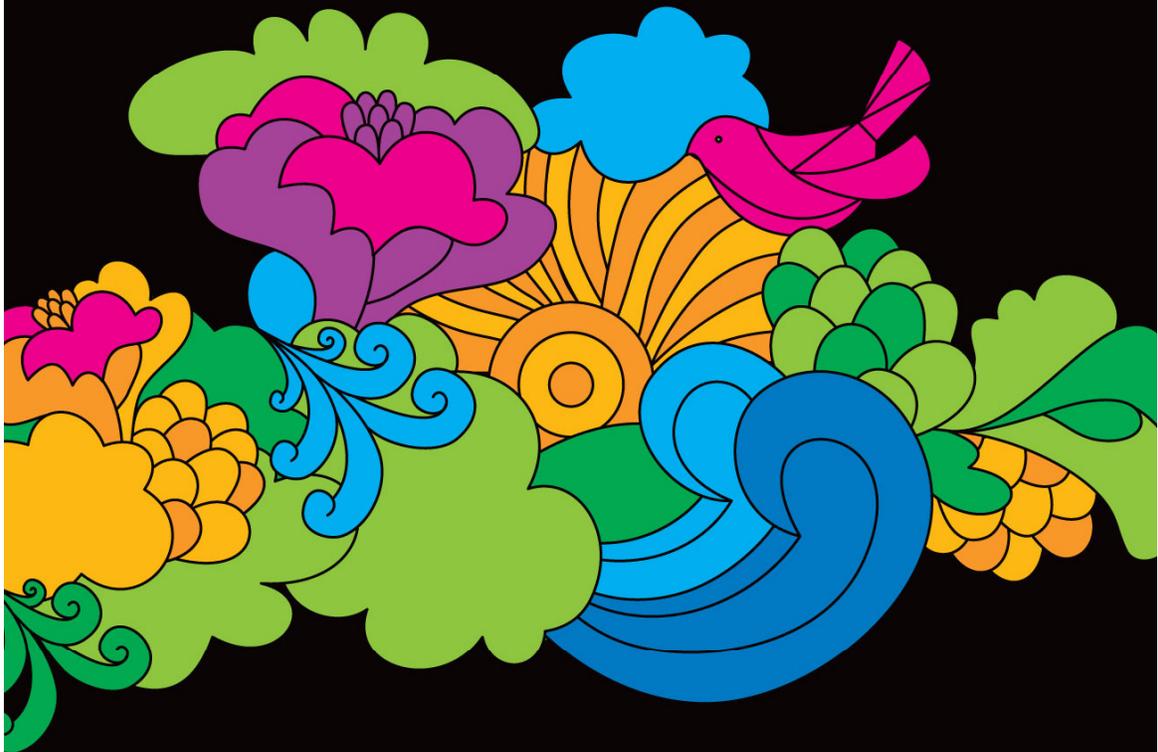




**ANNUAL REPORT**  
**2009**



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## 05. Financial Report

- Financial Analysis

- Financial Statements and notes

## I. EDP GROUP'S BUSINESS EVOLUTION

In 2009, the EDP Group's net profit reached EUR 1,024 million, compared with EUR 1,092 million in 2008.

Net profit retreated 6%, to EUR 1,024 million, impacted by lower capital gains. 2009 capital gains, which amount to EUR 60 million, include: (1) a EUR 29 million gain booked following the sale of EDP's remaining 8% stake in Sonaecom; (2) a EUR19 million gain arising from the sale of Energias do Brasil's stake in ESC 90; (3) a EUR 13 million dilution gain resulting from the entry of Sonatrach (with a 25% stake) into the capital of Soto 4 CCGT, during the 1<sup>st</sup> quarter of 2009. In 2008, capital gains, which amounted to EUR 482 million, were mainly impacted by a EUR 405 million gain stemming from the dilution of EDP's equity stake in EDP Renováveis as a result of the Initial Public Offering.

### Income Statement – EDP Group

EUR Million	2009	2008	% Δ
<b>Gross Profit</b>	<b>5.105</b>	<b>4.897</b>	<b>4%</b>
Supplies and services	768	736	4%
Personnel costs	540	574	-6%
Costs with social benefits	158	161	-2%
Concession fees	249	236	5%
Other operating costs (net)	27	35	-23%
<b>Operating costs</b>	<b>1.742</b>	<b>1.742</b>	<b>0%</b>
<b>EBITDA</b>	<b>3.363</b>	<b>3.155</b>	<b>7%</b>
Provisions	75	32	133%
Net Depreciation and amortisation	1.318	1.193	11%
<b>EBIT</b>	<b>1.970</b>	<b>1.930</b>	<b>2%</b>
Capital gains/(losses)	60	482	-88%
Financial Results	(487)	(943)	48%
Results from associated companies	25	35	-27%
<b>Pre-tax profit</b>	<b>1.568</b>	<b>1.504</b>	<b>4%</b>
Income taxes	400	284	41%
Discontinued Activities	-	(8)	-
Net Profit for the period	1.168	1.212	-4%
<b>Net Profit attribut. to EDP shareholders</b>	<b>1.024</b>	<b>1.092</b>	<b>-6%</b>
Minority interests	144	120	20%

In 2009, consolidated EBITDA rose 7% to EUR 3,363 million, mainly driven by: (1) liberalized activities in the Iberian Peninsula (+EUR 243 million), reflecting our successful hedging and commercial strategy and the benefits from the higher flexibility of our power plants; and (2) wind operations (+EUR 105 million) backed by capacity additions. In 2009, installed capacity rose by 11% to 20.6GW, mainly driven by wind power (+1,091MW) and CCGTs in Iberia (+863MW).

### EBITDA – EDP Group

EUR Million	2009	2008	Δ %
Generation Iberia	1.375	1.172	17%
LT Contracted Generation	832	849	-2%
Liberalised Generation	543	323	68%
Supply Iberia	32	34	-7%
Distribution Iberia	694	770	-10%
Gas Iberia	218	209	4%
Wind	543	438	24%
Brazil	550	562	-2%
Other and Adjustments	-48	-30	-62%
<b>Consolidated</b>	<b>3.363</b>	<b>3.155</b>	<b>7%</b>

**EBITDA from the generation business in the Iberian Peninsula** increased 17% in the period (+EUR 203 million) to EUR 1,375 million in 2009.

In 2009, EBITDA from long term contracted generation decreased 2%, to EUR 832 million, in line with gross profit evolution. Gross profit retreated 2%, to EUR 1,029 million, reflecting a lower contribution from power plants under CMEC (Costs for the Maintenance of the Equilibrium System), not fully compensated by the favorable evolution of gross profit from special regime power plants. Gross profit from power plants under CMEC decreased 4%, to EUR 946 million, mainly reflecting: (1) costs from deviations between fuel procurement costs and the international indexes accepted under the CMEC, amounting to EUR 34 million (which compares to EUR 20 million in 2008); (2) lower contribution from inflation (- EUR 25 million) due to a lower average annual inflation rate (-1%) in 2009 compared with 2.6% in 2008; and (3) lower availability from some of our hydro plants, namely Frades and Cabril, which were penalised by major works (concluded in late 2009). Nevertheless, it is worth to highlight the positive impacts on gross profit from power plants under CMEC: (1) additional contracted gross profit resulting from the new Sines coal plant's Desox facilities (EUR 23 million), which involved a total investment of EUR 196 million (last 50% commissioned in June 2008) and (2) higher than contracted availability and efficiency ratios in thermal plants (EUR 7 million). Special regime's gross profit rose 18% in 2009 to EUR 84 million fuelled by mini-hydros, that benefited from the full consolidation of Pebble Hydro, from June 2008 onwards, and from the increase of 117% in hydro production, that benefited from exceptional weather conditions in 4Q09. Gross profit from thermal plants in 2009 dropped 7% penalised by volumes 7% lower in Spain and by average unit gross profit 26% YoY lower in Portugal (as the decrease in tariffs overstated the decrease in costs).

EBITDA from liberalized generation activity rose 68% in 2009, to EUR 543 million, backed by a 45% growth in the gross margin. Gross margin grew on the back of (1) attractive margins resulting from the 2008 hedging strategy, (2) lower sourcing costs, and (3) higher revenues from complementary services in 2009.

The hedging strategy followed in 2008 contributed to the decrease of 22% of the generation cost.

The cost of electricity sold decreased in 2009 benefiting from: (1) higher weight of purchases in the wholesale market following its strong increase (+232% versus 2008), (2) lower cost electricity purchased in the spot market (45% below 2008) and (3) lower generation costs supported by lower gas prices and the forward contracting strategy applied in 2008.

In 2009, the gross profit of our merchant electricity generation fleet was also supported by an increase in the volume sold in markets of

complementary services, which have been gaining relevance in a scenario of increasing weight of wind in the system.

In 2009, output from our liberalised generation plants dropped 11%, reflecting the lower opportunity cost of buying electricity in the pool. CCGT output declined 14% in 2009, in line with Iberian average. In spite of the extremely rainy and windy weather conditions in 4Q09 and of the additional capacity brought on stream (863MW in Lares 1 and 2), load factors in Portugal remained higher than in Spain (52% versus Spain's average of 40% in 2009). Coal output dropped 11% in 2009, penalised in 4Q09 on weaker thermal demand and a tough comparison basis (since coal was clearly cheaper than gas in 4Q08). Even so, load factor at our coal plants remained above the Spanish average in 2009 (46% versus 34% in 2009), supported by its superior efficiency and the use of blast furnace gases at Abofio plant. Hydro output rose 16% YoY in 2009, as favorable weather conditions in 1Q09 and 4Q09 more than compensated very dry quarters in 2Q09 and 3Q09. In turn, nuclear output retreated 7% as a result of Trillo's 7-week outage for maintenance works in 1Q09 (ending on April 3th).

**EBITDA from the supply business in the Iberian Peninsula** decreased 7% in the period to EUR 31.6 million in 2009, due to an 18% increase in operating costs related to the increased activity. In 2009, in the supply business in Portugal, volumes supplied by EDP surged 484%, to 5.5TWh, showing a steady increase on a quarterly base. As a result of growth opportunities introduced by 2009/2010 tariffs defined by ERSE, free market expanded significantly (reaching 43% of total consumption in December 2009 versus 2.7% in December 2008), competition intensified and EDP's share in volume supplied in the free market declined to 65%. By segment, residential and SMEs unveiled a good performance, both in terms of volumes per client and number of clients (+32% YoY), but the industrial segment was the main growth driver, with a strong recovery in both clients and volumes. Average selling price in Portuguese electricity retail retreated 3.1% as the higher weight of industrial consumption and lower margins stemming from current market conditions start taking its toll. The performance from supply business in Spain was marked by the end of the option to choose last resource supplier for all industrial and residential clients (excluding low-voltage consumers whose contracted power is less than or equal to 10KW) as from July 2009. In 2009, electricity volumes supplied to our liberalised clients in Spain rose 30% reflecting a sharp expansion in the client base (+350%), prompted by the switching of residential clients, with lower per capita consumption, and by the agreement reached with CIDE (association of small electricity distribution companies) in July 2009. Average selling price was flat, at EUR 62/MWh, reflecting the significant contribution from contracts closed in late 2008 (when electricity forward prices were at higher levels), on the one hand, and lower prices implicit in contracts recently closed, on the other hand.

**EBITDA from Iberian distribution business decreased 10%** (- EUR 76 million) when compared with the same period of 2008, to EUR 694 million. EBITDA of the distribution activity decreased 14% to EUR 590 million, on the back of: (1) human resources restructuring costs of EUR 13 million in 2009, compared with EUR 38 million in 2008, (2) the recognition, in 2008, of the 2007 tariff deficit totaling EUR 86 million and (3) the recovery, through 2008 electricity tariffs, of EUR 108 million relative to previous years tariff deviations. Note that in 2008, following regulatory changes, tariff deviations are now recognized in the gross profit. As such, for the first time 2009, gross profit excluding services rendered and other converged to regulated revenues for the period. In 2009, regulated gross profit decreased 8% to EUR 1,336 million. Our last resource supplier, EDP Serviço Universal, supplied 38TWh of electricity, which came 6TWh below ERSE's assumption, essentially due to the

switching of clients to liberalized suppliers, namely in the industrial segment. Additionally, EDP Serviço Universal average electricity purchase cost was EUR 47/MWh in 2009 versus ERSE's assumption of EUR 71/MWh. As a result of lower volumes purchased at a lower than expected cost, EDP Serviço Universal recorded a EUR 790 million tariff deviation in 2009, to be returned to the tariffs mostly during 2010. EDP Distribuição recorded a EUR 18 million tariff deviation to be returned to the tariffs, mostly consequence of a consumption mix (per voltage) more favourable than ERSE's assumptions. These tariff deviations, along with the EUR 447 million ex-ante tariff deficit defined by ERSE when setting 2009 tariffs, and receivable by the same from 2010, reflected a EUR 361 million tariff deviation (recognized in the 2009 gross profit).

EBITDA from distribution activity in Spain increased 27% to EUR 104 million reflecting a EUR 28 million increase in gross profit to EUR 186 million. This growth reflects a 3% increase in the regulated revenues recognized in the 2009 tariffs and a EUR 7 million contribution from the last resource supply activity, initiated in July 2009. From this date on, regulated tariffs were terminated and a last resource tariff was introduced for low voltage clients with contracted power equal or below 10kW. 2009 tariffs were insufficient to cover for electricity system costs, which translated into an estimated EUR 4.6 billion deficit for the Spanish system in 2009, out of which EUR 172 million belong to HC Energia (HC Energia's tariff deviation amount is net of the pending amount payable by the end of 2009, financial discount and RD 11/2007 ("CO2 clawback")). RDL 6/2009 allows the securitization of the Spanish tariff deficit and sets a calendar for its gradual elimination (starting January 2013, access tariffs should be enough to cover for regulated activities' costs). The securitization of 2006-08 accumulated tariff deficit is ongoing. This deficit amounts to EUR 6 billion (net of "CO2 clawback") for the Spanish electricity system as a whole. As of December 2009, HC Energia share of this deficit amounted to approximately EUR 330 million.

**EBITDA from Iberian gas activity** increased 4% (+EUR 9 million) when compared with 2008 to EUR 218 million in 2009. This growth was supported by the gas supply activity in Iberia, which showed an increase of 29% at the gross margin level to EUR 95 million. In Iberia, gross margin per MWh increased from EUR 1.6/MWh to EUR 2.4/MWh, reflecting the sharp decrease in sourcing costs (almost in line with the CMP reference) when compared with the net average selling prices (benefiting from more favorable prices in the moment of contracting client).

In Spain, the number of clients in our portfolio in 2009 increased, due to the acquisition of gas assets from Gas Natural in 31st December 2009, which consumption (approximately 1.1 TWh/year) will be accounted from 1st January 2010 onwards. In Portugal, EDP initiated operations in the industrial segment in April, with 983GWh supplied till the end of 2009.

**EBITDA from wind power generation activity** increased by 24% (+EUR 105 million) to EUR 543 million reflecting: (1) a 25% YoY increase of its installed capacity to 5,491MW (2) a 40% increase on wind power output and (3) a decline in spot energy prices in Spain and USA.

Installed capacity of EDP Renováveis increased by 1,091MW in 2009 representing a 25% YoY increase. As a consequence, EDP Renováveis currently manages a portfolio of 5,491 MW of capacity (or 6,227 MW of gross capacity). From 2009 EDP Renováveis total additions of 1,091MW, as referred above, 700MW were installed in USA, 169MW in Spain, 42MW in Portugal, 10MW in Belgium and 35MW in France and 120MW in Poland. In Brazil 14 new MW were added through acquisition in March 2009. Additionally in Portugal, the consortium Eólicas de Portugal (consolidated by equity method) installed 85MW.

In Europe, wind output increased 28% YoY on the back of a 15% YoY increase of installed capacity and average load factor flat YoY at 26%.In

USA, electricity output went up 51% YoY following a 36% YoY increase of installed capacity while load factors fell by 2% YoY to 32%.

Average selling price in USA fell 2% YoY in 2009. Average price of our long-term selling contracts (PPAs) rose 8% YoY in 2009, reflecting higher prices from the last contracts added during 2008 and 2009 to our PPAs portfolio. Note that in 2009, our wind power output sold through PPAs amounted to 4,798 GWh (81% of our output in USA). Average selling price for wind power sold in merchant markets fell 51% YoY in 2009, reflecting the deterioration of electricity prices in US, namely the lower power demand from the industrial segment and lower gas prices.

Average wind tariffs in Spain fell 17% YoY in 2009 reflecting the 44% YoY decline in the achieved pool price and forward sales at higher prices which had a positive impact of cEUR 6.0/MWh on average selling price in Spain or EUR 19 million at gross profit level. Note that 21% of EDP Renováveis wind power output in Spain in 2009 (697 GWh) were protected by the cap & floor system, 61% of output (1,991 GWh) were sold forward while just 18% of output (587 GWh) were exposed to pool price performance.

**Energias do Brasil's EBITDA** in 2009 decreased 2% YoY (- EUR 12 million) following to EUR 550,2 million impacted by the 5% depreciation in 2009 of average Real/Euro exchange rate, (- EUR 27 million impact on EBITDA 2009). In local currency EBITDA increased 3% YoY to BRL 1,531 million.

Note that 2009 YoY comparison is impacted by some non recurrent issues from which we highlight: (1) conclusion of asset swap with Rede Group in September 2008. The distribution company Enersul was excluded from consolidation perimeter while Lajeado hydro plant (73% owned against 27.65% before) started to be fully consolidated. From September 1st 2008 onwards, Investco consolidation method changed from proportional to full consolidation and Enersul was fully excluded from consolidation) (2) BRL 77 million gains in 2008 generation and supply activities.

EBITDA of the distribution activity of Energias do Brasil decreased 9% in the period (in local currency) reflecting the exclusion of Enersul from the consolidation perimeter since September 2008. Excluding Enersul's contribution in 2008, EBITDA in 2009 increased 11% due to the positive impact of the annual tariff readjustments (Escelsa since August 2009 and Bandeirante since October 2009) and to the increase of 2% in the volume sold to final clients.

EBITDA in our electricity generation activities in Brazil rose 27% in 2009 due to the asset swap explained above, what implied an increase of 25% of the volumes sold in 2009 (+1.574GWh). The installed of Energias do Brasil increased 2% (+36MW) the start up of the 29MW of Santa Fé mini hydro in June 2009 and in less extend, the start up of the 2,9MW repowering of Suíça and two new groups of 3,8MW at Rio Bonito mini hydro plant. All of Energias do Brasil's installed capacity is under PPA with inflation adjusted prices and with an average maturity of 15 years, which implied, an average selling price increase of 4%

**EPD Group's Operating costs** were flat, at EUR 1,742 million, as the important efficiency gains achieved by our OPEX program in 2009 (EUR 109 million) allowed to compensate for the costs stemming from increasing activity. Costs with supplies and services rose by 4%, to EUR 768 million, reflecting the impact from increasing activity. Personnel costs dropped 6%, reflecting recent human resources restructuring effort, namely in Portugal. Cost with social benefits declined 2% supported by lower human resources restructuring costs in 2009 (EUR 40 million in 2009 versus EUR 49 million in 2008). Other operating costs decreased 24% driven by higher revenues from partnerships with institutional investors in US and lower costs with CO2 clawback in Spain.

**Net financial costs** retreated 48%, to EUR 487 million in 2009, mainly reflecting: (1) lower net financial interests paid (-33% YoY) following a 160bp decrease in average cost of debt, from 5.6% to 4.0%. It should be noted that in 2008 there was a decrease in market value of EDP's financial investments in the amount of EUR 289 million compared to EUR 29 million incurred in 2009.

**Consolidated capex** totaled EUR 3,235 million in 2009, 79% referring to expansion projects. In line with EDP's strategy to reinforce its exposure to low CO2-emission technologies and to risk-controlled activities, capex in new hydro/wind capacity represented 83% of expansion capex and 75% of total capex was devoted to regulated and long term contracted activities.

#### Capex – EDP Group

EUR Million	2009	2008	% Δ
LT Contracted Gen. Iberia	128	140	-9%
Liberalised Activities Iberia	704	517	36%
Regulated Networks Iberia	367	361	1.6%
Wind Power	1.690	2.091	-19%
Brazil	259	429	-40%
Other	88	81	8,5%
<b>EDP Group</b>	<b>3.235</b>	<b>3.618</b>	<b>-11%</b>
<b>Expansion Capex</b>	<b>2.556</b>	<b>2.838</b>	<b>-10%</b>
<b>Maintenance Capex</b>	<b>679</b>	<b>780</b>	<b>-13%</b>

Expansion capex decreased EUR 282 million reflecting the mixed impact from lower capex in wind operations (-EUR 400 million partially stemming from EUR 156 million cash grants received in US) and higher capex in new conventional generation capacity in Iberia (+EUR 227 million driven by the payment of hydro concession rights higher than 2008). In 2009, EDP installed 1,996MW of new capacity, the bulk of which in wind (1,077MW, of which 700MW in US and 376MW in Europe) and CCGTs in Iberia (863MW in Portugal).

Maintenance capex retreated EUR 101 million supported by (i) lower environmental investments (-EUR 59 million) in Portugal (PPA coal plant Sines) and Spain (coal plants Aboño and Soto 3) and (ii) exclusion of Enersul from the consolidation perimeter, as from September 2008.

In wind power, capex adjusted for cash grants received totaled EUR 1,690 million in 2009: 60% in Europe, 40% in US, reflecting the completion of 1,077MW and the construction of 686MW: 308MW in Spain, 280MW in Europe (Romania, France and Belgium); 99MW in USA.

In the Iberian liberalized activities, capex increased by EUR 187 million in 2009, to EUR 704 million, fuelled by investments in new hydro capacity in Portugal (EUR 406 million): (1) EUR 232 million payment of Fridão (238MW) and Alvito (225MW) hydro power plants concession rights (due to start-up in Dec-15); (2) construction works in 4 hydro power plants (repowerings at Picote II, Bemposta II and Alqueva II, totaling 693MW; new dam of Baixo Sabor with 171MW) proceeded, absorbing EUR 157 million in 2009; (3) launch of construction works at Ribeiradio (77MW) and Venda Nova III (736MW). In CCGTs, capex totaled EUR 246 million in 2009: (1) EUR 80 million in Lares 1 and 2 (863MW), which started operations in October/November 2009; (2) EUR 165m in Soto 5

(424MW), raising the cumulated capex incurred to EUR 234 million (83% of total).

Capex at our electricity and gas regulated networks in Iberia was flat in 2009 at EUR 367 million. Capex in the electricity distribution activity in Portugal represented 67% of total capex in this area.

In Brazil, capex totaled EUR 259m in 2009: i) EUR 131 million was spent in new generation capacity, with the construction of Pecém PPA coal plant (720MW, 50% owned by Energias do Brasil) due to start-up in December 2011, and the conclusion of 36MW of new mini-hydro capacity with PPA (Santa Fé, Rio Bonito and Suíça) and ii) EUR 110 million invested in the electricity distribution grid (maintenance).

In 2009, the Group's (nominal) consolidated debt totaled EUR 16,127 million. When compared to December 2008, the Group's debt was nearly EUR 1,466 million higher, mostly due to the payment of dividends and early funding of future needs, through the issuance of bonds.

On the other hand, EDP Group's **consolidated net debt** at the end of 2009 stood at EUR 14,007 million, having increased 1% from year-end 2008.

The EUR 2,2734 million difference between gross and net debt, was mainly due to cash and cash equivalents held by EDP SA and EDP Finance BV (EUR 1,249 million), by the Group's Brazilian subsidiaries (EUR 441 million) and by EDP Renováveis (EUR 481 million).

#### IFRS Debt - EDP Group

	EUR millions		
	Dec 09	Dec 2008	Change
<b>Debt - Short term</b>	<b>2.549</b>	<b>3.669</b>	<b>-31%</b>
Bonds	581	1.085	-46%
Bank loans	318	1.204	-74%
Other loans	10	8	25%
Commercial paper	1.640	1.372	19%
<b>Debt - Long term</b>	<b>13.578</b>	<b>10.992</b>	<b>24%</b>
Bonds	8.150	5.989	36%
Bank loans	5.332	4.923	8%
Other loans	96	80	20%
<b>Nominal debt</b>	<b>16.127</b>	<b>14.661</b>	<b>10%</b>
<b>Interest accrued</b>	246	142	
<b>Fair value hedge adjustments</b>	-92	-117	
<b>Consolidated Debt</b>	<b>16.281</b>	<b>14.686</b>	<b>11%</b>

In terms of maturity, EDP Group's consolidated debt breaks down into 16% in short-term debt and borrowings and 84% in medium- and long-term debt and borrowings.

In relation to short-term financing and treasury management, EDP SA continues to favor the use of Euro Commercial Paper, an instrument that provides access to a large investor base at very competitive pricing, ensuring the necessary flexibility for efficient cash management. In Spain, the Group also has a "pagarés" programme (domestic commercial paper) through its HC subsidiary, in the amount of EUR 500 million, which provides similar flexibility and efficiency in terms of cash management.

During 2009, EDP maintained its policy of centralizing funding at EDP SA, EDP Finance BV and EDP Sucursal, which represented 85% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings, project finance debt from the subsidiaries of the EDP Renováveis Group and related to wind power generation partnership projects, as well as short term debt and borrowings contracted by HC Energía.

At the beginning of the year, EDP SA signed a loan agreement with the European Investment Bank, in the amount of EUR 145 million and with a tenor of 15 years, to finance the repowering of the Picote and Bemposta power plants.

In the first semester of 2009 (February and June), EDP Finance B.V. took advantage of some windows of opportunity in the international capital markets to issue two EUR 1,000 million Eurobonds, under the EDP S.A. and EDP Finance B.V.'s "Programme for the Issuance of Debt Instruments (MTN)". The bond issued in February has a tenor of five years and the one issued in June has a tenor of seven years and three months. These issues allowed EDP Group to extend the average life of its debt portfolio and strengthen its liquidity position, ahead of refinancing needs for 2009 and 2010. Additionally, in September, EDP issued USD 1,000 million 144A/RegS bonds, with a tenor of 10 years, under the above mentioned Programme. The proceeds of the offering were used to fund the capital expenditure requirements of EDP Renováveis and for EDP's general corporate purposes.

