the condensed consolidated statements of income, cash flows, changes in equity and comprehensive income for the nine 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 nine month period ended 30 September 2013, 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, 31 October 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Vítor 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 nine month period ended 30 September 2013, of EDP – Energias de Portugal, S.A. which includes: the condensed statement of financial position (with a total assets of Euros 20,581,502 thousand and total equity of Euros 6,837,811 thousand including a net profit of Euros 600,068 thousand) and the condensed statements of income, cash flows, changes in equity and comprehensive income for the nine 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.

KPMG

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 nine month period ended 30 September 2013, 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, 31 October 2013

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

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Marques da Cruz

Miguel Stilwell de Andrade

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