In 2009, EDP Serviço Universal, sold without recourse, to Tagus – Sociedade de Titularização de Créditos, S.A. ("Tagus"), the rights to receive the full amount of the positive adjustments to the electricity tariffs, accrued of the respective financial costs, in respect of the costs with the acquisition of electricity incurred in 2007 and estimated for 2008 (transaction concluded in March), as well as, in respect of the costs estimated for 2009 with the implementation of energetic policies relating to over costs incurred with electricity generation under the Special Regime (transaction concluded in December). The net proceeds to EDP Serviço Universal amounted to approximately EUR 1,639 million, of which, EUR 1,204 refer to the years of 2007 and 2008 and EUR 435 million refer to 2009.

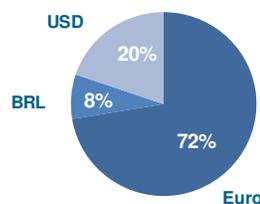
In March 2009, EDP SA and EDP Finance BV signed a three year revolving credit facility in the amount of EUR 1,600 million. This new facility replaces the existing EUR 1,300 million revolving credit facility signed in 2004 that was due to mature in July 2009, keeping the same purpose: backup credit facility. The credit line is currently undrawn. The facility was self-arranged as a Club Deal and involved 19 domestic and international banks.

Maintaining a financial management policy, by the end of June 2009 EDP SA had access to 1,953 million euro of available credit lines and 650 million euro of commercial paper with underwriting commitment, of which 350 million were fully available. It is the Group's policy to maintain its liquidity sources with several banks.

By the end of 2009, the average cost of debt of the EDP Group was 4.0% per year and approximately 50% of its debt and borrowings had a fixed rate.

In terms of currencies, the USD financing contracted to fund the purchase and capex of Horizon justifies the Group's exposure to USD (20%). Euro continues to be the main funding currency of the EDP Group.

#### Debt by Currency



In June 2009, Moody's downgraded the senior unsecured ratings of EDP S.A. and EDP Finance B.V. to "A3"/"Prime-2" with stable outlook from "A2"/"Prime-1" with negative outlook. On the other hand, S&P, reaffirmed, in August, its 'A-/A-2' long and short-term corporate credit ratings on EDP SA and EDP Finance BV, having, however, revised its outlook from stable to negative, reflecting increasing uncertainty about EDP's ability to deliver and maintain credit metrics in line with the ratings in the intermediate term.

**Global scale**

	S&P	Last update	Moody's	Last update	Fitch	Last update
EDP S.A. e EDP Finance B.V.	A-/Neg/A-2	4-8-09	A3/Stab/P2	9-6-09	A-/Stab/F2	6-2-09
HC Energia			Baa1/Stab/P2	9-6-09	A-/Stab/F2	6-2-09
Energias do Brasil			Baa1/Aa2.br/Stab	4-3-09		
Bandeirante	brAA-/Posit	16-6-08	Baa3/Aa1.br/Stab	4-3-09		
Ecelsa	BB-/Br As/Stab	16-6-08	Baa3/Aa1.br/Stab	4-3-09		

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## EDP - Energias de Portugal

### Consolidated Income Statement for the years ended 31 December 2009 and 2008

	Notes	2009		2008	
		Continuing operations	Continuing operations	Discontinued operations	Total
		(Thousand Euros)	(Thousand Euros)	(Thousand Euros)	(Thousand Euros)
Turnover	6	12,198,183	13,671,204	222,859	13,894,063
Cost of consumed electricity	6	-5,340,458	-6,558,250	-69,023	-6,627,273
Cost of consumed gas	6	-641,183	-823,200	-	-823,200
Changes in inventories and cost of raw materials and consumables used	6	-1,111,229	-1,544,024	-2,381	-1,546,405
		<u>5,105,313</u>	<u>4,745,730</u>	<u>151,455</u>	<u>4,897,185</u>
Other operating income / (expenses)					
Other operating income	7	224,790	226,242	2,431	228,673
Supplies and services	8	-768,202	-707,783	-27,985	-735,768
Personnel costs	9	-540,036	-557,676	-15,998	-573,674
Employee benefits	9	-158,353	-159,400	-1,800	-161,200
Other operating expenses	10	-500,564	-454,918	-45,362	-500,280
		<u>-1,742,365</u>	<u>-1,653,535</u>	<u>-88,714</u>	<u>-1,742,249</u>
		3,362,948	3,092,195	62,741	3,154,936
Provisions	11	-74,685	-27,994	-4,077	-32,071
Depreciation and amortisation expense	12	-1,429,711	-1,277,459	-29,009	-1,306,468
Compensation of amortisation and depreciation	12	111,015	110,712	2,885	113,597
		<u>1,969,567</u>	<u>1,897,454</u>	<u>32,540</u>	<u>1,929,994</u>
Gains / (losses) on the sale of financial assets	13	59,703	481,732	-	481,732
Other financial income	14	1,036,374	1,175,092	11,005	1,186,097
Other financial expenses	14	-1,523,083	-2,112,605	-16,194	-2,128,799
Share of profit in associates		25,151	34,687	-	34,687
Profit before income tax		<u>1,567,712</u>	<u>1,476,360</u>	<u>27,351</u>	<u>1,503,711</u>
Income tax expense	15	-399,765	-274,266	-9,325	-283,591
Profit after income tax and before gains / (losses) on sale of discontinued operations		<u>1,167,947</u>	<u>1,202,094</u>	<u>18,026</u>	<u>1,220,120</u>
Gains / (losses) on sale of discontinued operations	45	-	-	-8,448	-8,448
<b>Net profit for the year</b>		<u><b>1,167,947</b></u>	<u><b>1,202,094</b></u>	<u><b>9,578</b></u>	<u><b>1,211,672</b></u>
<b>Attributable to:</b>					
Equity holders of EDP		1,023,845	1,089,232	2,297	1,091,529
Minority interests	32	144,102	112,862	7,281	120,143
Net profit for the year		<u>1,167,947</u>	<u>1,202,094</u>	<u>9,578</u>	<u>1,211,672</u>
Earnings per share (Basic and Diluted) - Euros	29	<u><b>0.28</b></u>	<u><b>0.30</b></u>	<u><b>0.00</b></u>	<u><b>0.30</b></u>

LISBON, 4 MARCH 2010

THE ACCOUNTANT  
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## EDP - Energias de Portugal

Consolidated Balance Sheet as at 31 December 2009 and 2008

	Notes	2009 (Thousand Euros)	2008 (Thousand Euros)
<b>Assets</b>			
Property, plant and equipment	16	24,093,738	21,249,965
Intangible assets	17	2,806,714	2,648,792
Goodwill	18	3,159,832	3,104,979
Investments in associates	20	175,272	172,754
Available for sale investments	21	443,117	350,887
Deferred tax assets	22	661,335	539,878
Trade receivables	24	114,821	112,044
Debtors and other assets	25	1,942,970	2,637,703
Total Non-Current Assets		<u>33,397,799</u>	<u>30,817,002</u>
Inventories	23	273,376	276,800
Trade receivables	24	1,893,313	1,646,613
Debtors and other assets	25	1,865,016	1,632,172
Tax receivable	26	557,641	544,740
Financial assets at fair value through profit or loss	27	84,852	83,227
Cash and cash equivalents	28	2,189,560	713,587
Assets classified as held for sale	39	-	30,828
Total Current Assets		<u>6,863,758</u>	<u>4,927,967</u>
Total Assets		<u><u>40,261,557</u></u>	<u><u>35,744,969</u></u>
<b>Equity</b>			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-119,784	-126,532
Share premium	29	501,992	501,992
Reserves and retained earnings	31	2,228,560	1,243,293
Consolidated net profit attributable to equity holders of EDP		<u>1,023,845</u>	<u>1,091,529</u>
Total Equity attributable to equity holders of EDP		7,291,151	6,366,820
Minority interests	32	<u>2,687,537</u>	<u>2,200,605</u>
Total Equity		<u>9,978,688</u>	<u>8,567,425</u>
<b>Liabilities</b>			
Financial debt	34	13,486,499	10,874,311
Employee benefits	35	1,879,704	1,833,887
Provisions	36	342,755	323,719
Hydrological correction account	33	112,631	237,822
Deferred tax liabilities	22	758,893	675,737
Trade and other payables	37	4,674,269	4,862,651
Total Non-Current Liabilities		<u>21,254,751</u>	<u>18,808,127</u>
Financial debt	34	2,794,481	3,812,014
Trade and other payables	37	5,305,631	4,153,100
Tax payable	38	928,006	388,462
Liabilities classified as held for sale	39	-	15,841
Total Current Liabilities		<u>9,028,118</u>	<u>8,369,417</u>
Total Liabilities		<u>30,282,869</u>	<u>27,177,544</u>
Total Equity and Liabilities		<u>40,261,557</u>	<u>35,744,969</u>

LISBON, 4 MARCH 2010

THE ACCOUNTANT  
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

## EDP - Energias de Portugal

### Consolidated Statement of Comprehensive Income for the years ended 31 December 2009 and 2008

(Thousand Euros)

	2009		2008	
	Equity holders of EDP	Minority Interests	Equity holders of EDP	Minority Interests
<b>Net profit for the year</b>	1,023,845	144,102	1,091,529	120,143
Exchange differences arising on consolidation	259,877	242,145	-235,599	-210,935
Fair value reserve (cash flow hedge)	135,097	-6,666	-56,667	-2,447
Tax effect from the fair value reserve (cash flow hedge)	-38,780	2,192	17,112	996
Fair value reserve (available for sale investments)	144,929	405	-88,324	1,779
Tax effect from the fair value reserve (available for sale investments)	-14,864	-	13,504	-
Actuarial gains / (losses)	-85,239	-1,245	-136,790	-3,677
Tax effect from the actuarial gains / (losses)	1,341	403	4,156	1,250
<b>Other comprehensive income for the year, net of income tax</b>	402,361	237,234	-482,608	-213,034
<b>Total comprehensive income for the year</b>	1,426,206	381,336	608,921	-92,891

**EDP - Energias de Portugal**  
**Consolidated Statement of Changes in Equity for the years ended**  
**31 December 2009 and 2008**

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Minority interests
<b>Balance as at 31 December 2007</b>	<b>7,278,758</b>	<b>3,656,538</b>	<b>501,992</b>	<b>418,730</b>	<b>1,487,156</b>	<b>5,032</b>	<b>118,858</b>	<b>141,581</b>	<b>-65,741</b>	<b>6,264,146</b>	<b>1,014,612</b>
Comprehensive income:											
Net profit for the year	1,211,672	-	-	-	1,091,529	-	-	-	-	1,091,529	120,143
Changes in the fair value reserve (cash flow hedge) net of taxes	-41,006	-	-	-	-	-39,555	-	-	-	-39,555	-1,451
Changes in the fair value reserve (available for sale investments) net of taxes	-73,041	-	-	-	-	-	-74,820	-	-	-74,820	1,779
Actuarial gains / (losses) net of taxes	-135,061	-	-	-	-132,634	-	-	-	-	-132,634	-2,427
Exchange differences arising on consolidation	-446,534	-	-	-	-	-	-	-235,599	-	-235,599	-210,935
Total comprehensive income for the year	516,030	-	-	-	958,895	-39,555	-74,820	-235,599	-	608,921	-92,891
Transfer to legal reserve	-	-	-	25,108	-25,108	-	-	-	-	-	-
Dividends paid	-454,937	-	-	-	-454,937	-	-	-	-	-454,937	-
Dividends attributable to minority interests	-42,633	-	-	-	-	-	-	-	-	-	-42,633
Purchase and sale of treasury stock	-71,094	-	-	-	-8,971	-	-	-	-62,123	-71,094	-
Share-based payments	1,801	-	-	-	469	-	-	-	1,332	1,801	-
Minority interests resulting from EDP Renováveis IPO	1,128,248	-	-	-	-	-	-	-	-	-	1,128,248
Purchase of treasury stock - Energias do Brasil	-190,383	-	-	-	-	-	-	-	-	-	-190,383
Assets swap - Energias do Brasil	402,025	-	-	-	18,369	-	-	-	-	18,369	383,656
Minority interests resulting from PPA	9,436	-	-	-	-	-	-	-	-	-	9,436
Changes in minority interests resulting from acquisitions and equity increases	-10,491	-	-	-	-	-	-	-	-	-	-10,491
Other reserves arising on consolidation	665	-	-	-	-386	-	-	-	-	-386	1,051
<b>Balance as at 31 December 2008</b>	<b>8,567,425</b>	<b>3,656,538</b>	<b>501,992</b>	<b>443,838</b>	<b>1,975,487</b>	<b>-34,523</b>	<b>44,038</b>	<b>-94,018</b>	<b>-126,532</b>	<b>6,366,820</b>	<b>2,200,605</b>
Comprehensive income:											
Net profit for the year	1,167,947	-	-	-	1,023,845	-	-	-	-	1,023,845	144,102
Changes in the fair value reserve (cash flow hedge) net of taxes	91,843	-	-	-	-	96,317	-	-	-	96,317	-4,474
Changes in the fair value reserve (available for sale investments) net of taxes	130,470	-	-	-	-	-	130,065	-	-	130,065	405
Actuarial gains / (losses) net of taxes	-84,740	-	-	-	-83,898	-	-	-	-	-83,898	-842
Exchange differences arising on consolidation	502,022	-	-	-	-	-	-	259,877	-	259,877	242,145
Total comprehensive income for the year	1,807,542	-	-	-	939,947	96,317	130,065	259,877	-	1,426,206	381,336
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-	-	-507,153	-
Dividends attributable to minority interests	-74,691	-	-	-	-	-	-	-	-	-	-74,691
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	-	4,786	2,845	-
Share-based payments	2,062	-	-	-	100	-	-	-	1,962	2,062	-
Sale of treasury stock - Energias do Brasil	166,621	-	-	-	-	-	-	-	-	-	166,621
Changes in minority interests resulting from acquisitions / sales and equity increases	15,338	-	-	-	-	-	-	-	-	-	15,338
Other reserves arising on consolidation	-1,301	-	-	-	371	-	-	-	-	371	-1,672
<b>Balance as at 31 December 2009</b>	<b>9,978,688</b>	<b>3,656,538</b>	<b>501,992</b>	<b>471,387</b>	<b>2,379,262</b>	<b>61,794</b>	<b>174,103</b>	<b>165,859</b>	<b>-119,784</b>	<b>7,291,151</b>	<b>2,687,537</b>

## EDP - Energias de Portugal

### Consolidated and Non-Consolidated Cash Flow Statements for the years ended 31 December 2009 and 2008

(Thousand Euros)

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
<b>Operating activities</b>				
Cash receipts from customers	11,478,194	12,136,628	1,729,310	2,269,327
Proceeds from tariff adjustments securitization	1,639,142	177,111	-	-
Cash paid to suppliers	-7,924,642	-9,298,076	-1,695,918	-2,212,431
Cash paid to personnel	-680,885	-848,195	-54,904	-36,942
Concession rents paid	-255,684	-221,974	-	-
Other receipts / (payments) relating to operating activities	-213,925	-45,278	-34,890	-115,716
<b>Net cash from operations</b>	<b>4,042,200</b>	<b>1,900,216</b>	<b>-56,402</b>	<b>-95,762</b>
Income tax received / (paid)	-120,531	-155,709	6,237	15,982
<b>Net cash from operating activities</b>	<b>3,921,669</b>	<b>1,744,507</b>	<b>-50,165</b>	<b>-79,780</b>
<b>Discontinued operations</b>	<b>-</b>	<b>68,898</b>		
<b>Continuing operations</b>	<b>3,921,669</b>	<b>1,675,609</b>		
<b>Investing activities</b>				
Cash receipts relating to:				
Financial assets	319,022	249,252	4,435	153,995
EDP Renováveis IPO	-	1,538,958	-	-
Property, plant and equipment and intangible assets	2,836	30,116	798	1,849
Investment grants	161,879	92,560	-	5
Interest and similar income	87,563	117,582	323,519	389,522
Dividends	48,766	34,971	645,078	418,135
	<u>620,066</u>	<u>2,063,439</u>	<u>973,830</u>	<u>963,506</u>
Cash payments relating to:				
Financial assets	-451,571	-425,223	-121,042	-124,903
Changes in cash resulting from perimeter variations	10,447	-4,243	-	-
Property, plant and equipment and intangible assets	-3,417,533	-4,367,284	-16,327	-33,926
	<u>-3,858,657</u>	<u>-4,796,750</u>	<u>-137,369</u>	<u>-158,829</u>
<b>Net cash from investing activities</b>	<b>-3,238,591</b>	<b>-2,733,311</b>	<b>836,461</b>	<b>804,677</b>
<b>Discontinued operations</b>	<b>-</b>	<b>-49,094</b>		
<b>Continuing operations</b>	<b>-3,238,591</b>	<b>-2,684,217</b>		
<b>Financing activities</b>				
Receipts / (payments) relating to loans and related interest	1,188,937	1,710,414	650,249	389,037
Interest and similar costs	-528,581	-712,902	-420,671	-510,466
Cash grants	155,946	-	-	-
Share capital and share premium increases	9,057	-	-	-
Receipts / (payments) relating to derivative financial instruments	54,710	101,936	193,898	-19,725
Dividends paid	-507,153	-454,937	-507,153	-454,937
Treasury stock sold / (purchased)	2,107	-72,623	4,169	-65,536
Receipts from wind activity institutional partnerships - USA	333,528	319,985	-	-
	<u>708,551</u>	<u>891,873</u>	<u>-79,508</u>	<u>-661,627</u>
<b>Net cash from financing activities</b>	<b>708,551</b>	<b>891,873</b>	<b>-79,508</b>	<b>-661,627</b>
<b>Discontinued operations</b>	<b>-</b>	<b>12,263</b>	<b>-</b>	<b>-</b>
<b>Continuing operations</b>	<b>708,551</b>	<b>879,610</b>	<b>-79,508</b>	<b>-661,627</b>
<b>Changes in cash and cash equivalents</b>	<b>1,391,629</b>	<b>-96,931</b>	<b>706,788</b>	<b>63,270</b>
Effect of exchange rate fluctuations on cash held	84,344	-54,193	1,689	-
Cash and cash equivalents at the beginning of the year	713,587	864,711	182,879	119,609
<b>Cash and cash equivalents at the end of the year (*)</b>	<b>2,189,560</b>	<b>713,587</b>	<b>891,356</b>	<b>182,879</b>
<b>Discontinued operations</b>	<b>-</b>	<b>32,067</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents from continuing operations at the end of the year</b>	<b>2,189,560</b>	<b>681,520</b>	<b>891,356</b>	<b>182,879</b>

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

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

### Company Income Statement for the years ended 31 December 2009 and 2008

	Notes	2009	2008
		(Thousand Euros)	(Thousand Euros)
Turnover	6	1,755,564	2,322,526
Cost of consumed electricity	6	-1,192,863	-1,830,374
Changes in inventories and cost of raw materials and consumables used	6	-360,684	-400,351
		202,017	91,801
Other operating income / (expenses)			
Other operating income	7	8,453	20,764
Supplies and services	8	-99,170	-107,347
Personnel costs	9	-16,262	-10,003
Employee benefits	9	-197	-177
Other operating expenses	10	-17,610	-11,447
		-124,786	-108,210
		77,231	-16,409
Provisions	11	-187	-1,519
Depreciation and amortisation expense	12	-6,935	-5,805
		70,109	-23,733
Gains / (losses) on the sale of financial assets	13	-10	15,164
Other financial income	14	2,162,520	2,282,728
Other financial expenses	14	-1,574,110	-1,796,055
Profit before income tax		658,509	478,104
Income tax expense	15	-28,488	72,874
<b>Net profit for the year</b>		<b>630,021</b>	<b>550,978</b>

LISBON, 4 MARCH 2010

THE ACCOUNTANT  
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

### Company Balance Sheet as at 31 December 2009 and 2008

	Notes	2009	2008
		(Thousand Euros)	(Thousand Euros)
<b>Assets</b>			
Property, plant and equipment	16	123,562	107,038
Intangible assets	17	33	41
Investments in subsidiaries	19	9,535,843	9,506,408
Investments in associates	20	45,398	49,773
Available for sale investments	21	238,401	134,159
Deferred tax assets	22	-	60,716
Debtors and other assets	25	4,537,916	5,911,157
Total Non-Current Assets		<u>14,481,153</u>	<u>15,769,292</u>
Inventories	23	11,351	27,744
Trade receivables	24	97,432	18,390
Debtors and other assets	25	1,727,737	2,830,973
Tax receivable	26	44,545	95,437
Financial assets at fair value through profit or loss	27	-	232
Cash and cash equivalents	28	891,356	182,879
Total Current Assets		<u>2,772,421</u>	<u>3,155,655</u>
Total Assets		<u><u>17,253,574</u></u>	<u><u>18,924,947</u></u>
<b>Equity</b>			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-113,689	-120,437
Share premium	29	501,992	501,992
Reserves and retained earnings	31	1,868,007	1,681,607
Net profit for the year		630,021	550,978
Total Equity		<u>6,542,869</u>	<u>6,270,678</u>
<b>Liabilities</b>			
Financial debt	34	1,962,393	2,859,631
Provisions	36	18,637	79,014
Hydrological correction account	33	112,631	237,822
Deferred tax liabilities	22	80,489	-
Trade and other payables	37	2,824,741	2,401,840
Total Non-Current Liabilities		<u>4,998,891</u>	<u>5,578,307</u>
Financial debt	34	4,194,840	5,360,236
Trade and other payables	37	1,032,380	1,704,896
Tax payable	38	484,594	10,830
Total Current Liabilities		<u>5,711,814</u>	<u>7,075,962</u>
Total Liabilities		<u>10,710,705</u>	<u>12,654,269</u>
Total Equity and Liabilities		<u><u>17,253,574</u></u>	<u><u>18,924,947</u></u>

LISBON, 4 MARCH 2010

THE ACCOUNTANT  
N.º 17713

MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

### Company Statement of Changes in Equity for the years ended 31 December 2009 and 2008

(Thousand Euros)

	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
<b>Balance as at 31 December 2007</b>	<b>6,263,055</b>	<b>3,656,538</b>	<b>501,992</b>	<b>418,730</b>	<b>1,711,896</b>	<b>-9,721</b>	<b>49,361</b>	<b>-65,741</b>
Comprehensive income:								
Net profit for the year	550,978	-	-	-	550,978	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	951	-	-	-	-	951	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-26,171	-	-	-	-	-	-26,171	-
Total comprehensive income for the year	525,758	-	-	-	550,978	951	-26,171	-
Transfer to legal reserve	-	-	-	25,108	-25,108	-	-	-
Dividends paid	-454,937	-	-	-	-454,937	-	-	-
Purchase and sale of treasury stock	-64,999	-	-	-	-8,971	-	-	-56,028
Share-based payments	1,801	-	-	-	469	-	-	1,332
<b>Balance as at 31 December 2008</b>	<b>6,270,678</b>	<b>3,656,538</b>	<b>501,992</b>	<b>443,838</b>	<b>1,774,327</b>	<b>-8,770</b>	<b>23,190</b>	<b>-120,437</b>
Comprehensive income:								
Net profit for the year	630,021	-	-	-	630,021	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	49,874	-	-	-	-	49,874	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	94,542	-	-	-	-	-	94,542	-
Total comprehensive income for the year	774,437	-	-	-	630,021	49,874	94,542	-
Transfer to legal reserve	-	-	-	27,549	-27,549	-	-	-
Dividends paid	-507,153	-	-	-	-507,153	-	-	-
Purchase and sale of treasury stock	2,845	-	-	-	-1,941	-	-	4,786
Share-based payments	2,062	-	-	-	100	-	-	1,962
<b>Balance as at 31 December 2009</b>	<b>6,542,869</b>	<b>3,656,538</b>	<b>501,992</b>	<b>471,387</b>	<b>1,867,805</b>	<b>41,104</b>	<b>117,732</b>	<b>-113,689</b>

## 1. Economic activity of EDP Group

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

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

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

### Activity in the energy sector in Portugal

#### Electricity

The National Electricity System (SEN) basis of organization, operations and activities are established by the Decree-Law 29/2006 of 15 February, which transposes the principles of the Directive n.º 2003/54/CE, and the Decree-Law 172/2006 of 23 August with the wording of DL 264-2007, of 24 July.

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

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

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN — Rede Eléctrica Nacional, S.A., for a period of 50 years.

#### Generation

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

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

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

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

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

#### Distribution

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

In accordance with specific legislation (Decree-law 344-B/82), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição having the possibility of being revoked with a 2 year previous notice. These concessions are in return for payment of an income to the municipalities that grant.

#### Supply

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

#### Electric Energy Price Regime

In the free market, electricity tariffs are agreed between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are set by ERSE.

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

#### Public Domain Assets

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

## Gas

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

On 15 June 2009, the tariffs set by ERSE were published for the years 2009-2010. The income allowed to Portgás S.A. include the initial revaluation of its assets (with reference to 31.12.2007), approved by the Finance Ministry.

## Activity in the energy sector in Spain

### Electricity

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

#### *Electric Sector Regulation*

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

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

#### *Generation*

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

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

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

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

Producers have the right to use primary energy sources in its generation units as deemed most appropriate, with the restrictions applicable to the environment.

#### *Transportation*

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

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

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

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

#### *Distribution*

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

#### *Supply*

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

#### *Electricity Tariffs Regime*

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

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

## *Social Benefit*

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

## **Gas**

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

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

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

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

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

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

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

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

### **Electricity**

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

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

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

#### *Regulated System*

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

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

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

#### *Liberalised system*

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

#### *Generation*

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

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

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

## *Transmission*

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

## *Distribution*

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

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

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

Tariffs are updated annually based on changes occurred in portion A costs and in the correction of portion B costs, by the index of variation of IGPM, discounting productivity gains (factor X). The index adjustment is calculated to pass the variations in costs not manageable in Parcel A and Parcel B corrected. Periodically (on average every 4 years) there is a tariff revision, which results in a global review of costs, in the definition of a new BRR and a new Reference Company, with the capture of the productivity gains in the period between reviews.

## *Supply*

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

## *Public Domain Assets*

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

## **Activity in the Renewable energies sector**

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

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

## **Electricity**

### *Generation*

In December 2009, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital in Nuevas Energías de Occidente, S.L. (NEO) and Horizon Wind Energy, LLC (Horizon), operating respectively in Europe and in the United States of America.

NEO operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania and Brazil. NEO's main subsidiaries are: Enernova (wind farms in Portugal), Genesa (renewable resources electricity generation in Spain), Agrupación Eólica (wind farms in Spain and France), Greenwind (wind farms in Belgium - partnership with local investors) and Relax Wind Parks (wind farms in Poland). As at 31 December 2009, Spain and Portugal are the most relevant geographical markets where NEO operates.

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

### *Regulatory framework for the activities in Spain*

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

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

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

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

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

On 15th December the Spanish Government released the list of wind facilities included in the administrative register. Out of the 6.389 MW of wind capacity assigned by the Spanish Government, EDP Renováveis obtained 840 gross MW corresponding to 31 wind farms which represent 13% of the total allocated capacity.

#### *Regulatory framework for the activities in Portugal*

The Portuguese legal provisions applicable to the generation of electrical power based on renewable resources are currently established by Decree-Law No. 189/88 dated 27 May 1998, as amended by Decree-Law No. 168/99 dated 18 May 1999, Decree-Law No. 312/2001 dated 10 December 2001 and Decree-Law No. 339-C/2001 dated 29 December 2001. Also relevant is Decree-Law No. 33-A/2005, dated 16 February 2005, which establishes the current amounts used in the remuneration formula applicable to energy produced by means of renewable resources and the deadlines for the application of such remuneration formula.

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

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

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

#### *Regulatory framework for the activities in the United States of America*

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

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

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

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

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

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

## **2. Accounting policies**

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

The accompanying consolidated financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and the financial position of all of its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years ended 31 December 2009 and 2008.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 4 March 2010. The financial statements are presented in thousand Euros, rounded to the nearest thousand.

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

The EDP Group's consolidated financial statements for the years ended 31 December 2009 and 2008 were prepared in accordance with the IFRS adopted by the EU and effective as of those dates.

In 2009, the Group adopted the standards and interpretations with mandatory application for the years beginning in 1 January 2009. These standards are presented in note 48. When applicable, the comparative values are presented regarding the new required disclosures.

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

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

In accordance with IFRS 3 — Business Combinations, adjustments to the provisional fair values that result from purchase price allocations to assets, liabilities and contingent liabilities, with impact on the amount of goodwill determined and registered in previous periods, originate a restatement of the comparative financial information, reflecting these adjustments on the income statement and balance sheet, with effect from the date of the acquisition.

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

## **b) Basis of consolidation**

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

### *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%.

When the accumulated losses of a subsidiary attributable to minority interests exceed the minority interests in its equity, the excess is attributed to the Group and charged to the income statement as incurred. Profits subsequently reported by the subsidiary are recognised as profits of the Group until the losses attributable to the minority interests previously recognised by the Group have been recovered.

### *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 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.

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.

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.

### *Purchases of minority interests and dilution*

When accounting for transactions with minority interests, the Group applies the Parent Company Model consistently for both purchases and sales to minority interests.

In an acquisition of minority interests, the difference between the fair value of the minority interests acquired and the consideration paid, is accounted against goodwill. The acquisitions of minority interests through written put options related with investments in subsidiaries held by minority interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against minority interests. The difference between the minority interests acquired and the fair value of the liability, is recorded as goodwill. 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 as an adjustment to the cost of the business combination against goodwill and the effect of the financial discount of the liability (unwinding) is recognised as a financial expense in the consolidated income statement.

When an interest in a subsidiary is disposed of, without a loss in control, the difference between the sale price and the book value of the net assets held by the Group, plus the carrying value of goodwill in that subsidiary, is 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.

The Group recognises in the income statement of the period the gains and losses related to a dilution of interest in a subsidiary resulting from share capital increases or sale of an investment.

#### *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 year and the amount translated at the official exchange rates at the end of the year, 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 nature of the risk being hedged and of the hedge model used.

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

#### **Hedge accounting**

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

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

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

#### *Fair value hedge*

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

#### *Cash flow hedge*

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

The cumulative gains or losses recognised in equity 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 equity remain recognised in equity until the future hedged transaction also affects the income statement. When the transaction is no longer expected to occur, the cumulative gains or losses recognised in equity are recorded immediately in the income statement.

#### *Net investment hedge*

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

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

#### *Effectiveness*

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

### **e) Other financial assets**

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

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

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

#### *Available-for-sale investments*

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

#### **Initial recognition, measurement and derecognition**

Purchases and sales of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale investments, are recognised on the trade date, which is the date on which the Group commits to purchase or sell the 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 cash flows have expired, (ii) the Group has transferred substantially all risks and rewards of ownership or (iii) although retaining some, but not substantially all the risks and rewards of ownership, the Group has transferred control over the assets.

#### **Subsequent measurement**

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

Available-for-sale investments are also subsequently carried at fair value, however, gains and losses arising from changes in their fair value are recognised in fair value reserves until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in fair value reserves recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves, 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 to the category of financial assets designated at the moment of its initial recognition at the fair value, with the variations recognised in the income statement (Fair Value Option).

#### **Impairment**

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

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

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

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

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

### **f) Financial liabilities**

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

### **g) Equity instruments**

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

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

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

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

## h) Property, plant and equipment

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

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

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

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

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
Hydroelectric generation	32 to 65
Thermoelectric generation	25 to 40
Renewable generation	20
Electricity distribution	10 to 40
Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

### *Borrowing costs and other directly attributable costs*

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets. A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period. The capitalisation of borrowing costs begins when expenditures for the assets are being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed. Other expenses directly attributable to the acquisition and construction of the assets, such as cost of consumed materials and personnel costs, are also capitalised as part of the cost of the assets.

### *Government grants*

Government grants are initially booked as deferred revenue, under non current liabilities only when there is reasonable certainty that it will be received and that the Group will fulfil the grant term conditions. Grants that compensate the Group for incurred expenses are booked in income statement on a systematic basis, on the same period in which the expenses are incurred. Grants that compensate the Group for the acquisition of assets are recognised in income statement over the related assets useful life.

### *Property, plant and equipment relating to EDP Distribuição's concessions and investment grants*

Under the terms of Decree-Law 344-B/82, low-tension electricity distribution concession does not involve the sale of the assets by Municipalities (grantor), who maintain the ownership of the property, without prejudice to their allocation to use by the Group. These assets are allocated to the concession and are recorded under Property, plant and equipment against a medium and long-term liability recorded under Trade and other payables (Decree-Law 344-B/82 Regularisation Account), note 37.

The Property, plant and equipment allocated to the concessions are booked at cost less accumulated depreciation and impairment losses. Depreciation of these assets is calculated on the same basis and at the same rates as the Group's own Property, plant and equipment, using the straight-line method. The depreciation charge of the year (note 12) is compensated in the depreciation caption, by the decrease, on the same amount, of the liability with the Municipalities.

The EDP Group is responsible for the maintenance and repair of these assets during the concession period. Maintenance and repair costs are charged to the income statement when incurred, in accordance with the accrual principle.

The same accounting treatment is adopted for low tension electricity distribution assets acquired through investment grants.

## i) Intangible assets

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

The Group assesses for impairment whenever events or circumstances may indicate that the book value of the asset exceeds its recoverable amount, any impairment being recognised in the income statement. The recoverable amount is the higher of net selling price and value in use, the latter being calculated by the present value of the estimated future cash flows obtained from continued use of the asset and its sale at the end of its useful life.

### *Acquisition and development of software*

The costs of purchasing software and the costs incurred by the Group to implement it are capitalised and amortised on a straight-line basis over the expected useful life of the software.

Costs incurred by the Group directly related to the development of software, that is expected to generate economic benefits beyond one year, are recognised as intangible assets. Such costs include employee costs directly associated to the project and are amortised on a straight-line basis over the estimated useful life of the software.

Software maintenance costs are charged to the income statement when incurred.

#### *Concession rights on distribution of electricity and gas*

The concession rights on distribution of electricity in Brazil related to the investments in Bandeirante and Escelsa and the concession rights related to the distribution of gas, namely from Portgás and Setgás, are recorded as intangible assets and depreciated on a straight-line basis over the concession period, not exceeding 30 years.

#### *Concession rights to use the public hydric domain*

Concession rights to use the public hydric domain are booked as intangible assets and depreciated on a straight-line basis over the concession period, which currently does not exceed 45 years. EDP Group records as concession rights the financial compensations for the use of public domain assets, whenever this compensations are paid by the Group subsidiaries.

#### *Industrial property and other rights*

Industrial property and other rights are depreciated on a straight-line basis over the estimated useful life of the assets, which does not exceed 6 years.

### **j) Leases**

The Group classifies its lease transactions as finance leases or operating leases based on the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

#### *Operating leases*

Lease payments under operating lease contracts are recognised as an expense in the period to which they relate.

#### *Finance leases*

Finance leases are recognised by the lessee, at the inception of the lease, as assets and liabilities at the fair value of the leased assets which is equivalent to the present value of the future lease payments.

Lease payments include the interest charges and the amortisation of the outstanding principal. The interest charges are recognised as costs over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability.

Lessors record assets held under finance leases as leased capital, at the net amount invested in the lease.

Lease payments include the financial income and the amortisation of the outstanding principal.

Financial results recognised reflect a constant periodic rate of return on the outstanding net balance of the lessor.

#### *Determining whether an Arrangement contains a Lease*

Following the issuance by International Financial Reporting Interpretations Committee (IFRIC) of IFRIC 4 - Determining whether an arrangement contains a lease, applicable from 1 January 2006, arrangements including transactions that, although do not take the form of a lease, convey the right to use an asset in return for a payment, are recognised as leases, provided that, in substance, they comply with the requirements defined in the interpretation.

### **k) Investment property**

The Group classifies as investment property, property held for capital appreciation and/or for rental purposes.

Investment property is recognised initially at acquisition or production cost, including directly attributable transaction costs, and is subsequently measured at cost less accumulated depreciation and any impairment losses.

Subsequent expenditures on investment property are only added to the cost of the asset when it is probable that additional future economic benefits will rise.

### **l) Inventories**

Inventories are measured at the lower of acquisition cost and net realisable value. The cost of inventories includes purchases, conversion and other costs incurred in bringing the inventories to their present location and condition. The net realisable value is the estimated selling price in the ordinary course of business less the estimated selling costs.

The cost of inventories is measured by using the weighted average method.

CO2 licenses held by the Group for trade purposes are booked for as inventories and measured at fair value, at each balance sheet date, against the income statement.

### **m) Accounts receivable**

Accounts receivable are initially recognised at fair value being subsequently measured at amortised cost less impairment losses.

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

### **n) Employee benefits**

#### **Pensions**

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

#### *Defined benefit plans*

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

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

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

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

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

Actuarial gains and losses resulting from (i) differences between financial and actuarial assumptions used and actual amounts and (ii) changes in the actuarial assumptions, are recognised against equity, in accordance with the alternative method defined by IAS 19.

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

The Group recognises as cost in the income statement the total net amount of (i) current service cost, (ii) interest cost, (iii) estimated return of the fund assets and (iv) the effect of early retirements.

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

#### *Defined contribution plans*

In Portugal, Spain and Brazil, the companies EDP Estudos e Consultoria, HC Energia, NEO and Bandeirante have defined contribution social benefit plans that complement those granted by the Social Welfare System, under which they pay an annual contribution to the plans, calculated in accordance with the rules established in each plan.

#### **Other benefits**

##### *Medical benefits and other plans*

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

##### *Variable remuneration paid to employees*

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

#### **o) Provisions**

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

##### *Provisions for dismantling and decommissioning in electric power plants*

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

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

#### **p) Recognition of costs and revenues**

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

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

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

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

#### **q) Financial results**

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

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

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

#### **r) Income tax**

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

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available to absorb deductible temporary differences for taxation purposes.

The Group compensates, as established in IAS 12, paragraph 74, the deferred tax assets and liabilities if, and only if:

(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and

(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### **s) Earnings per share**

Basic earnings per share are calculated by dividing consolidated and the company net profit attributable to the equity holders of EDP, S.A. by the weighted average number of ordinary shares outstanding during the period, excluding the average number of shares held by the Group and by EDP, S.A., respectively.

For the diluted earnings per share calculation, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. The dilution effect corresponds to a decrease in earnings per share resulting from the assumption that the convertible instruments are converted or the options granted are exercised.

#### **t) Share based payments**

The stock options remuneration program enables the Group's employees to acquire EDP, S.A. shares. The exercise price of the options is calculated based on the listed price of the shares at the grant date.

The fair value of the options granted, determined at the grant date, is recognised in the income statement against equity during the vesting period, based on their market value calculated at the grant date.

If the option is exercised, the Group acquires shares in the market to grant them to employees.

#### **u) Non-current assets held for sale and discontinued operations**

Non-current assets or groups of non-current assets held for sale (groups of assets and related liabilities that include at least one non-current asset) are classified as held for sale when their carrying amounts will be recovered mainly through sale, the assets or groups of assets are available for immediate sale and the sale is highly probable.

The Group also classifies as non-current assets held for sale, non-current assets or groups of assets acquired exclusively for its subsequent resale, that are available for immediate sale and the sale is highly probable.

Immediately before classification as held for sale, the measurement of all non-current assets and all assets and liabilities included in a disposal group, is adjusted in accordance with the applicable IFRS. Subsequently, these assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell.

#### **v) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents include balances with maturity of less than three months from the balance sheet date, including cash and deposits in banks.

#### **w) Segment reporting**

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

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and rewards that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services within a particular economic environment and that is subject to risks and rewards that are different from those of components operating in other economic environments.

#### **x) Tariff adjustments**

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

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

#### **y) CO2 licenses and greenhouse effect gas emission**

The Group holds CO2 licenses in order to deal with gas emissions resulting from its operational activity and licenses acquired for trading. The CO2 licenses held for own use and attributed free of charge are booked as intangible assets against Deferred Income - Subsidies and are valued at the quoted price on the grant date. The use of the licenses is based on actual gas emissions in the period, valued at the quoted price in the Powernext market on the date of attribution which is usually at the beginning of the year.

Amortisation of subsidies is made in the year when the subsidy is granted. When the emissions of the year exceed the CO2 licenses attributed for free, a provision is booked to cover for the costs of acquiring the necessary additional licenses at the balance sheet date.

The licenses held by the Group for trading purposes are booked under inventories at acquisition cost, subsequently adjusted to the respective fair value, calculated on the basis of the Powernext market quote in the last working day of each month. Gains and losses resulting from these adjustments are recognised in the income statement of the period.

## **z) Cash Flow Statement**

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

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

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

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

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

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

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

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

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

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

### **Fair value of financial instruments**

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

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

### **Contractual Stability Compensation (CMEC)**

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

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

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

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

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

### **Contractual Stability Compensation — Revisable mechanism**

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

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

In 2006, following the Portuguese Government's announcement of the early termination of the PPAs, EDP reviewed the useful lives of the electricity generating assets which, consequently, led to a change in the depreciation policy. The useful lives of the thermoelectric and hydroelectric power plants under the PPAs was redefined based on an assessment of the corresponding equipment, considering its technological capacity and the limitations imposed by the legislation, namely the need to make additional investments in order to comply with environmental restrictions. This analysis considered the use of estimates and judgement in order to determine the useful lives of those assets.

## Tariff adjustments

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

Considering the current legislation which establishes an unconditional right of the regulated operators to recover or return the tariff adjustments, the EDP Group booked in the caption Electricity sales of the period, the effects of the recognition of the tariff adjustment, against Other debtors / Other Creditors. Under the current legislation, regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the electricity tariffs.

## Tariff deficit

In Portugal, the Decree-Law 237-B/2006, of 19 December 2006, recognised in 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 collecting right to a third party. In 2008, the EDP Group sold unconditionally the tariff deficit booked in 2007. In 2009, the tariff deficits regarding 2008 and the remaining part of 2007 were transferred, as well as the non-regular tariff adjustment regarding the estimated overcost of the special regime production for 2009.

In Spain, Royal Decree 1634/2006, published in December 2006, established the electricity tariff for the period starting on 1 January 2007. This Royal Decree established the method of recovering the 2006 deficit, and that as from 1 July 2007 tariffs for the sale of electric energy by distribution companies will be modified quarterly by Royal Decree. Order ITC/2794/2007 of 27 September, which revises electricity tariffs as from 1 October 2007 was issued in compliance with Royal Decree 1634/2006. As at 29 December 2007, Order ITC/3860/2007 of 28 December, revised the electricity tariffs, from 1 January 2008.

Spanish Royal Decree Law 6/2009, published on 7 May 2009 establishes, among other matters: (i) the possibility to securitize the Spanish tariff deficit supported by the electric sector companies through a State guarantee; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs will be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provides for the passage of some costs currently included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed.

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

## Impairment of long term assets and Goodwill

Impairment tests are performed, whenever there is a trigger that the recoverable amount of property, plant, equipment and intangible assets is less than the corresponding net book value of 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 would result in a different level of income taxes, current and deferred, recognised in the period.

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

## Pensions and other employee benefits

Determining pension and other employee benefits liabilities requires the use of assumptions and estimates, including actuarial projections, estimated rates of return on investments, discount rates and pension and salary growth and other factors that can impact the cost and liability of the pension and medical plans. Changes in the assumptions can materially affect the amounts determined.

## Provisions for dismantling and decommissioning of power generation units

The EDP Group believes that there are legal or contractual obligations to dismantle and decommission property, plant and equipment assets relating to electricity generation operations. The Group records provisions in accordance to existing legal or contractual obligations to cover the present value of the estimated cost to restore the locations and land where the power generations units are installed. The calculation of the provisions is based on estimates of the present value of the futures liabilities.

The use of different assumptions in the estimates and judgements from those referred to can lead to different results of those considered.

#### 4. Financial-risk management policies

##### Financial risk management

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

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

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

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

##### Exchange-rate risk management

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

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY) and Brazilian Reals (BRL). Currently, the exposure to EUR/USD exchange rate risk results essentially from the acquisition of Horizon in July 2007 and from the investments in the wind parks performed in the USA since then. In order to finance this acquisition and its investment plan, EDP contracted USD loans as well as foreign exchange derivative financial instruments that convert the issued debt into USD, with the objective of mitigating the exchange rate risk related to the net assets of Horizon. The exchange and interest rate risks on the GBP and JPY bonds issued by EDP Finance B.V. under the Medium Term Notes Program for the Issuance of Debt Instruments have been hedged as from their issuing date. The EDP Group's remaining debt, except for the debt contracted by the Brazilian subsidiaries, is denominated in Euros.

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

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

##### Sensitivity analysis - exchange rate

Relating to financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2009 and 2008, would lead to an increase/(decrease) in the EDP Group results and equity as follows:

		31 December 2009			
		Results Euro'000		Equity Euro'000	
		+10%	-10%	+10%	-10%
USD		24,114	-29,473	-23,087	28,218
BRL		-	-	-	-
PLN		-	-	7,984	-9,759
		<b>24,114</b>	<b>-29,473</b>	<b>-15,103</b>	<b>18,459</b>
		31 December 2008			
		Results Euro'000		Equity Euro'000	
		+10%	-10%	+10%	-10%
USD		-31,140	38,060	-	-
BRL		-	-	-	-
		<b>-31,140</b>	<b>38,060</b>	<b>-</b>	<b>-</b>

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

##### Interest rate risk management

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

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities between approximately 1 and 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations.

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

Interest rate risk management relating to the Group's operations, excluding Brazil, is performed centrally by the EDP Group's Financial Department, which contracts derivative financial instruments (swaps and collars) to mitigate this risk. Based on the debt portfolio contracted by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 100 basis points change in the reference interest rates at 31 December 2009 and 2008 would lead to the following increases / (decreases) in equity and results of the EDP Group:

	Dec 2009			
	Results		Equity	
	Euro'000		Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-17,277	17,277	-	-
Unhedged debt	-64,135	64,135	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	18,997	-20,956
Trading derivatives (accounting perspective)	-15,142	12,191	-	-
	<u>-96,554</u>	<u>93,603</u>	<u>18,997</u>	<u>-20,956</u>
	Dec 2008			
	Results		Equity	
	Euro'000		Euro'000	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Cash flow effect:				
Hedged debt	-24,777	24,777	-	-
Unhedged debt	-71,532	71,532	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	20,502	-22,461
Trading derivatives (accounting perspective)	-1,778	1,938	-	-
	<u>-98,087</u>	<u>98,247</u>	<u>20,502</u>	<u>-22,461</u>

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 to high credit rating notation credit institutions and therefore the risk of counterparty default is not considered to be significant. Guarantees and other collaterals are not required on these transactions.

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

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

## Liquidity risk management

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

## Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations relating to electric energy, carbon emissions (CO2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of financial and physical operations on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the positions managed and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, brent and coal) and forwards to fix prices.

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

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

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

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

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

Risk factor:	P@R Distribution by risk factor	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Negotiation	4,000	4,000
Fuel	32,000	106,000
CO2	33,000	5,000
Electricity	44,000	32,000
Hydrological	17,000	17,000
Diversification effect	-93,000	-133,000
Total	37,000	31,000

Regarding credit risk, the quantification of exposure considers the amount and type of transaction (eg. swap or forward), the rating of the counterparty risk that depends on the probability of default and the expected value of credit to recover, which varies depending on the guarantees received or the existence of "netting" agreements. As at 31 December 2009 and 2008, the EDP Group's exposure to credit risk rating is as follows:

Credit risk rating (S&P):	2009	2008
AAA to AA-	48.48%	21.40%
A+ to A-	47.66%	70.40%
BBB+ to BBB-	0.92%	0.40%
BB+ to B-	2.25%	0.90%
No rating assigned	0.69%	6.90%
Total	100.00%	100.00%

#### Brazil — Interest rate and exchange rate risk management

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

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

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

The summary of VaR on the operations of the Brazilian subsidiaries at 31 December 2009 and 2008 is as follows:

	VaR	
	2009	2008
	Euro'000	Euro'000
Exchange rate risk	809	3,051
Interest rate risk	3,619	9,450
Covariation	-1,098	-2,697
Total	3,330	9,804

#### 5. Consolidation perimeter

During 2009, several changes occurred in EDP Group consolidation perimeter as described below:

##### Companies acquired:

- Nuevas Energías de Occidente, S.L. acquired 100% of the share capital of Mardelle, SARL and Vallée du Moulin, SARL and 49% of the share capital of Quinze Mines, SARL;
- Neo Catalunya, S.L. acquired 100% of the share capital of Parc Eólic Coll de la Garganta, S.L., Bon Vent de L'Ebre, S.L. and Serra Voltorera, S.L.;
- EDP Energias do Brasil acquired 100% of the share capital of CENAEEL through its subsidiaries EDP Renováveis Brasil (55%) and Enernova Brasil, S.A. (45%);
- Nuevas Energías de Occidente, S.L. acquired 100% of the share capital of Elektrownia Wiatrowa Kresy I, S.P. through its subsidiary Neolica Polska S.P. Z.o.o.;
- EDP Energias do Brasil acquired 100% of the share capital of Elebrás Projetos, Ltda through its subsidiary EDP Renováveis Brasil, S.A.;
- EDP, S.A. acquired 52% of the share capital of CEO - Companhia Energia Oceânica, S.A. through its subsidiary EDP Inovação, S.A.;
- Neo Catalunya, S.L. and Desarrollos Catalanes, subsidiaries of Nuevas Energías de Occidente, S.L. acquired 60.63% of the share capital of Aprofitament D'Energies Renovables de la Terra Alta, S.A.;
- Nuevas Energías de Occidente, S.L. acquired 38.96% of the share capital of Aprofitament D'Energies Renovables de L'Ebre, S.A. through its subsidiary Aprofitament D'Energies Renovables de la Terra Alta, S.A.;
- Naturgás Energía acquired from Gas Natural 90.41% of the share capital of Gas Natural Cantabria SDG, S.A., 99.98% of Gas Natural Murcia SDG, S.A., 100% of GEM Suministro Gas 1, SL, 100% of GEM Suministro Sur 1, SL and 100% of GEM Servicios Comunes, S.L.

##### Companies sold and liquidated:

- Generaciones Especiales I, S.L. sold its 50% interests in Ibersol E. Solar Ibérica, S.A. (see note 13);
- Hidroantábrico Explotación de Centrales sold its 100% interests in Ambitec Laboratorio Medioambiental, S.A. (see note 13);
- EDP Imobiliária in May 2009 dissolved and liquidated its subsidiary U-Call - Atendimento a Clientes e Telemarketing, S.A.;
- In April 2009 EDP Valor, S.A. dissolved and liquidated MRH - Mudança e Recursos Humanos, S.A.;
- During the first semester of 2009 the company Empresa Editorial Eletrotécnica EDEL, Lda. was dissolved and liquidated;
- In August 2009 EDP, S.A. dissolved and liquidated EDALPRO - Imobiliária, Lda.;
- Hidroantábrico Explotación de Centrales sold its 50% interests in Cogeneration La Espina, S.L. (see note 13)
- Generaciones Especiales I, S.L., dissolved and liquidated its subsidiaries Eólica Mare Nostrum S.A. and Horta Medioambiente, S.A.;
- Nuevas Energías de Occidente, S.L., dissolved its subsidiaries Hollywell Investments Limited, SARL and Ridgeside Investments Limited, SARL;
- Horizon Wind Energy LLC, dissolved its subsidiary Chocolate Bayou Windpower I, LP;
- Hidroantábrico Explotación de Centrales sold its 50% interests in Proenergcam (see note 13).

**Companies merged:**

The following companies were incorporated in Neogalia, S.A.S.:

- C.E. Ayssenes-Le Truel, S.A.S.;
- C.E. Beaurevoir, S.A.S.;
- C.E. Bourbriac, S.A.S.;
- C.E. Calanhel Lohuec, S.A.S.;
- Eole Service, S.A.R.L.;
- Eole 76 Developpement, S.A.R.L.;
- Le Gollot, SAS;
- Keranfouler, SAS;
- Parc Eolien Les Bles D'Or, S.A.R.L.;
- C.E. Les Vieilles, SAS;
- Eole Futur Montloue 1, SAS;
- Pieces de Vigne, S.A.R.L.;
- CE Pont d'Yeu, SAS;
- C.E. NEO Prouville, S.A.S.
- Recherches et Dével. Éoliennes, S.A.R.L.
- C.E. Saint Alban-Henansal, S.A.S.;
- Saint Jacques, S.A.R.L.

The following companies were incorporated in Neolica Polska:

- Zulawy Wind Park II, Sp.z.o.o. ;
- Kip Wind Park II, Sp. z.o.o.;
- Relax Wind Park V, Sp. z.o.o.;
- Relax Wind Park VI, Sp. z.o.o.;
- Chodow Wind Park, Sp. z o.o.;
- Sk Wind Park, Sp. z o.o.;
- Kip Wind Park I, Sp. z.o.o.;
- Sokolowo Wind Park, Sp. z o.o.

The following companies were incorporated in Pebble Hydro:

- PH Energia, S.G.P.S., S.A.;
- Hidrotuela - Hidroeléctrica do Tuela, S.A.;
- Hidrocorgo - Hidroeléctrica do Corgo, S.A.

- EDP-Powerline Infraestruturas de Comunicação, S.A. was merged in EDP Inovação, S.A.;
- Septentrional de Gás, S.A. was merged in Naturgas Energia Transporte, S.A.U.;
- Levante - Energia Eólica, Unipessoal, Lda was merged in Enernova - Novas Energias, S.A.;
- EDP Lajeado Energia, S.A. and Tocantins Energia were merged in Lajeado Energia, S.A.

**Companies incorporated:**

- Empresa Hidroeléctrica do Guadiana, S.A.;
- Desarrollos Eólicos de Teruel, S.L.;
- Eólica Garcimuñoz, S.L.;
- CIDE HC Energia, S.A.;
- HC Energía Último Recurso, S.A.;
- FISIGEN - Empresa de Cogeração, S.A.;
- Horizon Wind Energy Northwest IV LLC \*;
- Horizon Wind Ventures VI, LLC;
- Horizon Wyoming Transmission LLC \*;
- Meadow Lake Windfarm III LLC \*;
- Meadow Lake Windfarm IV LLC \*;
- Meadow Lake Wind Farm V, LLC;
- Black Prairie Wind Farm II LLC\*;
- Black Prairie Wind Farm III LLC\*;
- Tudela Cogeneración;
- Evrecy Participações, Lda;
- InovGrid, A.C.E.;
- Agrupación Eólica Francia, S.L.;
- EDP Ásia - Soluções Energéticas, Lda;
- 2009 Vento IV, LLC;
- 2009 Vento V, LLC;
- 2009 Vento VI, LLC;
- Blue Canyon Wind Power VII, LLC;
- Lexington Chenoa Wind Farm II, LLC;
- Lexington Chenoa Wind Farm III, LLC;
- Horizon Wind Ventures II, LLC;
- Paulding Wind Farm, LLC\*;
- Paulding Wind Farm II, LLC\*;
- Paulding Wind Farm III, LLC\*;
- Simpson Ridge Wind Farm II, LLC\*;
- Simpson Ridge Wind Farm III, LLC\*;
- Simpson Ridge Wind Farm IV, LLC\*;
- Simpson Ridge Wind Farm V, LLC\*;
- Athena-Weston Wind Power Project II, LLC;
- EDPR UK Limited;
- Moray Offshore Renewables Limited;
- Ciclo Combinado Soto 5 S.L.;
- Terra Verde Bioenergia Participações S.A.;
- Windplus, S.A.

\* EDP Group holds, through EDP Renováveis and its subsidiary Horizon, a set of subsidiaries in the United States of America legally incorporated without share capital and that as at 31 December 2009 do not have any assets, liabilities, or any operating activity.

#### Other changes:

- Reduction of the interests in Central Termica Ciclo Combinado Soto 4 from 100% to 75% through dilution, following a share capital increase not fully subscribed by Electrica Ribera del Ebro, S.A. (see note 13);
- EDP Gestão da Produção, S.A. acquired the remaining 40% of the share capital of O&M Serviços - Operação e Manutenção Industrial, S.A.;
- Genesa I S.L. acquired the remaining 10% of the share capital of Hidroeléctrica Fuentermosa, S.L.;
- Desarrollos Eólicos Promoción S.A.U. acquired 3.33% of share capital of Desarrollos Eólicos de Galicia, S.A.;
- Neolica Polska acquired 3.14% of share capital of Relax Wind Park I SP z.o.o.;
- Sinae Inversiones Eólicas S.A. acquired 18% of share capital of Parque Eólico del Voltoya, S.A.;
- EDP — Energias do Brasil, S.A. sold treasury stock corresponding to 9.76% of its own share capital (see note 13);
- Naturgás Participaciones S.A.U. sold its 50% interests of Millenium Energy S.L. to Hidrocantábrico Cogeneracions, S.L.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2009 and 2008 are listed in note 52.

#### 6. Turnover

Turnover analysed by sector is as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Revenue by business sector:</b>				
Electricity	10,934,141	12,369,499	1,532,557	2,263,447
Gas	944,482	1,226,852	-	-
Steam and ashes	10,371	10,182	-	-
Other	114,610	126,282	129,196	-
	<u>12,003,604</u>	<u>13,732,815</u>	<u>1,661,753</u>	<u>2,263,447</u>
<b>Services rendered by business sector:</b>				
Associated with electricity sales	87,899	35,393	33,847	9,097
Gas	37,011	51,850	-	-
Power availability agreement	2,445	2,730	-	-
Advisory and management services	7,274	5,797	59,774	49,935
Other	59,950	65,478	190	47
	<u>194,579</u>	<u>161,248</u>	<u>93,811</u>	<u>59,079</u>
	<u>12,198,183</u>	<u>13,894,063</u>	<u>1,755,564</u>	<u>2,322,526</u>
<b>Total turnover:</b>				
Electricity	11,022,040	12,404,892	1,566,404	2,272,544
Gas	981,493	1,278,702	-	-
Steam and ashes	10,371	10,182	-	-
Power availability agreement	2,445	2,730	-	-
Advisory and management services	7,274	5,797	59,774	49,935
Other	174,560	191,760	129,386	47
	<u>12,198,183</u>	<u>13,894,063</u>	<u>1,755,564</u>	<u>2,322,526</u>

In 2009, on a consolidated basis, the caption Electricity in Portugal includes a net cost of 361,080 thousand Euros (income in December 2008: 1,063,367 thousand Euros) regarding the tariff adjustments of the year, as described under accounting policies - note 2 x).

Additionally, the caption Electricity includes on a consolidated basis 535,543 thousand Euros (31 December 2008: 300,422 thousand Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination. This amount includes 140,052 thousand Euros (138,716 thousand Euros as at 31 December 2008) related to the initial CMEC for the period and 395,491 thousand Euros (161,706 thousand Euros as at 31 December 2008) resulting from the revisable mechanism, as established by the current legislation in Portugal.

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

	Dec 2009				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	6,923,086	2,247,272	1,655,415	196,267	11,022,040
Gas	126,387	855,106	-	-	981,493
Steam and ashes	10,371	-	-	-	10,371
Power availability agreement	2,445	-	-	-	2,445
Advisory and management services	6,617	657	-	-	7,274
Other	112,122	27,178	26,879	8,381	174,560
	<u>7,181,028</u>	<u>3,130,213</u>	<u>1,682,294</u>	<u>204,648</u>	<u>12,198,183</u>
	Dec 2008				
	Portugal	Spain and other European countries	Brazil	U.S.A.	Group
Electricity	8,673,117	1,779,387	1,820,575	131,813	12,404,892
Gas	118,742	1,159,960	-	-	1,278,702
Steam and ashes	10,182	-	-	-	10,182
Power availability agreement	2,730	-	-	-	2,730
Advisory and management services	5,797	-	-	-	5,797
Other	75,798	91,629	24,333	-	191,760
	<u>8,886,366</u>	<u>3,030,976</u>	<u>1,844,908</u>	<u>131,813</u>	<u>13,894,063</u>

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

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Cost of consumed electricity	5,340,458	6,627,273	1,192,863	1,830,374
Cost of consumed gas	641,183	823,200	-	-
<b>Changes in inventories and cost of raw materials and consumables used</b>				
Fuel, steam and ashes	454,965	572,611	3,411	-
Gas	495,745	850,264	214,521	405,434
Cost of consumables used	134,529	538,141	-	-
CO2 licenses				
Consumptions	338,399	354,310	142,752	-5,083
Government grants	-233,429	-294,683	-	-
Other	124,224	158,717	-	-
Own work capitalised	-203,204	-632,955	-	-
	<u>1,111,229</u>	<u>1,546,405</u>	<u>360,684</u>	<u>400,351</u>
	<u>7,092,870</u>	<u>8,996,878</u>	<u>1,553,547</u>	<u>2,230,725</u>

On a company basis Cost of consumed electricity, includes costs of 699,737 thousand Euros (31 December 2008: 928,201 thousand Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

## 7. Other operating income

Other operating income are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Supplementary income	25,181	23,392	325	1,174
Operating Government grants	882	1,404	-	-
Gains on fixed assets	3,297	19,538	781	1,596
Reversal of impairment losses:				
- Doubtful debtors	20,700	17,323	-	20
- Debtors and other assets	831	656	-	328
Own work capitalised	4,198	6,980	-	-
Excess amount over customers contributions	8,201	9,179	-	-
Insurance premiums - Energia RE	11,302	9,267	-	-
Income arising from institutional partnerships - Horizon	82,671	61,238	-	-
CO2 Licenses (RDL 06/2006) - HC Energia Group	-	13,024	-	-
Amortisation of the power purchase agreements fair value - Horizon	17,654	18,272	-	-
Turbine availability bonus - Horizon	12,692	2,390	-	-
Other operating income	37,181	46,010	7,347	17,646
	<u>224,790</u>	<u>228,673</u>	<u>8,453</u>	<u>20,764</u>

Income arising from institutional partnerships - Horizon relates to revenue recognition arising from production and investment tax credits (PTC/ITC) and tax depreciations regarding Vento I, II, III, IV and V projects, in wind farms in U.S.A.

The caption CO2 Licenses (Royal Decree-Law 06/2006) - HC Group in 2008 includes the income recognised resulting from the interpretation made by the Spanish regulatory authorities under the application of Royal Decree-Law 06/2006 to the HC Energia activity.

The power purchase agreements between Horizon and its customers were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousand USD and recorded as a non-current liability (note 37). This liability is depreciated over the period of the agreements against other operating income. As at 31 December 2009, the amortisation for the year amounts to 17,654 thousand Euros (31 December 2008: 18,272 thousand Euros).

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

## 8. Supplies and services

Supplies and services are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Subcontracts	3,753	6,894	-	-
<b>Supplies and services:</b>				
Water, electricity and fuel	11,386	13,538	928	852
Tools and office material	6,597	6,330	273	270
Rents and leases	92,759	91,583	9,804	8,715
Communication	40,156	38,619	1,584	1,436
Insurance	34,174	29,060	845	1,105
Transportation, travelling and representation	25,031	24,430	1,393	1,909
Commission and fees	4,205	4,479	105	670
Maintenance and repairs	241,202	217,684	2,739	4,500
Advertising	27,403	24,501	6,640	10,291
Surveillance and security	10,304	10,472	456	515
Specialised works:				
- Commercial activity	92,275	88,525	-	-
- IT services	41,013	40,587	1,913	1,170
- Legal fees	18,420	13,817	2,330	1,231
- Advisory fees	25,001	42,759	4,354	16,065
- Other services	63,397	48,037	25,998	23,820
Provided personal	-	-	34,175	28,279
Other supplies and services	31,126	34,453	5,633	6,519
	<b>768,202</b>	<b>735,768</b>	<b>99,170</b>	<b>107,347</b>

## 9. Personnel costs and employee benefits expense

Personnel costs are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Board of Directors remuneration	12,298	16,127	5,281	5,656
Employee's remuneration	441,098	452,111	405	273
Social charges on remuneration	112,501	111,286	227	216
Indemnities	8,632	6,462	-	-
Performance bonus	74,725	77,973	9,102	3,285
Share-based remuneration plan	2,062	1,801	-	-
Other costs	21,142	24,703	1,247	573
Own work capitalised	-132,422	-116,789	-	-
	<b>540,036</b>	<b>573,674</b>	<b>16,262</b>	<b>10,003</b>

The breakdown by management positions and category of professional permanent staff as at 31 December 2009 and 2008 is as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Board members and senior officers	87	79	29	24
Senior management	436	431	-	-
High management	2,050	1,945	-	-
Middle management	803	756	-	-
Intermediate management	830	836	-	-
Highly-skilled and skilled workers	5,976	6,145	1	1
Semi-skilled workers	1,837	1,898	-	-
Temporary workers	77	155	-	-
	<b>12,096</b>	<b>12,245</b>	<b>30</b>	<b>25</b>

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Pension plans costs	73,751	62,246	75	-
Medical plans costs and other benefits	43,801	48,791	122	-
Cost of rationalising human resources	39,872	49,203	-	-
Other	929	960	-	177
	<b>158,353</b>	<b>161,200</b>	<b>197</b>	<b>177</b>

Pension plans costs include 62,274 thousand Euros (41,771 thousand Euros in 2008) related to defined benefit plans (see note 35) and 11,477 thousand Euros (20,475 thousand Euros in 2008) related to defined contribution plans. Medical plans costs and other employee benefits include 49,955 thousand Euros related to the charge of the year net of the corresponding charge-off. The cost of rationalising human resources results from the project for restructuring the hierarchy structure of EDP Brasil, which modified the structure from 5 to 3 hierarchy levels with a total cost of 5,379 thousand Euros. This plan covered 46 employees. This caption also includes 34,493 thousand Euros related to 133 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. and EDP Distribuição, S.A. In 2008, the cost of rationalising human resources results from the implementation of PAE Plan (Plan to Adjust the Workforce in Portugal), through which 198 employees opted for early retirement.

## 10. Other operating expenses

Other operating expenses are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Concession rents paid to local authorities	240,517	228,261	-	-
Rents from power generation units	8,113	7,430	-	-
Direct taxes	13,132	9,384	271	341
Indirect taxes	57,376	53,868	460	972
Impairment losses on doubtful debts	71,327	70,438	-	35
Impairment losses on debtors and other assets	7,369	3,636	11	356
Losses on fixed assets	8,934	4,929	415	140
Regulation costs	5,037	4,707	-	-
Return of CO2 licenses (Royal Decree - Law 11/07)	15,502	62,137	-	-
Donations	16,770	17,484	6,876	4,028
Other operating costs	56,487	38,006	9,577	5,575
	<u>500,564</u>	<u>500,280</u>	<u>17,610</u>	<u>11,447</u>

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

Return of CO2 licenses (Royal Decree - Law 11/07) reflects the amount of the licenses that the Group expects to return to the Spanish Government as a result of the publication of Royal Decree - Law 11/07, which establishes that the cost relating to CO2 licenses granted free of charge by the Spanish Government will be deducted from the sector's tariff deficit in 2009.

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

## 11. Provisions

Provisions are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Charge for the year	92,322	71,185	187	3,927
Write-back for the year	-17,637	-39,114	-	-2,408
	<u>74,685</u>	<u>32,071</u>	<u>187</u>	<u>1,519</u>

The net movement of provisions (74,685 thousand Euros) includes the charge for the year related to onerous contracts with clients (approximately 33,212 thousand Euros) in Portugal and Spain, the charge for the year related to legal actions in Brazil and Portugal (12,720 thousand Euros and 4,762 thousand Euros, respectively) and the charge for the year concerning legal risks in Spain of 10,027 thousand Euros.

## 12. Depreciation and amortisation expense

Depreciation and amortisation expense are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Property, plant and equipment:</b>				
Property, plant and equipment under concession DL 344-B/82	255	424	-	-
Buildings and other constructions	17,054	16,458	469	509
Plant and machinery:				
Hydroelectricity generation	140,167	134,030	8	8
Thermoelectric generation	275,957	249,257	-	-
Renewable generation	305,996	201,282	-	-
Electricity distribution	441,542	459,819	-	-
Gas distribution	40,227	35,958	-	-
Other plant and machinery	1,782	1,914	15	15
Transport equipment	10,191	9,595	687	626
Office equipment and tools	52,341	42,856	4,335	3,211
Impairment loss	416	2,658	-	-
Other	3,023	2,450	1,413	1,421
	<u>1,288,951</u>	<u>1,156,701</u>	<u>6,927</u>	<u>5,790</u>
<b>Intangible assets:</b>				
Industrial property and other rights	15,753	21,510	8	15
Concession rights	80,788	78,336	-	-
Accelerated amortisation/impairment	44,219	49,921	-	-
	<u>140,760</u>	<u>149,767</u>	<u>8</u>	<u>15</u>
	<u>1,429,711</u>	<u>1,306,468</u>	<u>6,935</u>	<u>5,805</u>
<b>Compensation of amortisation and depreciation:</b>				
Partially-funded property, plant and equipment	-111,015	-113,597	-	-
	<u>1,318,696</u>	<u>1,192,871</u>	<u>6,935</u>	<u>5,805</u>

In December 2008, Accelerated amortisation/impairment included the concession rights of Enersul in Brazil, of 49,921 thousand Euros. This accelerated amortisation/impairment represents the loss of the Enersul assets value (impairment) resulting from the regulatory changes occurred in 2008. In 2009, this caption includes 44,219 thousand Euros related to the accelerated amortisation of the concession rights of EDP Energias do Brasil, under the treasury stock sale performed by this company (see note 13).

The partially-funded property, plant and equipment by third parties 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) on the same basis and at the same rates as the corresponding partially-funded assets.

In accordance with IFRS 3 - Business combinations, the adjustments resulting from the purchase price allocation performed during 2009 for the goodwill booked in 2008 for EDP Brasil subgroup and for Ródão Power resulted in the restatement of the comparative financial information for the depreciation and amortisation expense regarding property, plant and equipment and intangible assets of 1,429 thousand Euros and -551 thousand Euros, respectively.

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

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

	Dec 2009		Dec 2008	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Available for sale investments:</b>				
Banco Comercial Português, S.A.	0.60%	5,355	0.01%	274
REN - Rede Eléctrica Nacional, S.A.	-	-	1.5%	16,969
Valor Sul, S.A	-	-	15.6%	1,322
Sonaeocom, S.A.	7.96%	28,920	-	-
<b>Held for sale assets:</b>				
Edinfor - Sistemas Informáticos, S.A.	-	-	40.0%	4,819
ESC90 - Telecomunicações, Lda.	48.51%	19,141	-	-
<b>Investments in subsidiaries and associates:</b>				
Ambitec Laboratorio Medioambiental, S.A.	100.00%	-150	-	-
Central Térmica Ciclo Combinado Soto 4	25.00%	12,899	-	-
EDP Renováveis, S.A.	-	-	22.5%	405,375
Ibersol E. Solar Ibérica, S.A.	50.00%	268	-	-
Marquesado del Solar, S.A.	-	-	50.0%	2,378
Portugen - Energia, S.A.	-	-	26.7%	-1,424
Proenercam	50.00%	60	-	-
Turbogás Produtora Energética, S.A.	-	-	40.0%	50,822
Cogeneration La Espina, S.L	50.00%	367	-	-
Treasury stock EDP Brasil	7.03%	-6,979	-	-
Other	-	-178	-	1,197
		<u>59,703</u>		<u>481,732</u>

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

	Dec 2009		Dec 2008	
	Disposal %	Value Euro'000	Disposal %	Value Euro'000
<b>Available for sale investments:</b>				
REN - Rede Eléctrica Nacional, S.A.	-	-	1.5%	15,100
Pirites Alentejanas, S.A. *	-	-10	-	-
<b>Held for sale assets:</b>				
Edinfor - Sistema Informáticos, S.A.	-	-	40.0%	64
		<u>-10</u>		<u>15,164</u>

\* 322 shares sold in total.

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

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

On 30 June 2009; the Group concluded the sale of its shareholding in ESC 90 Telecomunicações Ltda. ("ESC 90"), representing 48.51% of the respective share capital, to Net Serviços de Comunicação S.A. as agreed on the Sale and Purchase Private Agreement signed in August 2008 (see note 39). This operation generated an accounting gain of 19,141 thousand Euros.

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

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

On 4 June 2008, the share capital of EDP Renováveis was increased through an initial public offer (IPO) of 196,024,306 shares with a nominal value of 5 Euros. EDP Group did not participate in this share capital increase and, as a consequence, its interest in the share capital of EDP Renováveis was diluted, being reduced from 100% to 77.53%. The share capital increase was 1,566,726 thousand Euros, of which 980,122 thousand Euros corresponds to the share capital increase and 586,605 thousand Euros corresponds to the share premium. As a result of this operation, EDP Group has reduced its interest in the EDP Renováveis share capital which allowed the dilution of the capital in the public market and consequently the entry of Minority Interests. The referred dilution effect is comparable to a partial sale of an investment in a subsidiary, where the entity maintains the control after this partial sale, under the terms of the Parent Company Model, as described under accounting policies - note 2 b), being equivalent to the sale of an investment to Minority Interests.

The gain from the referred dilution effect that resulted from this operation was determined by comparing the contribution of EDP Renováveis to EDP Group before and after the IPO. The Group has prepared consolidated financial statements of EDP Renováveis with reference to 31 May 2008, date of the last consolidation before the IPO. The equity amounts of EDP Renováveis before and after the IPO are analysed as follows:

Equity (with reference to 31 May 2008)	Share capital		
	Pre IPO Euro'000	increase Euro'000	Post IPO Euro'000
Share capital	3,381,419	980,122	4,361,541
Share premium (net of operation costs)	-	552,035	552,035
Reserves and retained earnings	67,109	-	67,109
Net profit	40,453	-	40,453
<b>Total equity</b>	<b>3,488,981</b>	<b>1,532,157</b>	<b>5,021,138</b>

The gain of 405,375 thousand Euros corresponds to the difference between the equity held Pre IPO (held in 100% by EDP Group) and the equity held Post IPO (held in 77,53% by EDP Group), as presented in the following table:

	Pre IPO Euro'000 (A)	Post IPO Euro'000 (B)	Gain calculation Euro'000 (B - A)
EDP Renováveis contribution	3,488,981	5,021,138	
% of consolidation	100.00%	77.53%	
	<b>3,488,981</b>	<b>3,892,888</b>	<b>403,907</b>
Other consolidation adjustments			1,468
<b>Consolidated gain</b>			<b>405,375</b>

On 6 May 2008, EDP Gestão da Produção, S.A. sold to International Power Portugal Holdings SGPS, S.A. its interests of 40% and 26.7% in the share capital of Turbogás Produtora Energética, S.A. (Turbogás) and Portugen - Energia, S.A. (Portugen), respectively. This transaction has been concluded with a price of 140,000 thousand Euros, generating a gain on a consolidated basis of 50,822 thousand Euros in Turbogás and a loss of 1,424 thousand Euros in Portugen.

On 31 March 2008, EDP, S.A. sold 1.5% of REN - Rede Eléctrica Nacional, S.A. share capital to the Pension Fund of EDP. Under the terms of this operation, 8,010,000 shares have been traded for 3.5 Euros per share (market price at this date), representing a cash inflow of 28,035 thousand Euros. This operation generated a gain in the individual and consolidated financial statements of 15,100 thousand Euros and 16,969 thousand Euros, respectively.

On 7 March 2008, EDP, S.A. signed a contract to sell 40% of the share capital and credits over Edinfor for 54,964 thousand Euros, generating a gain on a consolidated basis of 4,819 thousand Euros.

#### 14. Other financial income and expenses

Other financial income and expenses are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Other financial income</b>				
Interest income from investments	70,139	54,259	353,022	377,995
Derivative financial instruments:				
Interest	182,941	131,714	200,944	114,220
Fair value	445,646	460,869	671,023	674,063
Other interest income	46,089	63,403	-	-
Income from equity investments	24,954	6,680	608,697	792,175
Foreign exchange gains	80,449	361,205	268,825	324,275
CMEC	91,693	89,861	-	-
Interest Income - Tariff adjustment and tariff deficit	76,627	4,299	-	-
Reversal of impairment losses of equity investments	-	-	57,190	-
Other financial income	17,836	13,807	2,819	-
	<b>1,036,374</b>	<b>1,186,097</b>	<b>2,162,520</b>	<b>2,282,728</b>
<b>Other financial expenses</b>				
Interest expense from financial debt	666,280	756,867	377,456	506,606
Capitalised interest expense from financial debt	-150,387	-94,625	-	-
Derivative financial instruments:				
Interest	127,562	129,821	160,494	127,305
Fair value	498,564	407,082	723,025	528,459
Other interest expense	12,076	13,721	12,724	15,557
Impairment of available for sale financial assets	29,289	289,378	-	20,536
Banking services	10,881	11,351	2,657	5,553
Foreign exchange losses	73,321	423,265	244,481	477,467
CMEC	25,696	31,942	-	-
Impairment of financial investments and equity investments	-	153	42,550	109,854
Impairment of goodwill - Enersul	-	17,371	-	-
Unwinding	113,059	97,483	-	-
Interest Expenses - Tariff adjustment	17,241	846	-	-
Cost of the securitization of the tariff deficit	35,718	1,063	-	-
Other financial expenses	63,783	43,081	10,723	4,718
	<b>1,523,083</b>	<b>2,128,799</b>	<b>1,574,110</b>	<b>1,796,055</b>
Financial income / (expenses)	<b>-486,709</b>	<b>-942,702</b>	<b>588,410</b>	<b>486,673</b>

The caption Other financial Income - CMEC totalling 91,693 thousand Euros includes 21,599 thousand Euros related to interest of the initial CMEC included in the annuity for 2009, 60,820 thousand Euros related to the financial effect considered in the calculation of the initial CMEC, and 9,274 thousand Euros relating to the financial component of revisable mechanism of CMEC for 2009. Other financial expenses - CMEC includes 25,696 thousand Euros related to the cost on the updating of the initial CMEC, booked against Deferred Income (see note 37).

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

In 2009, Impairment of available for sale financial assets, on a consolidated basis, totalling 29,289 thousand Euros, refers essentially to the recognition in the income statement of impairment losses in the investment held in BCP (29,274 thousand Euros) as a result of the depreciation on the market share price of this investment occurred in the first quarter of 2009. In the last quarter of 2009, the EDP Group sold part of the shares held in BCP, as referred in note 13. As at 31 December 2009, the remaining shares of BCP valued by 28,036 thousand Euros, being this valuation booked against fair value reserves (see note 21) according to the Group accounting policies. In 2008 this caption include the recognition in the income statement of 200,139 thousand Euros, 66,958 thousand Euros, 20,536 thousand Euros and 1,745 thousand Euros related with impairment losses booked in the investments held in BCP, Sonaecom, Ampla Energia e Serviços and Energia RE respectively, as a result of the devaluation verified in the financial markets.

Impairment of financial investments and equity investments, on a company basis, in 2009, include a provision booked against financial expenses as a result of losses on its subsidiaries EDP Imobiliária e Participações, S.A. and EDP Investimentos of 41,891 thousand Euros and 659 thousand Euros, respectively. Additionally, the provision recorded in 2008 to cover negative equity of 57,190 thousand Euros was reversed against financial income (see note 36).

EDP Group has booked in 2008 under Impairment of goodwill - Enersul, on a consolidated basis, an impairment loss of 17,371 thousand Euros (see note 18).

The Unwinding expenses refer essentially to, (i) the financial actualization of the dismantling provision for wind farms of 3,134 thousand Euros (2,157 thousand Euros in 2008), (ii) the financial actualization related to the put option of Genesa and Desa of 8,620 thousand Euros (12,134 thousand Euros in 2008), (iii) the financial actualization related to the put option of Naturgás of 16,100 thousand Euros (15,170 thousand Euros in 2008), (iv) the implied financial return in institutional partnership in US wind farms which amounted to 54,147 thousand Euros (43,631 thousand Euros in 2008) and (v) the financial expenses related to the discount of the debt associated to the concessions of Alqueva, Investco and Enerpeixe of 11,518 thousand Euros (10,621 thousand Euros in 2008), 2,444 thousand Euros (1,811 thousand Euros in 2008) and 3,075 thousand Euros (11,959 thousand Euros in 2008), respectively.

**Income from equity investments** is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Group companies	-	-	590,621	780,705
Associated companies				
DECA - Distribuição Eléctrica Centroamericana, S.A.	-	-	3,965	8,424
Other companies				
Ampla Energia e Serviços, S.A.	2,119	-	2,119	-
Ampla Investimentos e Serviços, S.A.	8,908	-	8,908	-
EDA - Electricidade dos Açores, S.A.	315	490	-	-
Banco Comercial Português, S.A.	2,579	-	-	-
Tejo Energia, S.A.	7,556	2,472	-	-
REN - Rede Eléctrica Nacional, S.A.	3,084	3,046	3,084	3,046
Other	393	672	-	-
	<u>24,954</u>	<u>6,680</u>	<u>608,697</u>	<u>792,175</u>

## 15. Income tax

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

Tax losses generated in each year, which are also subject to inspection and adjustment, can be deducted from taxable income during subsequent periods (6 years in Portugal, 15 years in Spain, 20 years in the United States, without an expiry date in Belgium and France and without an expiry date in Brazil, but limited to 30% of the taxable income of each period). Details of the tax losses carried forward and their respective expiry dates are presented in note 22. The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

**Income tax expense** is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Current tax	-531,037	-195,563	26,031	-36,393
Deferred tax	131,272	-88,028	-54,519	109,267
	<u>-399,765</u>	<u>-283,591</u>	<u>-28,488</u>	<u>72,874</u>

The reconciliation between the nominal and the effective income tax rate for the **Group** as at 31 December 2009, is analysed as follows:

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

The reconciliation between the nominal and the effective income tax rate for the **Group** as at 31 December 2008, is analysed as follows:

	Dec 2008		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	1,503,711	398,483
Charges / reversals of non deductible provisions and amortisations for tax purposes	-0.9%	-52,053	-13,794
Tax losses and tax credits	1.3%	75,272	19,947
Tax exempt dividends	-0.3%	-16,045	-4,252
Tax benefits	-1.8%	-104,404	-27,667
Fair value of financial instruments and financial investments	4.1%	234,974	62,268
Difference between tax and accounting gains/losses	-9.9%	-562,140	-148,967
Financial investments in associates and subsidiaries	-0.6%	-33,079	-8,766
Autonomous taxation and tax benefits	0.2%	12,958	3,434
Other adjustments and changes in estimates	0.2%	10,962	2,905
Effective tax rate and total income tax	18.9%	1,070,156	283,591

The reconciliation between the nominal and the effective income tax rate for the **Company** as at 31 December 2009, is analysed as follows:

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

The reconciliation between the nominal and the effective income tax rate for the **Company** as at 31 December 2008, is analysed as follows:

	Dec 2008		
	Rate %	Tax basis Euro '000	Tax Euro '000
Nominal rate and income tax	26.5%	478,104	126,698
Charges / reversals of non deductible provisions and amortisations for tax purposes	0.6%	10,577	2,803
Tax losses and tax credits	-10.0%	-180,685	-47,882
Unrecognised deferred tax assets related to temporary differences	1.7%	30,015	7,954
Fair value of financial instruments and financial investments	6.9%	124,993	33,123
Difference between tax and accounting gains/losses	-1.2%	-21,966	-5,821
Tax exempt dividends	-42.2%	-760,496	-201,531
Autonomous taxation and tax benefits	0.0%	-145	-38
Other adjustments and changes in estimates	2.5%	44,603	11,820
Effective tax rate and total income tax	-15.2%	-275,000	-72,874

The effective tax rate for the EDP Group and EDP, SA is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Profit before tax	1,567,712	1,503,711	658,509	478,104
Income tax	-399,765	-283,591	-28,488	72,874
Effective tax rate	25.5%	18.9%	4.3%	-15.2%

The change in the effective income tax rate for the Group in 6.6 pp in relation to 31 December 2008 results essentially from the fact that the gain obtained with the EDP Renováveis IPO in 2008 was not subject to taxation and from the fact that the impairments of available for sale financial assets recorded as at 31 December 2009 were significantly smaller than the amounts booked as at 31 December 2008.

## 16. Property, plant and equipment

This caption is analysed as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	Euro'000	Euro'000	Euro'000	Euro'000
<b>Cost:</b>				
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420	-	-
Land and natural resources	194,069	166,902	46,502	46,502
Buildings and other constructions	702,163	602,694	25,252	25,648
Plant and machinery:				
Hydroelectric generation	7,976,110	7,761,810	254	254
Thermoelectric generation	7,161,919	6,554,723	-	-
Renewable generation	7,346,192	5,223,555	-	-
Electricity distribution	15,328,487	14,192,494	-	-
Gas distribution	1,556,125	1,137,670	-	-
Other plant and machinery	38,296	38,696	148	148
Transport equipment	88,356	78,078	3,788	3,262
Office equipment and tools	600,807	521,145	98,114	85,001
Other	120,080	92,456	14,246	14,246
Assets under construction	3,567,638	3,762,861	36,056	26,834
	<u>44,903,662</u>	<u>40,356,504</u>	<u>224,360</u>	<u>201,895</u>
<b>Accumulated depreciation and impairment losses:</b>				
Depreciation charge for the year	-1,288,535	-1,154,043	-6,927	-5,790
Accumulated depreciation in previous years	-19,506,509	-17,937,842	-93,871	-89,067
Impairment losses for the year	-416	-2,658	-	-
Impairment losses in previous years	-14,464	-11,996	-	-
	<u>-20,809,924</u>	<u>-19,106,539</u>	<u>-100,798</u>	<u>-94,857</u>
<b>Carrying amount</b>	<u>24,093,738</u>	<u>21,249,965</u>	<u>123,562</u>	<u>107,038</u>

As referred under accounting policies - note 2 a) above, in accordance with IFRS 3, in the twelve months period subsequent to a business combination, the acquirer may adjust the fair value of identifiable assets, liabilities or contingent liabilities, recording these adjustments with effect from the acquisition date. The final allocation of the fair value attributable to the assets, liabilities and contingent liabilities concluded in 2009, regarding the acquisition of Investco, Neo Catalunya, Instalaciones Electricas Rio Isabena and Septentrional de Gás of HC Group and Polish companies Cernavoda and Renovatio in 2008, determined the allocation of 30,990 thousand euros (29,822 thousand Euros net of accumulated depreciation) 21,199 thousand Euros, 5,559 thousand Euros and 67,823 thousand Euros, respectively, with reference to 31 December 2008.

Property, plant and equipment held under Decree-law 344-B/82 regime are those assets allocated to low tension electricity distribution transferred from the local authorities ("Municipalities") under the concession regime. These assets, although operated by the Group, continue to be the property of the local authorities and are analysed as follows:

	Group	
	Dec 2009	Dec 2008
	Euro'000	Euro'000
Property, plant and equipment held under the DL 344-B/82 regime	223,420	223,420
Accumulated depreciation	-222,881	-222,626
Net amount	<u>539</u>	<u>794</u>

Part of these assets may be transferred to EDP Group through settlement, by offset of accounts, of outstanding debts of the respective Municipalities, which have not yet been regularised (see note 24).

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter	Balance at 31 December Euro'000
						Variations/ Regularisations Euro'000	
<b>Cost:</b>							
Property, plant and equipment held under the DL 344-B/82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	166,902	1,926	-115	2,619	21,069	1,668	194,069
Buildings and other constructions	602,694	2,855	-2,058	11,565	87,802	-695	702,163
Plant and machinery	34,908,948	248,694	-40,992	2,858,308	662,797	769,374	39,407,129
Transport equipment	78,078	13,856	-11,825	2,321	5,840	86	88,356
Office equipment and tools	521,145	20,411	-146	48,424	4,777	6,196	600,807
Other	92,456	888	-19,991	1,880	-29	44,876	120,080
Assets under construction	3,762,861	3,093,840	-12,296	-2,925,117	87,944	-439,594	3,567,638
	<u>40,356,504</u>	<u>3,382,470</u>	<u>-87,423</u>	<u>-</u>	<u>870,200</u>	<u>381,911</u>	<u>44,903,662</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated depreciation and impairment losses:</b>							
Property, plant and equipment held under the DL 344-B/82 regime	222,626	255	-	-	-	-	222,881
Buildings and other constructions	218,872	17,054	-	-1,565	23,704	1,302	259,367
Plant and machinery	18,169,865	1,205,671	416	-26,690	304,372	104,788	19,758,422
Transport equipment	54,743	10,191	-	-11,062	4,964	238	59,074
Office equipment and tools	387,109	52,341	-	-94	4,845	-3,197	441,004
Other	53,324	3,023	-	-7,305	-29	20,163	69,176
	<u>19,106,539</u>	<u>1,288,535</u>	<u>416</u>	<u>-46,716</u>	<u>337,856</u>	<u>123,294</u>	<u>20,809,924</u>

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

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

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

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

The movements in **Property, plant and equipment**, for the Group, for 2008 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Property, plant and equipment held under the DL 344-B/82 regime	223,420	-	-	-	-	-	223,420
Land and natural resources	132,009	17,134	-5,716	1,121	-18,959	41,313	166,902
Buildings and other constructions	785,132	32,278	-12,316	-227,228	-87,249	112,077	602,694
Plant and machinery	31,718,545	153,815	-60,601	3,895,190	-681,879	-116,122	34,908,948
Transport equipment	87,960	6,710	-10,211	5,585	-6,320	-5,646	78,078
Office equipment and tools	492,160	13,198	-2,755	23,336	-4,995	201	521,145
Other	157,633	1,268	-688	-9,591	38	-56,204	92,456
Assets under construction	3,811,302	3,431,184	-24,327	-3,694,559	-26,190	265,451	3,762,861
	<u>37,408,161</u>	<u>3,655,587</u>	<u>-116,614</u>	<u>-6,146</u>	<u>-825,554</u>	<u>241,070</u>	<u>40,356,504</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Exchange Differences Euro'000	Perimeter Variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated depreciation and impairment losses:</b>							
Property, plant and equipment held under the DL 344-B/82 regime	222,202	424	-	-	-	-	222,626
Buildings and other constructions	222,878	16,458	843	-6,334	-25,106	10,133	218,872
Plant and machinery	17,741,752	1,082,260	1,815	-28,791	-336,487	-290,684	18,169,865
Transport equipment	63,931	9,595	-	-9,434	-5,254	-4,095	54,743
Office equipment and tools	357,433	42,856	-	-2,599	-4,882	-5,699	387,109
Other	43,670	2,450	-	-1,906	19	9,091	53,324
	<u>18,651,866</u>	<u>1,154,043</u>	<u>2,658</u>	<u>-49,064</u>	<u>-371,710</u>	<u>-281,254</u>	<u>19,106,539</u>

The movement in Exchange differences in 2008 relates mainly to the depreciation of the US Dollar (USD) and of the Brazilian Real (BRL) against the Euro, occurred mainly during the last quarter of the year.

Transfers from Assets under construction into operation in 2008 refer, mainly to wind farms of EDP Renováveis, that became operational and to the conclusion of construction and extension of certain stages of combined cycle and hydroelectric plants of EDP Produção and HC Energia.

Perimeter Variations/Regularisations include, among others, the effect of the asset swap occurred in Brazil resulting in the exclusion of Enersul from the consolidation perimeter and also the inclusion of Pebble Hydro Group in Portugal, that began to be consolidated under the full consolidation method.

As at 31 December 2009, Property, plant and equipment financed through lease contracts for the Group, amounts to 12,133 thousand Euros (10,267 thousand Euros at 31 December 2008), with accumulated depreciation of 4,678 thousand Euros (4,381 thousand Euros at 31 December 2008) and, the respective future lease payments amount to 5,861 thousand Euros (5,431 thousand Euros at 31 December 2008).

	Dec 2009			Dec 2008		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	2,325	97	2,422	2,265	218	2,483
Between one and five years	3,059	93	3,152	2,778	170	2,948
More than five years	279	8	287	-	-	-
	<u>5,663</u>	<u>198</u>	<u>5,861</u>	<u>5,043</u>	<u>388</u>	<u>5,431</u>

During 2009, the costs incurred with these assets amounted to 607 thousand Euros (31 December 2008: 571 thousand Euros) and are booked in the income statement under Maintenance and repairs.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>						
Land and natural resources	46,502	-	-	-	-	46,502
Buildings and other constructions	25,648	-	-1,222	-	826	25,252
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,262	1,358	-832	-	-	3,788
Office equipment and tools	85,001	5,991	-	7,054	68	98,114
Other	14,246	-	-	-	-	14,246
Assets under construction	26,834	16,276	-	-7,054	-	36,056
	<u>201,895</u>	<u>23,625</u>	<u>-2,054</u>	<u>-</u>	<u>894</u>	<u>224,360</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Impairment losses for the year Euro'000	Disposals/ Write-offs Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated depreciation and impairment losses:</b>						
Buildings and other constructions	17,647	469	-	-1,207	826	17,735
Plant and machinery	99	23	-	-	-	122
Transport equipment	1,469	687	-	-673	-	1,483
Office equipment and tools	68,354	4,335	-	-	68	72,757
Other	7,288	1,413	-	-	-	8,701
	<u>94,857</u>	<u>6,927</u>	<u>-</u>	<u>-1,880</u>	<u>894</u>	<u>100,798</u>

The movements in **Property, Plant and Equipment, for the Company**, and for the year 2008 are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>						
Land and natural resources	46,727	22	-247	-	-	46,502
Buildings and other constructions	25,665	1,489	-1,506	-	-	25,648
Plant and machinery	402	-	-	-	-	402
Transport equipment	3,224	1,147	-1,109	-	-	3,262
Office equipment and tools	75,969	5,621	-	3,411	-	85,001
Other	14,246	-	-	-	-	14,246
Assets under construction	6,084	24,161	-	-3,411	-	26,834
	<u>172,317</u>	<u>32,440</u>	<u>-2,862</u>	<u>-</u>	<u>-</u>	<u>201,895</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated depreciation:</b>						
Buildings and other constructions	17,155	509	-1,500	-	1,483	17,647
Plant and machinery	76	23	-	-	-	99
Transport equipment	1,626	626	-809	-	26	1,469
Office equipment and tools	65,143	3,211	-	-	-	68,354
Other	5,867	1,421	-	-	-	7,288
	<u>89,867</u>	<u>5,790</u>	<u>-2,309</u>	<u>-</u>	<u>1,509</u>	<u>94,857</u>

As at 31 December 2009 and for the Company, the Property, plant and equipment financed by leasing contracts amounts to 3,177 thousand Euros (2,561 thousand Euros at 31 December 2008), with accumulated depreciation of 1,055 thousand Euros (1,003 thousand Euros at 31 December 2008) and the respective future lease payments amount to 1,751 thousand Euros (1,445 thousand Euros at 31 December 2008). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2009			Dec 2008		
	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000	Principal Euro'000	Interest Euro'000	Future lease payments Euro'000
Less than one year	674	26	700	525	59	584
Between one and five years	949	25	974	808	53	861
More than five years	75	2	77	-	-	-
	<u>1,698</u>	<u>53</u>	<u>1,751</u>	<u>1,333</u>	<u>112</u>	<u>1,445</u>

During 2009, the costs incurred related to these assets amount to 130 thousand Euros (81 thousand Euros at 31 December 2008) and are booked under Maintenance and repairs in the income statement.

## 17. Intangible assets

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Cost:</b>				
Industrial property, other rights and other intangibles	189,570	145,427	100	100
Concession rights	2,601,430	2,473,135	-	-
CO2 licenses	287,989	385,096	-	-
Intangible assets in progress	312,671	75,880	-	-
	<u>3,391,660</u>	<u>3,079,538</u>	<u>100</u>	<u>100</u>
<b>Accumulated amortisation and impairment losses:</b>				
Amortisation of concession rights during the year	-125,007	-128,257	-	-
Amortisation of industrial property and other intangibles during the year	-15,753	-21,510	-8	-15
Accumulated amortisation in previous years	-444,186	-280,979	-59	-44
	<u>-584,946</u>	<u>-430,746</u>	<u>-67</u>	<u>-59</u>
<b>Carrying amount</b>	<u>2,806,714</u>	<u>2,648,792</u>	<u>33</u>	<u>41</u>

The concession rights over the electric energy distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the period of the concession until 2025 and 2030, respectively. The concession rights in Portugal relate to the natural gas distribution network, being amortised on a straight-line basis over the period of the concession, until 2048, as well as the concession of the public hydric domain for hydroelectric generation.

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

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Industrial property, other rights and other intangibles	145,427	302	-6,855	49,014	27,694	-26,012	189,570
Concession rights							
Concession rights - Brazil	1,082,498	-	-	-	109,079	-883	1,190,694
Concession rights - Gas	152,232	-	-	-	-	-13,878	138,354
Use rights Alqueva/Pedrogão	377,460	43,612	-	-	-	-9,635	411,437
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	91,118	-	-	-	-	-	91,118
Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licenses	385,096	243,091	-366,115	25,917	-	-	287,989
Intangible assets in progress	75,880	280,372	-	-49,014	2,737	2,696	312,671
	<u>3,079,538</u>	<u>567,377</u>	<u>-372,970</u>	<u>25,917</u>	<u>139,510</u>	<u>-47,712</u>	<u>3,391,660</u>
<b>Accumulated amortisation and impairment losses:</b>							
Industrial property and other rights	64,953	15,753	-	-7,049	14,809	263	88,729
Concession rights	365,793	80,788	44,219	-	11,053	-5,636	496,217
	<u>430,746</u>	<u>96,541</u>	<u>44,219</u>	<u>-7,049</u>	<u>25,862</u>	<u>-5,373</u>	<u>584,946</u>

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

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

Acquisitions of intangible assets in progress include 232,100 thousand Euros related to the concession for the use of the public hydric domain for the generation of hydroelectric energy and for the conception, construction, operation and maintenance in the Ocreza and Tâmega rivers, for a period of 65 years starting from the operation, of the hydroelectric power plants of Alvito and Fridão.

Acquisitions of CO2 Licenses as at 31 December 2009 of 234,817 thousand Euros (385,096 thousand Euros at 31 December 2008) refers to CO2 emission licenses granted free of charge to EDP Group plants operating in Portugal and Spain. The market for CO2 licenses is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plano Nacional de Assignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. Disposals/Write-offs derive from the CO2 licenses consumed during 2008 and delivered to the regulatory authorities of 366,115 thousand Euros. Transfers, totalling 25,917 thousand Euros, relate to CO2 licenses transferred from Inventories to Intangible assets, as a result of allocation of licenses initially held for trading by the Hidrocarbónico Group, in order to cover the need for CO2 licenses arising from consumptions ("own use").

In the caption Use rights Alqueva/Pedrogão, acquisitions of 43,612 thousand Euros relate to the power enhancement performed during 2009. The movement in Perimeter variations/Regularisations of 9,635 thousand Euros relates to the update of the discount rate used in the calculation of the use rights to 7.56% (31 December 2008: 6.97%).

The movements in **Intangible assets** during 2008, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals/ write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost:</b>							
Industrial property, other rights and other intangibles	141,644	798	-289	35,034	-25,706	-6,054	145,427
Concession rights							
Concession rights - Brazil	996,992	-	-	-46,498	-96,120	228,124	1,082,498
Concession rights - Gas	152,232	-	-	-	-	-	152,232
Use rights Alqueva/Pedrogão	393,136	17,095	-	-	-	-32,771	377,460
Extension of the public hydric domain	759,000	-	-	-	-	-	759,000
Concession rights - mini-hydrics	-	-	-	-	-	91,118	91,118
Other Concession rights	-	-	-	-	-	10,827	10,827
CO2 licenses	86,855	385,748	-87,507	-	-	-	385,096
Intangible assets in progress	40,249	89,881	-1,523	-28,055	-5,656	-19,016	75,880
	<u>2,570,108</u>	<u>493,522</u>	<u>-89,319</u>	<u>-39,519</u>	<u>-127,482</u>	<u>272,228</u>	<u>3,079,538</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Accelerated depreciation/ Impairment Euro'000	Disposals/ Write-offs Euro'000	Transfers Euro'000	Exchange differences Euro'000	Perimeter variations/ Regularisations Euro'000	Balance at 31 December Euro'000
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**Accumulated amortisation and**

**Impairment losses:**

Industrial property and other rights	68,104	21,510	-	-103	-	-14,079	-10,479	64,953
Concession rights	328,863	78,336	49,921	-	-22,858	-8,292	-60,177	365,793
	<u>396,967</u>	<u>99,846</u>	<u>49,921</u>	<u>-103</u>	<u>-22,858</u>	<u>-22,371</u>	<u>-70,656</u>	<u>430,746</u>

Disposals/write-offs of CO2 licenses includes 86,855 thousand Euros which correspond to CO2 licenses consumed in 2007 and delivered to the regulatory authorities in 2008. Acquisitions for this caption relate to licenses granted free of charge by regulatory authorities and licenses acquired to cover consumption needs of 341,202 thousand Euros and 44,546 thousand Euros, respectively (see note 46).

Acquisitions of intangible assets in progress includes 55,597 thousand Euros related to the concession for the use of the public hydric domain for the generation of hydroelectric energy and for the conception, construction, operation and maintenance in the Tua river, for a period of 75 years starting from the operation of the hydroelectric power plant of Foz Tua.

Perimeter variations/Regularisations related to Concession rights - Brazil include the concession rights acquired by the Group through the asset swap operation, in Rede Lajeado, Tocantins and Investco of 312,832 thousand Euros (see note 18) and the effect of the write-off of the concession rights of Enersul, resulting from this same operation, of 80,194 thousand Euros.

Transfers include 23,640 thousand Euros, net of depreciation, as a result of the assets of the company ESC 90, being considered as Assets held for sale as at 31 December 2008.

In the caption Use rights Alqueva/Pedrogão, acquisitions of 17,095 thousand Euros relate to the power enhancement performed during 2008. The movement in Perimeter variations/Regularisations of 32,771 thousand Euros relates to the update of the discount rate used in the calculation of the use rights to 6.97% (31 December 2007: 5.37%).

Concession rights - mini-hydrics, the movement in Perimeter variations/Regularisations of 91,118 thousand Euros relates to concession rights booked by the Group following the acquisition of the Pebble Hydro Group.

Extension of the public hydric domain includes 759,000 thousand Euros paid by the EDP Group for the extension of the public hydric domain concessions.

Accelerated depreciation/Impairment includes the impairment booked for the concession rights of Enersul, of 49,921 thousand Euros as a result of regulatory changes occurred during the year 2008.

Perimeter variations/Regularisations includes 80,194 thousand Euros related to the write-off of the accumulated depreciation of Enersul and 18,135 thousand Euros related with the booking of accumulated depreciation of the concession rights in Investco acquired through the assets swap operation.

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

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost</b>						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>

	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
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**Accumulated amortisation:**

Industrial property and other rights	59	8	-	-	-	67
	<u>59</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67</u>

The movement in **Intangible assets** in 2008, for the Company, is analysed as follows:

	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Cost</b>						
Industrial property, other rights and other intangibles	100	-	-	-	-	100
	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>
	Balance at 1 January Euro'000	Charge for the year Euro'000	Disposals Euro'000	Transfers Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Accumulated amortisation:</b>						
Industrial property and other rights	44	15	-	-	-	59
	<u>44</u>	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59</u>

## 18. Goodwill

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Electric business:</b>		
Hidroantábrico Group	969,050	954,196
Neo Energia Group	765,275	735,229
Horizon Group	550,868	569,777
Brazil Group	56,762	57,288
EDP Renováveis Brazil Group	1,501	-
Other (Portugal Group)	35,312	34,137
	<u>2,378,768</u>	<u>2,350,627</u>
<b>Gas Distribution business:</b>		
Naturgás Group	781,064	754,352
	<u>3,159,832</u>	<u>3,104,979</u>

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

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Electric business:</b>							
Hidroantábrico Group	954,196	14,854	-	-	-	-	969,050
Neo Energia Group	735,229	37,809	-8,013	-	250	-	765,275
Horizon Group	569,777	-	-	-	-18,909	-	550,868
Brazil Group	57,288	-	-	-4,328	3,802	-	56,762
EDP Renováveis Brazil Group	-	1,225	-	-	276	-	1,501
Other (Portugal Group)	34,137	1,175	-	-	-	-	35,312
	<u>2,350,627</u>	<u>55,063</u>	<u>-8,013</u>	<u>-4,328</u>	<u>-14,581</u>	<u>-</u>	<u>2,378,768</u>
<b>Gas Distribution business</b>							
Naturgás Group	754,352	57,911	-31,199	-	-	-	781,064
	<u>3,104,979</u>	<u>112,974</u>	<u>-39,212</u>	<u>-4,328</u>	<u>-14,581</u>	<u>-</u>	<u>3,159,832</u>

The movements in Goodwill during the year ended 31 December 2008, are analysed as follows:

	Balance at 1 January Euro'000	Increases Euro'000	Decreases Euro'000	Impairment Euro'000	Exchange differences Euro'000	Regularisations Euro'000	Balance at 31 December Euro'000
<b>Electric business</b>							
HC Energia Group	1,002,660	-	-48,240	-	-	-224	954,196
Neo Energia Group	660,912	97,476	-23,352	-	-	193	735,229
Horizon Group	539,353	-	-	-	30,424	-	569,777
Brazil Group	64,511	16,620	-	-17,371	-3,581	-2,891	57,288
Others (Portugal Group)	523	33,614	-	-	-	-	34,137
	<u>2,267,959</u>	<u>147,710</u>	<u>-71,592</u>	<u>-17,371</u>	<u>26,843</u>	<u>-2,922</u>	<u>2,350,627</u>
<b>Gas Distribution business:</b>							
Naturgás Group	736,824	17,501	-	-	-	27	754,352
	<u>3,004,783</u>	<u>165,211</u>	<u>-71,592</u>	<u>-17,371</u>	<u>26,843</u>	<u>-2,895</u>	<u>3,104,979</u>

### HC Energia Group

During 2009, the goodwill from Hidroantabrico Group increased by 14,854 thousand Euros (31 December 2008: decrease of 48,240 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests from Cajastur, through the written put option held by this entity over 3% of HC Energia share capital, under the utilisation of the Parent Company Model, as described under accounting policies - note 2 b). Additionally the goodwill amount as at 31 December 2008 was reduced by 6,081 thousand Euros as a result of allocation of the acquisition cost of Solanar Distribución and IERI Distribución to assets, liabilities and contingent liabilities, during 2008, in accordance with IFRS 3 and as shown at the end of this note.

The goodwill held in Neo Energia Group, with reference to 31 December 2009 and 2008, is presented as follows:

	<b>Neo Energia Group</b>	
	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Genesa subgroup	477,522	441,356
Ceasa subgroup	117,513	146,469
Neo Polska subgroup	26,410	25,424
Neo Galia subgroup	83,160	57,428
Romania subgroup	10,931	14,803
Neo Catalunya subgroup	4,689	4,187
Enernova subgroup	41,876	42,299
Other	3,174	3,263
	<u>765,275</u>	<u>735,229</u>

#### *Genesa subgroup*

The increase in Genesa subgroup goodwill results essentially from the revaluation effect of the liability regarding the anticipated acquisition of minority interests to Caja Madrid due to the existence of a written put option detained by this entity over Genesa and Neo Desa, which amounts to 36,139 thousand Euros (31 December 2008: decrease of 18,109 thousand Euros).

#### *Ceasa subgroup*

The decrease in Ceasa subgroup goodwill during 2009 results from the decrease of the acquisition price of Parc eolic Coll de Moro, S.L. (1,555 thousand Euros), Parc eolic Torre Madrina, S.L. (1,555 thousand Euros) and Parc eolic de Vilalba des Arcs, S.L. (392 thousand Euros) and from the societary restructuring process that originated the transfer of French subsidiaries from Ceasa subgroup to Neo Galia subgroup (25,454 thousand Euros).

#### *Neo Polska subgroup*

The increase in Neo Polska subgroup goodwill during 2009 results from the acquisition of Elektrownia Wiatrowa Kresy I, S.P. (736 thousand Euros) and from the effect of the exchange rate EUR/PLN (250 thousand Euros).

#### *Neo Galia subgroup*

The increase in Neo Galia subgroup goodwill during 2009 results from the acquisition of entities totalling 113 thousand Euros and from the societary restructuring process that originated the transfer of French subsidiaries from Ceasa subgroup to Neo Galia subgroup of 25,619 thousand Euros.

#### *Romania subgroup*

The variation in Romania subgroup goodwill during 2009 results from the increase in the acquisition costs of Renovatio Power, SRL by 216 thousand Euros and from the decrease of the payable success fees, amounting to 4,088 thousand Euros, as pre-established contractual assumptions were not fulfilled. Additionally, following the conclusion of the Purchase Price Allocation regarding Renovatio Power and Cernavoda Power, goodwill as at 31 December 2008 was restated, decreasing 49,658 thousand Euros (see detailed information at the end of the note).

#### *Neo Catalunya subgroup*

The variation in Neo Catalunya subgroup goodwill during 2009 results from the acquisition of 100% of the share capital of Bon Vent de L'Ebre, S.L. (502 thousand Euros). Additionally, following the conclusion of the Purchase Price Allocation of Bon Vent de Corbera, S.L. (9,615 thousand Euros) and Bon Vent de Vilalba, S.L. (7,397 thousand Euros), goodwill as at 31 December 2008 was restated, which resulted in a decrease of 17,012 thousand Euros (see detailed information at the end of the note).

#### *Enernova subgroup*

The decrease in goodwill of Enernova subgroup (423 thousand Euros) results from the reduction of the contingent price of its subsidiary Bolores.

#### *Horizon Group*

Goodwill arising from the acquisition of the Horizon Group was determined in USD with reference to the acquisition date (775,251 thousand USD), corresponding to 550,868 thousand Euros as at 31 December 2009 (31 December 2008: 569,777 thousand Euros), including transaction costs of 12,723 thousand Euros. The decrease in this caption is related with the effect of exchange differences EUR/USD, which amounts to 18,909 thousand Euros (31 December 2008: increase 30,424 thousand Euros).

#### *Brazil Group*

The decrease in Brazil Group goodwill results from the impairment of 4,328 thousand Euros resulting from the liquidation of EDP Energias do Brasil treasury stock and from the recognition of exchange differences of 3,802 thousand Euros ensuing the appreciation of the Brazilian Real against the Euro. Additionally, following the conclusion of the Purchase Price Allocation for Investco, Lajeado and Tocantins, the variation in goodwill was restated as at 31 December 2008 (690 thousand Euros).

#### *EDP Renováveis Brazil Group*

The variation in the EDP Renováveis Brazil Group goodwill, during 2009, results from the acquisition of 100% of the share capital of CENAEEL (1,225 thousand Euros) and from the effect of exchange differences EUR/BRL (276 thousand Euros).

#### *Other (Portugal Group)*

The variation occurred during 2009 of 1,175 thousand Euros results from the acquisition of the remaining 40% of the share capital of O&M Serviços - Operação e Manutenção Industrial, S.A. (48 thousand Euros) and from the acquisition of 52% of the share capital of Companhia Energia Oceânica, S.A. (1,127 thousand Euros).

Additionally, following the conclusion of the Purchase Price Allocation regarding Rôdão Power, goodwill as at 31 December 2008 was restated resulting in a decrease of 10,827 thousand Euros (see detail at the end of the note).

The variation in Naturgás subgroup goodwill includes a decrease of 30,924 thousand Euros (31 December 2008: increase of 14,668 thousand Euros) as a result of the revaluation of the liability relating to the anticipated acquisition of minority interests held by Ente Vasco Energia, under the terms of the Parent Company Model, as described under accounting policies - note 2 b), through a written put option over 30.4% of Naturgás subgroup.

Goodwill, as at 31 December 2008, was reduced in 3,239 thousand Euros as a result of the final Purchase Price Allocation of Septentrional Gas, to the assets and liabilities acquired, according to IFRS 3.

Additionally, Gas Natural Cantabria, S.A., Gas Natural Murcia Servicios Comunes, S.L., GEM Suministro, S.L. and GEM Suministro Sur, S.L. were acquired, generating an increase of 57,911 thousand Euros in goodwill.

In 2009, the book value of assets, liabilities and contingent liabilities recognised at the acquisition date of the entities above mentioned of Gas Natural is as follows:

	<u>Book Value</u>
Property, plant and equipment	177,664
Other assets	<u>41,657</u>
Total Assets	<u>219,321</u>
Minority interests	3,831
Deferred tax liabilities	5,554
Current liabilities	<u>163,645</u>
Total liabilities and minority interests	<u>173,030</u>
Net assets acquired	<u>46,291</u>
Acquisition cost	<u>104,202</u>
Goodwill	<u>57,911</u>

**Reclassifications related with Purchase Price Allocation (PPA):**

During 2009, EDP Group restated the final allocation of the acquisition cost of the assets, liabilities and contingent liabilities acquired (PPA) from Investco, Lajeado Energia and Tocantins, Neo Catalunya and Ródão Power acquired in 2008. According to IFRS 3, the fair value of the assets, liabilities and contingent liabilities may be adjusted with effect as at the acquisition date during 1 year from the acquisition date. Consequently, the Group restated the balance sheet captions as at 31 December 2008:

	<u>31 Dec 2008</u>	<u>PPA reclassifica-</u>	<u>31 Dec 2008</u>
	<u>Before PPA</u>	<u>tions</u>	<u>After PPA</u>
Property, plant and equipment	21,125,562	124,403	21,249,965
Intangible assets	2,649,816	-1,024	2,648,792
Goodwill	<u>3,192,484</u>	<u>-87,505</u>	<u>3,104,979</u>
	<u>26,967,862</u>	<u>35,874</u>	<u>27,003,736</u>
Reserves and retained earnings	1,241,316	1,977	1,243,293
Net income attributable to equity holders of the parent	1,091,866	-337	1,091,529
Minority interests	<u>2,181,729</u>	<u>18,876</u>	<u>2,200,605</u>
	<u>4,514,911</u>	<u>20,516</u>	<u>4,535,427</u>
Deferred tax liabilities	655,947	19,790	675,737
Other creditors	-	-4,432	-4,432
	<u>655,947</u>	<u>15,358</u>	<u>671,305</u>

*Goodwill impairment tests*

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

Therefore, for the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments of the Group, being the main assumptions analysed as follows:

Used assumptions 31-Dec-09						
Cash Generating Unit	Activity	Recoverable amount (basis of calculation)	Cash flows basis of calculation	Cash flows period	Growth rate for cash flows	Discount rate used (after tax)
EDP Brasil Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs Residual value at the end of the concession	Untill the end of the concession	Generation: Tariff evolution Distribution: 4.2% - 4.5%	WACC Generation: 9.61% WACC Distribution: 9.61% WACC Supply: 9.61%
HC Energia Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs	Useful life of equipments	Estimation of tariffs evolution and price sale at market	WACC Generation: 6.40% WACC Distribution: 5.60% WACC Supply: 6.40% WACC Naturgás: 5.60%
Neo Energia Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects in the different markets	Useful life of equipments (20 years)	Estimation of tariffs evolution and price sale at market	WACC (PT): 5.83% WACC (SP): 6.06% WACC (Fr): 5.83% WACC (Belg): 6.06% WACC (Pol): 7.41% WACC (Rom): 7.33%
Horizon Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects/power purchase agreements	Useful life of equipments (20 years)	Estimation of tariffs evolution and price sale at market	WACC (USA): 5.90% - 6.80%

Used assumptions 31-Dec-08						
Cash Generating Unit	Activity	Recoverable amount (basis of calculation)	Cash flows basis of calculation	Cash flows period	Growth rate for cash flows	Discount rate used (after tax)
Brazil Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs	Generation: Untill the end of concession Distribution: Perpetuity	Generation: Tariff evolution Distribution: 6.59% Perpetuity	WACC Generation: 11.71%-17.81% WACC Distribution: 12.51%-18.66%
HC Energia Group	Generation Distribution Supply	Value in use Equity Value (DCF)	Production and consumption volume and estimated tariffs	Useful life of equipments	Estimation of tariffs evolution and price sale at market	WACC Generation: 7.5% WACC Distribution: 6.80% WACC Supply: 7.5% WACC Naturgás: 7.02%
Neo Energia Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects in the different markets	Useful life of equipments (20 years)	Estimation of tariffs evolution	WACC (PT): 7.66% WACC (SP): 6.96% WACC (Fr): 6.66% WACC (Pol): 8.53%
Horizon Group	Wind Generation	Value in use Equity Value (DCF)	Installed capacity and tariff evolution prospects/power purchase agreements	Useful life of equipments (20 years)	Estimation of tariffs evolution and price sale at market	WACC (USA): 8.00%

## 19. Investments in subsidiaries (Company basis)

This caption is analysed as follows:

	Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Historical acquisition cost	10,812,363	10,740,378
Effect of equity method (transition to IFRS)	-1,165,796	-1,165,796
Equity investments in subsidiaries	9,646,567	9,574,582
Impairment losses on equity investments in subsidiaries	-110,724	-68,174
	<u>9,535,843</u>	<u>9,506,408</u>

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

Investments in subsidiaries are analysed as follows:

	Company	
	Dec 2009	Dec 2008
	Net amount Euro'000	Net amount Euro'000
<b>Investments in subsidiaries:</b>		
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Comercial, S.A.	188,463	188,463
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
EDP Gás, SGPS, S.A. (ex-EDP-Participações, SGPS, S.A.)	47,796	47,795
Energia RE	2,005	2,005
EDP Produção Bioeléctrica, S.A.	6,595	6,595
EDP Valor - Gestão Integrada de Serviços, S.A.	4,550	4,550
Edalpro - Imobiliária, Lda.	-	748
Labelec - Est. Desenv. Activ. Laboratoriais, S.A.	3,465	3,465
EDP Energias do Brasil, S.A.	432,238	432,238
Hidroeléctrica del Cantábrico, S.A.	1,981,798	1,981,798
EDP Finance B.V.	2,001	2,001
Sávida, S.A.	4,452	2,552
EDP Investimentos, S.G.P.S., S.A.	46,592	47,251
EDP Imobiliária e Participações, S.A.	28,109	-
Balwerk, S.A.	1,686	1,686
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Inovação, S.A.	2,098	1,206
Other	1,907	1,967
	<b>9,535,843</b>	<b>9,506,408</b>

The increase in Investments in subsidiaries (29,435 thousand Euros) results mainly from the granting of supplementary capital contributions to the subsidiaries EDP Imobiliária e Participações, S.A., EDP Inovação, S.A. and Sávida (70,000 thousand Euros, 892 thousand Euros and 1,900 thousand Euros, respectively), from the liquidation of EDALPRO - Imobiliária, Lda (748 thousand Euros) and from the charge for the year of the impairment on investments in EDP Imobiliária e Participações, S.A. (41,891 thousand Euros) and in EDP Investimentos, S.G.P.S., S.A. (659 thousand Euros).

## 20. Investments in associates

This caption is analysed as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	Euro'000	Euro'000	Euro'000	Euro'000
<b>Associated companies:</b>				
Investments in associates	175,409	172,891	45,535	49,910
Adjustments in investments in associates	-137	-137	-137	-137
<b>Net book value</b>	<b>175,272</b>	<b>172,754</b>	<b>45,398</b>	<b>49,773</b>

As of 31 December 2009, for the Group, Investments in associates include goodwill of 36,767 thousand Euros (31 December 2008: 21,132 thousand Euros).

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

	Group			
	Dec 2009		Dec 2008	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
<b>Associated companies:</b>				
CEM - Companhia de Electricidade de Macau, S.A.	57 132	-	59,152	-
DECA - Distribucion Eléctrica Centroamericana, S.A.	34 797	-	51,695	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	23 909	-	9,256	-
D. E. de Canárias, S.A.	11 235	-	10,735	-
Parque Eólico Altos del Voltoya, S.A.	8 995	-	3,481	-
Portsines - Terminal de Multipurpose de Sines, S.A.	7 489	-	6,308	-
ENEOP - Eólicas de Portugal, S.A.	6 907	-	6,486	-
Parque Eólico Sierra del Madero, S.A.	5 485	-	5,454	-
Veinco Energia Limpia SL	4 792	-	4,837	-
Parque Eólico de Belmonte, S.A.	3 073	-	3,243	-
Hydroastur, S.A.	1 937	-	2,113	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	1 365	-	-	-
Carriço Cogeração, S.A.	1 102	-	1,763	-
Other	7 191	- 137	8,368	-137
	<b>175,409</b>	<b>-137</b>	<b>172,891</b>	<b>-137</b>

EDP Group acquired 14.71% of the share capital of Aprofitament D'Energies Renovables de L'Ebre, S.A. through the acquisition of Aprofitament D'Energies Renovable de la Terra Alta, S.A. and an additional 11.09% of the share capital of Parque Eólico del Voltoya through its subsidiary Sinae Inversiones Eólicas, S.A.

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Balance as at 1 January</b>	172,891	252,099
Acquisitions / Perimeter entries	7,248	6,536
Disposals	-	-77,009
Share of profit of associates	25,151	34,687
Dividends received	-20,254	-31,937
Exchange differences	-7,264	6,704
Transfers / Regularisations	-2,363	-18,189
<b>Balance as at 31 December</b>	<b>175,409</b>	<b>172,891</b>

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

	Company			
	Dec 2009		Dec 2008	
	Cost Euro'000	Impairment Euro'000	Cost Euro'000	Impairment Euro'000
<b>Associated companies</b>				
DECA - Distribución Eléctrica Centroamerica, S.A.	45,398	-	49,773	-
Other	137	-137	137	-137
	<b>45,535</b>	<b>-137</b>	<b>49,910</b>	<b>-137</b>

During 2009, the reimbursement of the supplementary capital contributions granted to DECA took place in the total amount of 4,375 thousand Euros.

During 2009, there were no movements in the impairment of Investments in associates.

## 21. Available for sale investments

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Ampla Energia e Serviços, S.A.	163,644	68,939	163,644	68,939
Ampla Investimentos e Serviços, S.A.	15,038	9,073	15,038	9,073
Banco Comercial Português, S.A.	104,118	122,707	-	-
Denerge	15,563	-	-	-
EDA - Eléctrica dos Açores, S.A.	8,213	6,006	-	-
REN - Rede Eléctrica Nacional, S.A.	55,883	52,332	55,883	52,332
Sociedade Eólica de Andalucía, S.A.	11,766	10,854	-	-
Sonaecom, S.A.	-	28,946	-	-
Tagusparque, S.A.	2,062	1,097	-	-
Tejo Energia, S.A.	25,636	18,200	-	-
Other	41,194	32,733	3,836	3,815
	<b>443,117</b>	<b>350,887</b>	<b>238,401</b>	<b>134,159</b>

As at 31 December 2009, investments held in REN - Rede Eléctrica Nacional, S.A. and Ampla Energia e Serviços, S.A. increased by 3,551 thousand Euros and 94,705 thousand Euros, respectively, as a consequence of the positive evolution in the listed market price of these shares. This increase in fair value was booked against fair value reserves (see note 31).

During 2009, EDP sold in the Stock Exchange 29,150,000 shares of Sonaecom, S.A. for 57,866 thousand Euros, which were booked at acquisition cost net of impairment for 28,946 thousand Euros. This operation generated a gain on a consolidated basis of 28,920 thousand Euros (see note 13).

Additionally EDP sold 28,167,603 shares of BCP which were booked at acquisition cost net of impairment for 17,351 thousand Euros. This operation generated a gain on a consolidated basis of 5,355 thousand Euros (see note 13).

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

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

Transfers / minority interests includes the transfer of 3.16% of the investment in Denerge - Desenvolvimento Energético, S.A. of 14,995 thousand Euros previously included under Assets held for sale.

In 2008, the movements in **Available for sale investments** are analysed as follows:

	Dec 2008						Balance at 31 December Euro'000
	Balance at 1 January Euro'000	Acquisitions Euro'000	Disposals Euro'000	Impairment Euro'000	Change in fair value reserve Euro'000	Minority Interests Euro'000	
Ampla Energia e Serviços, S.A.	93,907	-	-	-20,536	-4,432	-	68,939
Ampla Investimentos e Serviços, S.A.	5,575	-	-	-	3,498	-	9,073
Banco Comercial Português, S.A.	340,699	42,587	-589	-200,139	-59,851	-	122,707
EDA - Electricidade dos Açores, S.A.	5,100	-	-	-	906	-	6,006
REN - Rede Eléctrica Nacional, S.A.	95,586	-	-11,066	-	-32,188	-	52,332
Sociedade Eólica de Andalucía, S.A.	3,107	-	-	-	5,968	1,779	10,854
Sonaeom, S.A.	95,904	-	-	-66,958	-	-	28,946
Tagusparque, S.A.	1,097	-	-	-	-	-	1,097
Tejo Energia, S.A.	19,998	-	-	-	-1,798	-	18,200
ValorSul, S.A.	3,878	-	-3,878	-	-	-	-
Other	40,409	2,301	-7,805	-1,745	-427	-	32,733
	<u>705,260</u>	<u>44,888</u>	<u>-23,338</u>	<u>-289,378</u>	<u>-88,324</u>	<u>1,779</u>	<u>350,887</u>

Available for sale investments are booked at fair value being the changes from the date of acquisition recorded against fair value reserves (see note 31). The fair value reserves as at 31 December 2009 and 2008 are analysed as follows:

	Dec 2009 Euro'000	Dec 2008 Euro'000
Ampla Energia e Serviços, S.A.	94,705	-
Ampla Investimentos e Serviços, S.A.	9,463	3,498
Banco Comercial Português, S.A.	28,036	-
Denerge	370	-
EDA - Electricidade dos Açores, S.A.	1,322	-885
REN - Rede Eléctrica Nacional, S.A.	30,063	26,512
Sociedade Eólica de Andalucía, S.A.	6,671	5,968
Tagusparque	965	-
Tejo Energia, S.A.	19,281	11,845
Other	1,017	26
	<u>191,893</u>	<u>46,964</u>

## 22. Deferred tax assets and liabilities

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Tax credits	110,310	252,222	-	-	110,310	252,222
Provisions	506,148	575,936	-	-	506,148	575,936
Financial instruments	77,900	133,439	69,043	121,618	8,857	11,821
Tangible and intangible fixed assets	251,212	286,504	10,807	20,949	240,405	265,555
Reinvested gains	-	-	8,083	8,281	-8,083	-8,281
Financial and available for sale investments	25,059	39,284	70,030	63,783	-44,971	-24,499
Tariff adjustments and tariff deficit	303,349	79,519	168,501	362,227	134,848	-282,708
Reversal of regulatory assets and liabilities	18,196	39,100	-	20,460	18,196	18,640
Allocation of fair value to assets and liabilities acquired	30,944	13,785	690,212	616,381	-659,268	-602,596
Accounting revaluations	48,260	10,530	211,508	213,708	-163,248	-203,178
Deferred income relating to CMEC	-	-	222,871	130,045	-222,871	-130,045
Other temporary differences	39,773	19,924	57,654	28,650	-17,881	-8,726
Assets/liabilities compensation of deferred taxes	-749,816	-910,365	-749,816	-910,365	-	-
	<u>661,335</u>	<u>539,878</u>	<u>758,893</u>	<u>675,737</u>	<u>-97,558</u>	<u>-135,859</u>

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

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

	Deferred tax assets		Deferred tax liabilities		Net deferred tax	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Tax credits	-	114,710	-	-	-	114,710
Provisions	6,327	15,493	-	-	6,327	15,493
Financial instruments	33,123	62,147	47,736	72,006	-14,613	-9,859
Financial and available for sale investments	441	3,229	68,870	63,663	-68,429	-60,434
Accounting revaluations	9,043	8,653	12,023	12,046	-2,980	-3,393
Other temporary differences	4,193	4,199	4,987	-	-794	4,199
	<u>53,127</u>	<u>208,431</u>	<u>133,616</u>	<u>147,715</u>	<u>-80,489</u>	<u>60,716</u>

The deferred tax movement, for the Group and for the Company, in 2009 and 2008 is analysed as follows:

	Deferred taxes		Deferred taxes	
	Group		Company	
	Dec 2009 Euro '000	Dec 2008 Euro '000	Dec 2009 Euro '000	Dec 2008 Euro '000
<b>Balance at 1 January</b>	-135,859	54,786	60,716	-53,253
Charges to the profit and loss account	131,272	-88,028	-54,519	109,267
Charges against reserves	-48,740	37,018	-26,632	4,549
Exchange differences and other variations	-44,231	-139,635	-60,054	153
<b>Balance at 31 December</b>	<b>-97,558</b>	<b>-135,859</b>	<b>-80,489</b>	<b>60,716</b>

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

The allocation of the fair value of assets, liabilities and contingent liabilities concluded in 2009, regarding the acquisition of Investco, Lajeado and Tocantis, Neo Catalunya and Romania sub-group, that occurred in 2008, implied an allocation of 19,790 thousand Euros to deferred tax liabilities, as at 31 December 2008 (see note 18).

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
	<b>Current tax</b>			
Changes in fair value of derivative financial instruments	-968	-	-968	-
Gains/losses on the sale of treasury stock	-366	831	-366	831
	<u>-1,334</u>	<u>831</u>	<u>-1,334</u>	<u>831</u>
<b>Deferred tax</b>				
Financial instruments and fair value	-35,620	18,108	-17,014	4,549
Actuarial gains and losses	1,744	5,406	-	-
Changes in fair value of financial assets held for sale	-14,864	13,504	-9,618	-
	<u>-48,740</u>	<u>37,018</u>	<u>-26,632</u>	<u>4,549</u>
	<u><u>-50,074</u></u>	<u><u>37,849</u></u>	<u><u>-27,966</u></u>	<u><u>5,380</u></u>

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

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Expiry date:		
2009	-	691
2010	93	874
2011	348	259
2012	525	899
2013	2,132	2,633
2014	8,543	539,080
2015	32,415	7,462
2016 to 2029	831,430	476,403
Without expiry date	149,304	-
Without expiry date but limited to 30% of taxable income of each year	491,942	474,113
	<u>1,516,732</u>	<u>1,502,414</u>

## 23. Inventories

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
	Merchandise	24,937	40,470	-
Advances on account of purchases	4,650	4,061	-	-
Finished and intermediate products	10,384	12,075	-	-
Sub-products, waste, residues and scrap	13,159	10,506	-	-
Raw and subsidiary materials and consumables:				
Coal	94,780	64,443	-	-
Fuel	41,041	41,153	-	-
Nuclear fuel	13,594	12,845	-	-
Other consumables				
CO2 licenses	11,351	27,744	11,351	27,744
Other	59,480	63,503	-	-
	<u>273,376</u>	<u>276,800</u>	<u>11,351</u>	<u>27,744</u>

CO2 licenses correspond to the amount of available for sale licenses as at 31 December 2009, valued at market price on the same date against the income statement (see note 46).



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

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

The movement in **Impairment losses** , in 2008, for the **Company** is analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of Impairment losses Euro'000	Charge-off Euro'000	Balance at 31 December Euro'000
Corporate sector and individuals	9,941	35	-20	-15	9,941
	<u>9,941</u>	<u>35</u>	<u>-20</u>	<u>-15</u>	<u>9,941</u>

## 25. Debtors and other assets

**Debtors and other assets** are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Short term debtors - Current:</b>				
Loans to subsidiaries	-	-	811,279	22,957
Dividends	-	-	-	369,153
Loans to related companies	142,976	8,054	7,492	6,373
Other debtors:				
- Advances to pensioners on account of the Social Security	13,717	1,889	-	3
- Amounts owed to staff	3,520	3,475	-	3
- Amounts receivable from the Telecommunications business	55,640	55,640	-	-
- Amounts receivable from Spanish tariff expenses	117,915	281,155	-	-
- Amounts receivable from Portuguese tariff adjustments	559,724	10,444	-	-
- Receivables from the State and concessors	13,040	33,749	-	20,585
- Advances to RTP - broadcasting charge	32,125	29,140	-	-
- Receivables relating to other goods and services	66,831	71,932	84,651	154,383
- Derivative financial instruments	230,195	216,670	216,534	329,278
- Subsidiaries companies	-	-	524,888	1,624,117
- Amounts receivable relating to gas sales operations	1,402	18,056	-	-
- Amounts receivable relating to insurance and reinsurance operations	5,067	11,043	-	-
- Amounts receivable relating to the renewable operations	11,272	24,948	-	-
- Expenditure on concessions	14,284	4,789	-	-
- Insurance	10,130	6,808	6,269	5,198
- Other deferred costs	6,879	15,852	-	883
- Rents receivable of Energin lease	24,976	26,790	-	-
- Amounts receivable relating to CMEC	363,350	367,790	-	-
- Amounts to be invoiced to REN	-	29,098	-	-
- Tied deposits (Horizon)	90,505	43,016	-	-
Accrued income relating to energy sales and purchase activity in the market	27,425	218,582	38,191	218,582
Sundry debtors and other operations	148,234	220,733	39,341	80,355
	<u>1,939,207</u>	<u>1,699,653</u>	<u>1,728,645</u>	<u>2,831,870</u>
Impairment losses on short-term debtors - Current	-74,191	-67,481	-908	-897
	<u>1,865,016</u>	<u>1,632,172</u>	<u>1,727,737</u>	<u>2,830,973</u>
	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Medium and long term debtors - Non Current:</b>				
Loans to subsidiaries	-	-	4,480,386	5,784,331
Loans to related companies	25,672	37,384	18,874	15,087
Other debtors:				
- Amounts receivable from Portuguese tariff adjustments	76,127	1,435,033	-	-
- Amounts receivable from Spanish tariff expenses	536,205	134,201	-	-
- Expenditure on concessors	16,199	8,222	-	-
- Guarantees and linked deposits	126,601	104,308	1,385	7,405
- Amounts receivable relating to CMEC	1,026,181	785,204	-	-
- Derivative financial instruments	46,116	44,197	37,271	104,334
- O&M contract valuation - Mapple Ridge I (Horizon)	7,405	7,941	-	-
Sundry debtors and other operations	85,303	83,995	-	-
	<u>1,945,809</u>	<u>2,640,485</u>	<u>4,537,916</u>	<u>5,911,157</u>
Impairment losses on medium and long term debtors - Non current	-2,839	-2,782	-	-
	<u>1,942,970</u>	<u>2,637,703</u>	<u>4,537,916</u>	<u>5,911,157</u>
	<u>3,807,986</u>	<u>4,269,875</u>	<u>6,265,653</u>	<u>8,742,130</u>

Tied deposits (Horizon) - Current includes 86,807 thousand Euros (39,736 thousand Euros in 2008) related to the financing agreement for wind farms, which establishes that the amount of these deposits should be sufficient to cover all costs which are expected to incur in the construction.

The amounts receivable from Spanish tariff expenses current and non-current correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2009, according to the applicable legal framework (see note 3).

The amounts receivable relating to CMEC totalize 1,389,531 thousand Euros, which include 1,026,181 thousand Euros as medium and long term debts and 363,350 thousand Euros as short term debts. The amount receivable relating to the initial CMEC of 763,302 thousand Euros as medium and long term debts and 41,055 thousand Euros as short term debts, corresponds to the initial CMEC granted to EDP Produção (833,467 thousand Euros) deducted from the receivable annuity for 2007, 2008 and 2009. The remaining 262,879 thousand Euros in the medium and long term and 322,295 thousand Euros in the short term correspond to the operational revenues related to the revisibility calculation in 2007, 2008 and 2009.

The Derivative financial instruments portfolio, whose amounts have been booked as Debtors and other current and non current assets by 230,195 thousand Euros and 46,116 thousand Euros respectively, include the trading and hedge portfolios as at 31 December 2009 (see note 40).

The amounts receivable from Portuguese current and non-current tariff adjustments by 559,724 thousand Euros and 76,127 thousand Euros respectively (31 December 2008: 10,444 thousand Euros and 1,435,033 thousand Euros in current and non-current respectively), relate to the tariff adjustment (see note 3) from the Portuguese electric system (SEP) in 2009 and 2008 of regulated companies in Portugal.

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

	Current Euro'000	Non Current Euro'000
<b>Balance as at 1 January 2008</b>	-	-
Tariff adjustment of 2007	10 444	173,896
Tariff adjustment for the period	-	1,261,137
<b>Balance as at 31 December 2008</b>	<b>10,444</b>	<b>1,435,033</b>
Receipts through the electric energy tariff	-11,015	-
Securitisation of the non regular tariff adjustments of 2007 and 2008	-	-1 672 845
Tariff adjustment of 2008	-	49,435
Tariff adjustment for the period	-	748,172
Interest expense	571	76,056
Transfer from non current to current	559,724	-559,724
<b>Balance as at 31 December 2009</b>	<b>559,724</b>	<b>76,127</b>

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

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

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

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

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

As at 31 December 2009 the balance mainly includes the impairment losses booked for the receivable of telecommunications business (ONI Multimédia) of 55,640 thousand Euros as detailed in the caption Short term debtors - Current.

The movements in **Impairment losses on short-term debtors - Current** in 2008, for the **Group**, are analysed as follows:

	Balance at 1 January Euro'000	Perimeter variations Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Exchange differences Euro'000	Balance at 31 December Euro'000
Other debtors	66,235	-285	3,636	-656	-1,332	-117	67,481
	<u>66,235</u>	<u>-285</u>	<u>3,636</u>	<u>-656</u>	<u>-1,332</u>	<u>-117</u>	<u>67,481</u>

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

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

The movements in **Impairment losses on short-term debtors - Current** in 2008, for the **Company**, are analysed as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Reversal of impairment losses Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	869	356	-328	-	-	897
	<u>869</u>	<u>356</u>	<u>-328</u>	<u>-</u>	<u>-</u>	<u>897</u>

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

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

The movements in **Impairment losses on Medium and long term debtors - Non current** in 2008, for the **Group**, are as follows:

	Balance at 1 January Euro'000	Charge for the year Euro'000	Transfers Euro'000	Charge off Euro'000	Balance at 31 December Euro'000
Other debtors	2,737	-	45	-	2,782
	<u>2,737</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>2,782</u>

## 26. Tax receivable

**Tax receivable** is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
State and other public entities:				
- Income tax	144,016	111,459	14,077	33,901
- Value added tax (VAT)	334,110	347,997	30,468	54,220
- Turnover tax (Brazil)	72,786	17,899	-	-
- Social tax (Brazil)	288	21,643	-	-
- Other taxes	6,441	45,742	-	7,316
	<u>557,641</u>	<u>544,740</u>	<u>44,545</u>	<u>95,437</u>

## 27. Financial assets at fair value through profit or loss

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Fixed income securities:				
Listed funds	33,012	32,369	-	-
Bonds and other listed fixed income securities	47,749	47,221	-	-
	<u>80,761</u>	<u>79,590</u>	<u>-</u>	<u>-</u>
Variable income securities:				
Listed funds	4,091	3,405	-	-
Shares	-	232	-	232
	<u>4,091</u>	<u>3,637</u>	<u>-</u>	<u>232</u>
	<u>84,852</u>	<u>83,227</u>	<u>-</u>	<u>232</u>

## 28. Cash and cash equivalents

**Cash and cash equivalents** are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Cash:				
- Cash in hand	124	93	-	-
Bank deposits:				
- Current deposits	333,102	457,741	13,856	113,379
- Term deposits	613,506	49,133	-	-
- Other deposits	505	-	-	-
	<u>947,113</u>	<u>506,874</u>	<u>13,856</u>	<u>113,379</u>
Other short term investments:				
- Banks - Euros	915,156	122,720	877,500	69,500
- Banks - Other currencies	327,167	83,900	-	-
	<u>1,242,323</u>	<u>206,620</u>	<u>877,500</u>	<u>69,500</u>
Cash and cash equivalents	<u>2,189,560</u>	<u>713,587</u>	<u>891,356</u>	<u>182,879</u>

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

## 29. Share capital and share premium

EDP, S.A. is a company incorporated by shares in which the Portuguese State and other public entities have minority interests. The Company was incorporated as a State-owned company and started its privatisation process in 1997. The second and third phases of the privatisation process were carried out in 1998, the fourth phase in 2000, the fifth phase consisting of a capital increase in 2004 and a sixth phase in 2005. In December 2007 the State issued bonds convertible into shares of EDP, S.A. under the seventh phase of the privatisation process. The Portuguese State now holds directly and indirectly approximately 25.71% of the share capital of EDP, S.A.

The share capital amounts to 3,656,537,715 Euros and is represented by 3,656,537,715 fully paid up ordinary shares of 1 Euro each. Of this amount, 2,936,222,980 are class A shares and 720,314,735 are class B shares. The class B shares are held by Portuguese public entities.

Share capital and Share premium are analysed as follows:

	Group and Company	
	Share capital Euro'000	Share premium Euro'000
Balance as at 31 December 2008	3,656,538	501,992
Movements during the year	-	-
Balance as at 31 December 2009	3,656,538	501,992

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

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Net profit attributable to the equity holders of EDP (in Euros)	1,023,844,684	1,091,528,829	630,020,903	550,977,634
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,023,844,684	1,089,231,457		
Weighted average number of ordinary shares outstanding	3,621,419,392	3,629,295,527	3,622,932,392	3,630,440,152
Weighted average number of diluted ordinary shares outstanding	3,622,458,061	3,630,582,881	3,623,971,061	3,631,727,506
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.30		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.30		
Basic earnings per share from continuing operations (in Euros)	0.28	0.30		
Diluted earnings per share from continuing operations (in Euros)	0.28	0.30		

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

The average number of shares was determined as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
<b>Average number of realised shares</b>	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-35,118,323	-27,242,188	-33,605,323	-26,097,563
Average number of shares during the year	3,621,419,392	3,629,295,527	3,622,932,392	3,630,440,152
Effect of stock options	1,038,669	1,287,354	1,038,669	1,287,354
Diluted average number of shares during the year	3,622,458,061	3,630,582,881	3,623,971,061	3,631,727,506

## 30. Treasury stock

This caption is analysed as follows:

	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
Book value of EDP, S.A. treasury stock (thousand Euros)	119,784	126,532	113,689	120,437
Number of shares	34,212,975	35,703,591	32,699,975	34,190,591
Market value per share (in Euros)	3.108	2.695	3.108	2.695
Market value of EDP, S.A.'s treasury stock (thousand Euros)	106,334	96,221	101,632	92,144

Operations performed from 1 January 2009 to 31 December 2009:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	1,409,481	-
Volume sold (number of shares)	-2,900,097	-
Final position (number of shares)	32,699,975	1,513,000
Highest market price (in Euros)	3.21	-
Lowest market price (in Euros)	2.21	-
Average market price (in Euros)	2.86	-

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

### 31. Reserves and retained earnings

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Legal reserve	471,387	443,838	471,387	443,838
Fair value reserve (cash flow hedge)	80,444	-54,653	56,561	-11,295
Tax effect of fair value reserve (cash flow hedge)	-18,650	20,130	-15,457	2,525
Fair value reserve (available-for-sale investments)	191,893	46,964	129,809	25,649
Tax effect of fair value reserve (available-for-sale investments)	-17,790	-2,926	-12,077	-2,459
Exchange differences arising on consolidation	165,859	-94,018	-	-
Treasury stock reserve (EDP, S.A.)	113,689	120,437	113,689	120,437
Other reserves and retained earnings	1,241,728	763,521	1,124,095	1,102,912
	<u>2,228,560</u>	<u>1,243,293</u>	<u>1,868,007</u>	<u>1,681,607</u>

#### 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 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, net of impairment losses. The changes in this consolidated caption for the year are as follows:

	Group	
	Increases Euro'000	Decreases Euro'000
<b>Balance as at 31 December 2007</b>	329,161	-193,873
Changes in fair value	10,373	-371,106
Transfer of impairment to profit or loss	-	289,378
Transfer to the income statement relating to assets sold	-16,969	-
<b>Balance as at 31 December 2008</b>	322,565	-275,601
Changes in fair value	179,756	-29,841
Transfer of impairment to profit or loss	-	29,289
Transfer to the income statement relating to assets sold	-34,275	-
<b>Balance as at 31 December 2009</b>	<u>468,046</u>	<u>-276,153</u>

Decreases in fair value changes during the year ended 31 December 2009 include 29,274 thousand Euros related to impairment losses recognised regarding the investment in BCP, transferred to the income statement during the first quarter of 2009.

Increases in fair value changes during the year ended 31 December 2009 are analysed as follows:

	Dec 2009 Euro'000
Sonaecom, S.A.	28,920
Ampla Energia e Serviços, S.A.	94,705
Banco Comercial Português, S.A.	33,391
REN - Rede Eléctrica Nacional, S.A.	3,551
Tejo Energia, S.A.	7,436
Ampla Investimentos e Serviços, S.A.	5,965
Other	5,788
	<u>179,756</u>

Transfer to the income statement relating to assets sold includes the gains of 28,920 thousand Euros and 5,355 thousand Euros, related to the sale at the Stock Exchange of Sonaecom and BCP shares, respectively (see note 13).

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

Currency		Exchange rates at Dec 2009		Exchange rates at Dec 2008	
		Closing rates	Average exchange-rate	Closing rates	Average exchange-rate
Dollar	USD	1.441	1.390	1.392	1.477
Brazilian Real	BRL	2.511	2.783	3.244	2.652
Macao Pataca	MOP	11.506	11.088	11.109	11.841
Quetzal	GTQ	12.003	11.332	10.779	11.153
Zloty	PLN	4.105	4.362	4.154	3.486
Lei	RON	4.236	4.245	4.023	3.762

#### Dividends

The dividend proposed, prior to approval of the accounts and not yet recognised as a distribution, amounts to 566,763 thousand Euros for the year ended 31 December 2009 and corresponds to 0.155 Euros per share.

#### Proposal for the appropriation of statutory net profits of EDP, S.A. with reference to 2008 and 2007 - Donations to Fundação EDP

In accordance with article 30, n.º 1 f) of EDP - Energias de Portugal, S.A. Articles, the General Assembly of Shareholders approved on 15 April 2009 and 10 April 2008, the proposals for the appropriation of statutory net profits of EDP, S.A. with reference to 2008 and 2007, attributing for 2009 and 2008 annual donations to Fundação EDP of 6,000,000 Euros and 3,428,144 Euros, respectively. The referred donations for IFRS accounting purposes were recognised as Donations in Other operating expenses (see note 10) in 2009 and 2008, respectively.

### 32. Minority Interests

This caption is analysed as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Minority interests in income statement	144,102	120,143
Minority interests in reserves	2,543,435	2,080,462
	<u>2,687,537</u>	<u>2,200,605</u>

**Minority Interests**, by company, are made up as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
EDP Renováveis Group	1,281,672	1,253,875
Energias do Brasil Group	1,346,792	895,114
Hidrocontábrico Group	35,534	29,191
Other minority interests	23,539	22,425
	<u>2,687,537</u>	<u>2,200,605</u>

During 2009, EDP Group generated profit of 144,102 thousand Euros attributable to minority interests (31 December 2008: 120,143 thousand Euros).

The movement in minority interests of EDP Renováveis Group is mainly related to profits attributable to minority interests of 24,688 thousand Euros, to variations resulting from share capital increases attributable to minority interests totalling 7,597 thousand Euros and to a decrease of 3,491 thousand Euros related to dividends paid.

The movement booked in minority interests of Energias do Brasil Group includes 116,338 thousand Euros of profits attributable to minority interests, 242,052 thousand Euros from the positive exchange difference and a decrease related to the dividends paid of 67,814 thousand Euros. In November 2009, the secondary public offer of 15,500,000 treasury stock of EDP - Energias do Brasil, S.A. was concluded, and, as a result, the Group recognised minority interests of 166,621 thousand Euros. Additionally, during 2009 the effect of changes in fair value reserve and actuarial losses resulted in a decrease of minority interests of 3,825 thousand Euros.

The movement in minority interests of the Hidrocontábrico Group mainly includes 612 thousand Euros of profits attributable to minority interests, an increase of 3,833 thousand Euros related to the subscription of 25% of the share capital of Central Térmica de Ciclo Combinado Grupo 4 by Sonatrach, an increase of 3,814 thousand Euros related to a share capital increase of Naturgás Energia Distribución Cantabria, S.A. and a decrease of 2,185 thousand Euros related to dividends paid.

The caption Other minority interests includes 22,287 thousand Euros related to the Gas subgroup subsidiaries in Portugal (31 December 2008: 20,001 thousand Euros).

As referred under accounting policies - note 2 a), in accordance with IFRS 3, in the 12 months period subsequent to a business combination, the acquirer can make adjustments to the fair value of assets, liabilities and contingent liabilities, reflecting these adjustments with reference to the acquisition date. The final allocation of the assets, liabilities and contingent liabilities concluded during the third quarter of 2009, related to Investco, Rede Lajeado and Tocantins, has determined the allocation of 9,440 thousand Euros of Minority interests and 69 thousand Euros of net profits attributable to Minority interests, with reference to 31 December 2008.

The PPA's (Price Purchase Allocation) concluded in the fourth quarter of 2009, related to Renovatio Power and Cernavoda Power, determined the allocation of 8,763 thousand Euros of Minority interests, with reference to 31 December 2008.

The final allocation of the assets, liabilities and contingent liabilities concluded during the fourth quarter of 2009, related to Solanar Distribución Eléctrica and Instalaciones Eléctricas Rio Isabena, determined the allocation of 320 thousand Euros and 353 thousand Euros, respectively, of Minority interests, with reference to 31 December 2008.

### 33. Hydrological account

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

	<b>Group and Company</b>	
	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Balance at the beginning of the year	237,822	227,686
Amounts received / (paid) during the year	-135,069	-
Financial charges	<u>9,878</u>	<u>10,136</u>
Balance at the end of the year	<u><u>112,631</u></u>	<u><u>237,822</u></u>

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

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

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

### 34. Financial debt

This caption is analysed as follows:

	<b>Group</b>		<b>Company</b>	
	<b>Dec 2009</b>	<b>Dec 2008</b>	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>	<b>Euro'000</b>
<b>Short term debt and borrowings - Current</b>				
Bank loans:				
- EDP, S.A.	51,277	92,568	51,277	92,568
- EDP Finance B.V.	-	730,000	-	-
- EDP Energias do Brasil Group	119,661	256,639	-	-
- HC Energia Group	1,488	8,517	-	-
- Renewables Group	103,039	75,950	-	-
- Generation - Portugal	8,991	7,390	-	-
- Portgás	<u>33,999</u>	<u>32,977</u>	-	-
	<u>318,455</u>	<u>1,204,041</u>	<u>51,277</u>	<u>92,568</u>
Non convertible bond loans:				
- EDP, S.A.	-	1,000,000	-	1,000,000
- EDP Finance B.V.	499,861	22,455	-	-
- EDP Energias do Brasil Group	<u>81,077</u>	<u>62,784</u>	-	-
	<u>580,938</u>	<u>1,085,239</u>	-	<u>1,000,000</u>
Commercial paper:				
- EDP, S.A.	1,218,500	939,300	4,107,500	4,227,700
- EDP Energias do Brasil Group	91,586	-	-	-
- HC Energia Group	<u>329,322</u>	<u>433,082</u>	-	-
	<u>1,639,408</u>	<u>1,372,382</u>	<u>4,107,500</u>	<u>4,227,700</u>
Other loans:				
- EDP Energias do Brasil Group	5,402	3,669	-	-
- Renewables Group	4,096	3,277	-	-
- Generation - Portugal	<u>701</u>	<u>1,208</u>	-	-
	<u>10,199</u>	<u>8,154</u>	-	-
Accrued interest	<u>245,481</u>	<u>142,198</u>	<u>36,063</u>	<u>39,968</u>
	<u><u>2,794,481</u></u>	<u><u>3,812,014</u></u>	<u><u>4,194,840</u></u>	<u><u>5,360,236</u></u>

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Medium and long term debts and borrowings - Non current</b>				
Bank loans:				
- EDP, S.A.	759,024	1,672,201	759,024	1,672,201
- EDP Finance B.V.	3,206,321	2,175,000	-	-
- EDP Energias do Brasil Group	707,426	364,425	-	-
- HC Energia Group	4,991	7,076	-	-
- Renewable Group	402,599	451,062	-	-
- Generation - Portugal	185,046	174,911	-	-
- Portugal	66,862	78,449	-	-
	<u>5,332,269</u>	<u>4,923,124</u>	<u>759,024</u>	<u>1,672,201</u>
Non convertible bond loans:				
- EDP, S.A.	1,174,742	1,189,594	1,174,742	1,189,594
- EDP Finance B.V.	6,795,215	4,596,332	-	-
- EDP Energias do Brasil Group	180,639	202,651	-	-
	<u>8,150,596</u>	<u>5,988,577</u>	<u>1,174,742</u>	<u>1,189,594</u>
Other loans:				
- Preference shares of Investco	22,494	13,993	-	-
- EDP Energias do Brasil Group	37,349	31,382	-	-
- Renewable Group	29,530	27,834	-	-
- Generation - Portugal	6,151	6,728	-	-
	<u>95,524</u>	<u>79,937</u>	<u>-</u>	<u>-</u>
	<u>13,578,389</u>	<u>10,991,638</u>	<u>1,933,766</u>	<u>2,861,795</u>
Other liabilities:				
- Fair value of the issued debt hedged risk	-91,890	-117,327	28,627	-2,164
	<u>13,486,499</u>	<u>10,874,311</u>	<u>1,962,393</u>	<u>2,859,631</u>
	<u>16,280,980</u>	<u>14,686,325</u>	<u>6,157,233</u>	<u>8,219,867</u>

EDP Group, at EDP, S.A. level, has short-term credit facilities of 390,410 thousand Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, of which 375,410 thousand Euros have a firm underwriting commitment, being available 352,639 thousand Euros as at 31 December 2009, as well as Commercial Paper programs of 650,000 thousand Euros with guaranteed placement, being 350,000 thousand Euros still available as at 31 December 2009. EDP, S.A. has a medium term Revolving Credit Facility (RCF) of 1,600,000 thousand Euros, with a firm underwriting commitment, totally available. For liquidity management needs in USD, EDP, S.A. has a RCF of 1,500,000 thousand USD with a firm underwriting commitment, which as at 31 December 2009 is totally drawn.

The Group has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2009 and 2008 these loans amounted to 716,429 thousand Euros and 742,190 thousand Euros, respectively (amounts already included in the Group's consolidated debt).

The nominal value of **Bond loans issued and outstanding**, as at 31 December 2009, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Group Euro'000	Company Euro'000
<b>Issued by EDP S.A.</b>						
EDP, S.A.	Mar-03	Euribor 6 months + 0.5%	n.a.	Mar-13	150,000	150,000
EDP, S.A. (ii)	May-08	Variable rate (iv)	n.a.	May-18	300,000	300,000
					<u>450,000</u>	<u>450,000</u>
<b>Issued under the Euro Medium Term Notes program</b>						
EDP, S.A.	Mar-01	Fixed rate EUR 5.875%	Fair Value	Mar-11	747,352	747,352
EDP Finance B.V.	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	Euribor 3 months + 0.15%	n.a.	Jun-10	500,000	-
EDP Finance B.V.	Jun-06	Fixed rate EUR 4.25%	n.a.	Jun-12	500,000	-
EDP Finance B.V.	Jun-06	Fixed rate EUR 4.625%	n.a.	Jun-16	500,000	-
EDP Finance B.V.	Nov-07	Fixed rate USD 5.375 %	Net Investment	Nov-12	694,155	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00 %	Net Investment	Feb-18	694,155	-
EDP Finance B.V.	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon (iv)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (iii)	Feb-09	Fixed rate EUR 5.5%	Fair Value	Feb-14	1,000,000	-
EDP Finance B.V. (i)	Jun-09	Fixed rate JPY (iv)	Net Investment	Jun-19	75,098	-
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	694,155	-
					<u>8,188,586</u>	<u>747,352</u>
<b>Issued by the EDP Energias do Brasil Group in the Brazilian domestic market</b>						
Investco	Nov-01	IGPM + 10.5%	n.a.	Nov-11	25,716	-
Bandeirante	Apr-06	104.4% of CDI	n.a.	Mar-11	66,367	-
Escelsa	Jun-06	104.4% of CDI	n.a.	Jun-11	70,083	-
Escelsa	Jul-07	105.0% of CDI	n.a.	Jul-14	99,550	-
					<u>261,716</u>	<u>-</u>
					<u>8,900,302</u>	<u>1,197,352</u>

(i) These issues by EDP Finance BV have associated interest rate swaps and/or currency swaps.

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

(iii) Part of this loan has associated interest rate swaps.

(iv) These issues correspond to private placements.

Debt and borrowings by maturity, are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Bank loans and overdrafts:</b>				
Up to 1 year	324,586	1,305,729	52,513	94,890
From 1 to 5 years	4,012,942	2,834,286	131,155	104,934
More than 5 years	1,319,327	2,088,838	627,869	1,567,267
	<u>5,656,855</u>	<u>6,228,853</u>	<u>811,537</u>	<u>1,767,091</u>
<b>Bond loans:</b>				
Up to 1 year	820,699	1,124,905	34,726	1,037,543
From 1 to 5 years	3,232,718	2,792,859	891,685	887,430
More than 5 years	4,825,988	3,078,391	311,684	300,000
	<u>8,879,405</u>	<u>6,996,155</u>	<u>1,238,095</u>	<u>2,224,973</u>
<b>Commercial paper:</b>				
Up to 1 year	1,638,513	1,372,382	4,107,601	4,227,803
<b>Other loans:</b>				
Up to 1 year	10,683	8,998	-	-
From 1 to 5 years	42,921	26,936	-	-
More than 5 years	52,603	53,001	-	-
	<u>106,207</u>	<u>88,935</u>	<u>-</u>	<u>-</u>
	<u>16,280,980</u>	<u>14,686,325</u>	<u>6,157,233</u>	<u>8,219,867</u>

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

	Dec 2009		Dec 2008	
	Carrying amount Euro'000	Market value Euro'000	Carrying amount Euro'000	Market value Euro'000
Short term debt and borrowings - Current	2,794,481	2,547,504	3,812,014	3,824,018
Medium/Long term debt and borrowings - Non current	13,486,499	14,110,568	10,874,311	10,676,963
	<u>16,280,980</u>	<u>16,658,072</u>	<u>14,686,325</u>	<u>14,500,981</u>

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

As at 31 December 2009, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	Following years Euro'000	Total Euro'000
Medium/long term debt and borrowings	-	1,203,700	1,448,579	2,412,879	2,223,423	6,197,918	13,486,499
Short term debt and borrowings	2,794,481	-	-	-	-	-	2,794,481
	<u>2,794,481</u>	<u>1,203,700</u>	<u>1,448,579</u>	<u>2,412,879</u>	<u>2,223,423</u>	<u>6,197,918</u>	<u>16,280,980</u>

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

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

	2010 Euro'000	2011 Euro'000	2012 Euro'000	2013 Euro'000	2014 Euro'000	Following years Euro'000	Total Euro'000
<b>Bank loans:</b>							
Euro	204,386	246,807	101,812	2,124,184	85,169	1,017,933	3,780,291
Brazilian Real	120,200	108,566	114,889	101,223	89,059	301,394	835,331
US Dollar	-	-	-	-	1,041,233	-	1,041,233
	<u>324,586</u>	<u>355,373</u>	<u>216,701</u>	<u>2,225,407</u>	<u>1,215,461</u>	<u>1,319,327</u>	<u>5,656,855</u>
<b>Bond loans:</b>							
Euro	739,620	756,760	494,976	144,975	961,275	3,365,089	6,462,695
Brazilian Real	81,079	81,089	33,183	33,183	33,122	-	261,656
US Dollar	-	-	694,155	-	-	1,460,899	2,155,054
	<u>820,699</u>	<u>837,849</u>	<u>1,222,314</u>	<u>178,158</u>	<u>994,397</u>	<u>4,825,988</u>	<u>8,879,405</u>
<b>Commercial paper:</b>							
Euro	1,546,927	-	-	-	-	-	1,546,927
Brazilian Real	91,586	-	-	-	-	-	91,586
	<u>1,638,513</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,638,513</u>
<b>Other loans:</b>							
Euro	4,167	4,213	3,292	2,994	7,975	13,501	36,142
Brazilian Real	5,402	5,398	5,329	5,292	4,721	39,102	65,244
US Dollar	1,114	867	943	1,028	869	-	4,821
	<u>10,683</u>	<u>10,478</u>	<u>9,564</u>	<u>9,314</u>	<u>13,565</u>	<u>52,603</u>	<u>106,207</u>
	<u>2,794,481</u>	<u>1,203,700</u>	<u>1,448,579</u>	<u>2,412,879</u>	<u>2,223,423</u>	<u>6,197,918</u>	<u>16,280,980</u>

### 35. Employee benefits

Employee benefits are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Provisions for social liabilities and benefits	1,109,347	1,082,905	-	-
Provisions for medical liabilities and other benefits	770,357	750,982	-	-
	<u>1,879,704</u>	<u>1,833,887</u>	<u>-</u>	<u>-</u>

Provisions for social liabilities and benefits as at 31 December 2009 include 1,095,981 thousand Euros relating to retirement pension defined benefit plans (31 December 2008: 1,067,553 thousand Euros) and 13,366 thousand Euros (31 December 2008: 15,352 thousand Euros) relating to the estimated cost of services rendered by third parties under the human resources rationalisation program.

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the period	1,082,905	935,593	-	-
Charge for the year	62,274	47,196	-	-
Pre-retirements (curtailments)	32,757	46,117	-	-
Actuarial (gains)/losses	84,005	185,791	-	-
Charge-off	-150,267	-146,310	-	-
Perimeter variation - Enersul	-	15,573	-	-
Transfers, reclassifications and exchange differences	-2,327	-1,055	-	-
Balance at the end of the period	<u>1,109,347</u>	<u>1,082,905</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the period	750,982	779,784	-	-
Charge for the period	49,955	48,791	-	-
Pre-retirements (curtailments)	1,736	3,086	-	-
Actuarial (gains)/losses	2,479	-43,842	-	-
Charge-off	-42,905	-33,318	-	-
Transfers, reclassifications and exchange differences	8,110	-3,519	-	-
Balance at the end of the period	<u>770,357</u>	<u>750,982</u>	<u>-</u>	<u>-</u>

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefit plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousand Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having been recognised in 2009 and 2008, losses of 86,484 thousand Euros and of 140,467 thousand Euros, respectively.

#### Employee benefit plans

Some EDP Group companies grant post-retirement benefits to employees, under defined benefit and defined contribution plans, namely pension plans that ensure retirement complements to age, disability and surviving pensions, as well as retirement pensions. In some cases healthcare is provided during retirement and early retirement, through mechanisms complementary to those provided by the National Health Service.

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

##### I. Defined benefit pension plans

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

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

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

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

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

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

As at 31 December 2009 and 2008 the number of participants covered by the pension plans was as follows:

	Portugal	Spain	Brazil	Portugal	Spain	Brazil
	2009	2009	2009	2008	2008	2008
Number of participants						
Retirees and pensioners	18,309	1,515	1,610	18,446	1,600	1,559
Active workers	6,608	1,263	1,951	6,838	1,294	2,165
	24,917	2,778	3,561	25,284	2,894	3,724

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

Assumptions	Dec 2009				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Expected return of plan assets	6.34%	not applicable	11.49%	11.49%	11.49%
Discount rate	5.20%	5% / 4,5% 2.75%	11.20%	11.20%	11.20%
Salary increase rate	3.70%	(CPI+0.5%); In 2011 - 3% (CPI+0.75%)	5.55%	5.55%	5.55%
Pension increase rate	2.70%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	1.90%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	4.50%	4.50%	4.50%
Mortality table	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	PERM/F-2000P	RP-2000 Disabled	RP-2000 Disabled	RP-2000 Disabled
Disability table	50% EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable
Assumptions	Dec 2008				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Enersul
Expected return of plan assets	6.34%	not applicable	11.00%	11.25%	10.75%
Discount rate	5.75%	5.40%	11.25%	11.25%	11.25%
Salary increase rate	3.70%	1.90%	5.55%	5.55%	5.55%
Pension increase rate	2.90%	not applicable	4.50%	4.50%	4.50%
Social Security salary appreciation	2.10%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.20%	2.50%	4.50%	4.50%	4.50%
Mortality table	TV 88/90	PERM/F-2000P	RP-2000 Geracional	AT 2000/RP- 2000 Geracional	AT 2000/RP- 2000 Geracional
Disability table	50% EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

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

The liability for retirement pensions and related coverage for the Group, as at 31 December 2009 and 2008 is analysed as follows:

	Dec 2009			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
<b>Provision for Pension Plans</b>				
Liability at the end of the year	1,984,765	91,679	225,863	2,302,307
Fair value of plan assets at the end of the year	-1,011,986	-	-221,776	-1,233,762
Asset ceiling	-	-	27,436	27,436
Provision at the end of the year	972,779	91,679	31,523	1,095,981
	Dec 2008			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
<b>Provision for Pension Plans</b>				
Liability at the end of the year	1,930,534	93,990	168,461	2,192,985
Fair value of plan assets at the end of the year	-991,453	-	-154,820	-1,146,273
Asset ceiling	-	-	20,841	20,841
Provision at the end of the year	939,081	93,990	34,482	1,067,553

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

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

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
<b>Provision for Pension Plans</b>					
Liability at the end of the year	2,302,307	2,192,985	2,217,351	2,247,023	2,231,598
Fair value of plan assets at the end of the year	-1,233,762	-1,146,273	-1,389,997	-1,316,748	-1,207,121
Asset ceiling	27,436	20,841	-	-	-
Provision at the end of the year	1,095,981	1,067,553	827,354	930,275	1,024,477



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

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

The actuarial gains/losses in Brazil include the amount of 674 thousand Euros (1,876 thousand BRL) related to actuarial gains and losses of asset ceiling not recognised in reserves (2008: 1,482 thousand Euros).

	Dec 2008			
	Portugal Euro'000	Spain Euro'000	Brazil Euro'000	Group Euro'000
<b>Pension funds</b>				
Fair value of plan assets at the beginning of the year	1,178,536	-	256,686	1,435,222
Group contribution	3,571	-	7,574	11,145
Plan participants contributions	-	-	986	986
Benefits paid	-53,725	-	-11,261	-64,986
Actual return on plan assets	70,712	-	21,836	92,548
Actuarial gains/(losses)	-207,641	-	-23,164	-230,805
Currency fluctuation	-	-	-38,387	-38,387
Perimeter variation - Enersul	-	-	-59,450	-59,450
<b>Assets value at the end of the year</b>	<b>991,453</b>	<b>-</b>	<b>154,820</b>	<b>1,146,273</b>

As at 31 December 2009 and 2008, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2009	26,818	541,817	230,227	165,460	47,664	1,011,986
31 December 2008	-	553,231	199,282	178,462	60,478	991,453

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2009	2.65%	53.54%	22.75%	16.35%	4.71%	100.00%
31 December 2008	-	55.80%	20.10%	18.00%	6.10%	100.00%

Properties included in the fund, that are being used by the Group amount to 124,722 thousand Euros at 31 December 2009 (133,847 thousand Euros at 31 December 2008). Bonds include the amount of 2,277 thousand Euros relating to bonds issued by EDP Finance B.V.

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

	2009	2008
	Euro'000	Euro'000
Shares:		
EDP Renováveis	2,815	4,347
EDP S.A.	-	-
	<b>2,815</b>	<b>4,347</b>

Pension fund assets in Brazil as at 31 December 2009 and 2008 are analysed as follows:

	Fund assets by nature					
	Cash Euro'000	Bonds Euro'000	Shares Euro'000	Property Euro'000	Other Euro'000	Total Euro'000
31 December 2009	-	182,637	32,362	1,071	5,706	221,776
31 December 2008	325	-	33,235	1,855	119,405	154,820

	Fund assets by nature					
	Cash %	Bonds %	Shares %	Property %	Other %	Total %
31 December 2009	-	82.35%	14.59%	0.48%	2.58%	100.00%
31 December 2008	0.21%	-	21.47%	1.20%	77.12%	100.00%

As at 31 December 2008, Other represents, essentially, financial applications indexed to CDI (Interbank Deposits Certificate).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 27,436 thousand Euros, converted at closing rate of BRL (68,901 thousand BRL). As at 31 December 2008 the value of the asset ceiling was 20,841 thousand Euros.

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

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

The expected return rate of assets for 2010 and subsequent years, in accordance with expectations in January 2010, was determined based on the investment objectives by class of assets and the best estimate of long term return for each class, as follows:

	2009		Expected return rate for 2010 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
<b>Portugal</b>				
Bonds	48.50%	4.40%	52.50%	4.40%
European shares	18.00%	9.20%	14.00%	7.90%
Global shares	10.00%	9.50%	10.00%	8.00%
Hedge Funds	4.50%	6.70%	3.00%	5.80%
Property	18.50%	6.50%	18.50%	6.90%
Other	0.50%	2.50%	2.00%	8.40%
<b>Total</b>	<b>100.00%</b>	<b>6.30%</b>	<b>100.00%</b>	<b>6.00%</b>

The real return rate of assets in 2009 was 7.47% (2008: - 11.81%).

	2009		Expected return rate for 2010 and subsequent years	
	Weight	Expected annual return rate	Weight	Expected annual return rate
<b>Brazil</b>				
Bonds	82.35%	11.20%	81.00%	10.75%
European shares	-	-	-	-
Global shares	14.59%	13.29%	14.10%	13.25%
Hedge Funds	-	-	-	-
Property	0.48%	11.20%	4.9%	10.75%
Other	2.58%	10.77%	-	-
<b>Total</b>	<b>100.00%</b>	<b>11.49%</b>	<b>100.00%</b>	<b>11.00%</b>

As at 31 December 2009 the amount of future benefits expected to be paid, relating to the activity in Portugal, Spain and Brazil, is analysed as follows:

	Expected future benefits to be paid				
	Portugal	Pensions	Medical plans	Other benefits	Total
<b>2010</b>		190,936	20,363	15,814	227,113
<b>2011</b>		185,484	20,792	16,045	222,321
<b>2012</b>		180,360	21,216	16,383	217,959
<b>2013</b>		173,758	21,697	16,724	212,179
<b>2014</b>		167,475	22,205	17,130	206,810
<b>2015</b>		159,127	22,775	17,768	199,670
<b>2016</b>		151,366	23,398	18,235	192,999
<b>2017</b>		145,926	24,155	19,065	189,146
<b>2018</b>		138,596	24,964	19,621	183,181
<b>2019</b>		134,148	25,823	20,154	180,125

In 2009, were not made contributions to the pension Funds (3,571 thousand Euros in December 2008 were fully paid in cash).

In 2009, the pensions paid by the Funds in Portugal totalled 54,228 thousand Euros (53,725 thousand Euros in December 2008).

	Expected future benefits to be paid	
	Spain	Other Benefits
<b>2010</b>		8,658
<b>2011</b>		10,381
<b>2012</b>		11,668
<b>2013</b>		12,093
<b>2014</b>		11,566
<b>2015</b>		7,165
<b>2016</b>		5,312
<b>2017</b>		3,035
<b>2018</b>		2,000
<b>2019</b>		2,000

In 2009, the pensions paid by the Funds in Spain totalled 7,984 thousand Euros (6,997 thousand Euros in December 2008).

The amount of 91,679 thousand Euros relating to HC Energia Group, included in Provisions for social welfare and benefits, includes 37,801 thousand Euros relating to provisions for revision of the collective labour agreement of the Hidrocantábrico Group ("Convênio Colectivo"), signed in December 2007. This agreement regulates, among other matters, the pre-retirement regime for the years 2008 until 2012. The provision includes 53,878 thousand Euros related to responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid				
Brazil	Pensions	Medical Plans	Other Benefits	Total
2010	8	2	-	10
2011	6,781	2	-	6,783
2012	7,761	2	-	7,763
2013	8,796	3	-	8,799
2014	9,872	3	-	9,875
2015	10,907	3	-	10,910
2016	12,193	3	1	12,197
2017	13,546	3	-	13,549
2018	15,355	3	1	15,359
2019	18,253	3	1	18,257

The contributions made to the pension Funds in 2009 amounted to 6,086 thousand Euros (7,574 thousand Euros in 2008) and were fully paid in cash.

The pensions paid by the Funds in 2009 totalled 11,806 thousand Euros (11,261 thousand Euros in 2008).

## II. Defined contribution pension plan

NEO and Hidrocanfábrico in Spain, Bandeirante in Brazil and EDP Estudos e Consultoria in Portugal have defined contribution plans for their employees that complement those granted by the Social Welfare Systems, under which they pay annual contributions to these plans, calculated in accordance with the rules established in each case.

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

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

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

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

Assumptions	Dec 2009		Dec 2008	
	Portugal	Brazil	Portugal	Brazil
Discount rate	5.20%	11.20%	5.75%	11.25%
Annual increase rate of medical service costs	4.00%	9.5% (b)	4.00%	10% (b)
Estimated administrative expenses per beneficiary per year (Euros)	150	not applicable	233	not applicable
Mortality table	Age > 60 -- TV 88/90; Age <= 60 years -- TV99/01	RP-2000 Geracional	TV 88/90	RP-2000 Geracional
Disability table	50% EKV 80	Wyatt 85 Class 1	50% EKV 80	Wyatt 85 Class 1
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

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

(b) 9.5% in the first year, decreasing to 5.5% in 8 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2009 and 2008 is as follows:

	Portugal	Brazil	Portugal	Brazil
	2009	2009	2008	2008
Number of participants				
Retirees and pensioners	18,300	856	18,446	834
Current employees	6,608	656	6,838	1,098
	<u>24,908</u>	<u>1,512</u>	<u>25,284</u>	<u>1,932</u>

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

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
<b>Provision for medical care</b>					
Liability at the end of the year	<u>770,357</u>	<u>750,982</u>	<u>779,784</u>	<u>760,460</u>	<u>743,462</u>
Provision at the end of the year	<u>770,357</u>	<u>750,982</u>	<u>779,784</u>	<u>760,460</u>	<u>743,462</u>

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

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	<u>57,164</u>	<u>-4,160</u>	<u>-69,385</u>	<u>-9,693</u>	<u>61,049</u>
	<u>57,164</u>	<u>-4,160</u>	<u>-69,385</u>	<u>-9,693</u>	<u>61,049</u>

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

	2009	2008	2007	2006	2005
	Euro'000	Euro'000	Euro'000	Euro'000	Euro'000
Experience adjustments for the Medical Plan liabilities	<u>-9,771</u>	<u>2,717</u>	<u>1,542</u>	<u>-2,853</u>	<u>5,606</u>
	<u>-9,771</u>	<u>2,717</u>	<u>1,542</u>	<u>-2,853</u>	<u>5,606</u>

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

	Dec 2009			Dec 2008		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Evolution of the liability</b>						
Liability at the beginning of the year	734,934	16,048	750,982	754,288	25,496	779,784
Current service cost	6,622	166	6,788	7,223	256	7,479
Current interest cost	41,141	2,026	43,167	38,993	2,319	41,312
Benefits paid	-39,034	-3,871	-42,905	-31,396	-1,922	-33,318
Curtailments / Settlements	1,736	-	1,736	3,086	-	3,086
Actuarial gains and losses	-6,338	8,817	2,479	-40,519	-3,323	-43,842
Currency fluctuation	-	5,449	5,449	-	-4,058	-4,058
Other	2,661	-	2,661	3,259	-2,720	539
<b>Liability at end of the year</b>	<b>741,722</b>	<b>28,635</b>	<b>770,357</b>	<b>734,934</b>	<b>16,048</b>	<b>750,982</b>
<b>Provision at end of the year</b>	<b>741,722</b>	<b>28,635</b>	<b>770,357</b>	<b>734,934</b>	<b>16,048</b>	<b>750,982</b>

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

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

	Dec 2009			Dec 2008		
	Portugal Euro'000	Brazil Euro'000	Group Euro'000	Portugal Euro'000	Brazil Euro'000	Group Euro'000
<b>Cost for the year</b>						
Current service cost	6,622	166	6,788	7,223	256	7,479
Interest cost	41,141	2,026	43,167	38,993	2,319	41,312
Curtailement	1,736	-	1,736	3,086	-	3,086
<b>Net cost for the year</b>	<b>49,499</b>	<b>2,192</b>	<b>51,691</b>	<b>49,302</b>	<b>2,575</b>	<b>51,877</b>

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

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation	
		-1%	+1%
Liabilities at the end of the year	741,722	696,959	796,138
2010 cost for the year			
Current service cost	6,965	6,221	7,933
Interest cost	37,629	35,302	40,459
	<b>44,594</b>	<b>41,523</b>	<b>48,392</b>

Medical Care Plan and Other Benefits in Brazil includes liabilities of 23,555 thousand Euros relating to medical care, which sensitivity analysis is as follows:

	Euro'000		
	Central Assumptions	Sensitivity assumption - medical care inflation	
		-1%	+1%
Liabilities at the end of the year	23,555	21,768	25,593
2010 cost for the year			
Current service cost	-	-	-
Interest cost	2,528	2,328	2,757
	<b>2,528</b>	<b>2,328</b>	<b>2,757</b>

### 36. Provisions for liabilities and charges

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Provision for legal and labour matters and other contingencies	94,520	116,528	-	-
Provision for customer guarantees under current operations	28,561	14,993	-	-
Provision for other liabilities and charges	219,674	192,198	18,637	79,014
	<b>342,755</b>	<b>323,719</b>	<b>18,637</b>	<b>79,014</b>

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2008 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	116,528	152,428	-	-
Changes in the consolidation perimeter	-	-30,869	-	-
Charge for the year	26,502	14,566	-	-
Reversals	-10,354	-2,561	-	-
Charge-off for the year	-65,551	-2,195	-	-
Other and exchange differences	27,395	-14,841	-	-
<b>Balance at the end of the year</b>	<b>94,520</b>	<b>116,528</b>	<b>-</b>	<b>-</b>

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 million Euros regarding its subsidiary, EDP Internacional SGPS, related with the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, which main assets consists in investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2009, the amount of this Tax contingency totals 176 million Euros.

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

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

Provision for legal and labour matters and other contingencies of 94,520 thousand Euros, includes provisions for litigation in progress and other labour contingencies of 78,693 thousand Euros.

The opening balance as at 31 December 2009 relating to tax litigation includes 9,564 thousand Euros relating to taxes to be returned to the State by the subsidiary Naturgás Distribution for specific deductions made in the Basque Country under Norma Foral 7/1996 of 4 July, which establishes that 45% of the amounts invested in new fixed assets by residents in the Basque Country could be considered as tax deductible. The subsidiary applied the referred deductions, however, following a process brought by the European Community Authorities a court decision was issued under which the entities making such deductions should return them to the State. The company awaits for the final court decision.

The provisions for legal litigations in process against subsidiaries of the EDP Group amounting to 78,693 thousand Euros (2008: 54,304 thousand Euros), relates essentially to:

- i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa of 15,607 thousand Euros (2008: 15,998 thousand Euros). The requests result from application of Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado effective from March to November 1986;
- ii) The Municipal Council of Póvoa do Varzim has brought up a legal action of 5,703 thousand Euros to be refunded by EDP of amounts of the FEF (Fundo de Equilíbrio Financeiro — Financial Stability Fund). The action has been contested by EDP which has made a re-conventional request of 11,200 thousand Euros;
- iii) There is a litigation with the Municipal Council of Seixal relating to differences regarding occupation rates of the public thoroughfare for the years 2004 and 2005 of 3,172 thousand Euros each year, in a total amount of 6,344 thousand Euros;
- iv) The remaining legal litigations correspond mainly to indemnities for fires, interruption of electricity supply, electrocution, as well as for other damages caused.

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	14,993	8,093	-	-
Changes in the consolidation perimeter	-	-1,810	-	-
Charge for the year	30,992	20,279	-	-
Reversals	-	-1,289	-	-
Charge-off for the year	-17,457	-9,968	-	-
Other and exchange differences	33	-312	-	-
Balance at the end of the year	28,561	14,993	-	-

Provisions for customer guarantees under current operations of 28,561 thousand Euros (2008: 14,993 thousand Euros) includes essentially to provisions for commercial losses.

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

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	192,198	215,520	79,014	29,580
Changes in the consolidation perimeter	184	-	-	-
Charge for the year	34,828	36,339	187	61,117
Reversals	-7,283	-35,264	-57,190	-2,408
Charge-off for the year	-36,211	-28,734	-7,500	-9,275
Other and exchange differences	35,958	4,337	4,126	-
Balance at the end of the year	219,674	192,198	18,637	79,014

As at 31 December 2009, Provision for other liabilities and charges on a consolidated basis of 219,674 thousand Euros (2008: 192,198 thousand Euros) mainly includes the following situations:

- i) The Group holds a provision of 21,466 thousand Euros to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it.
- ii) Provisions for dismantling of wind farms of 63,956 thousand Euros (2008: 47,311 thousand Euros) to cover the costs of returning the locations and land to their original state, from which 41,609 thousand Euros referring to the wind farms of the Horizon Group and the remaining balance to cover the wind farms of the NEO Group.
- iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of lands where the electric power plants are located, of 12,154 thousand Euros and 5,831 thousand Euros as at 31 December 2009, to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 (o), these provisions are calculated at the present amount of expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets.

As at 31 December 2008, Provision for other liabilities and charges on a company basis, included 57,190 thousand Euros to cover for the negative equity of subsidiary companies. During 2009, following the supplementary capital contributions, this provision was reversed against financial income, as referred in note 14.

### 37. Trade and other payables

Trade and other payables are analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Trade and other payables - Current:</b>				
Suppliers	803,457	956,745	110,501	125,068
Property, plant and equipment suppliers	901,417	649,475	7,217	522
Advances from customers	29,500	29,905	43	43
Other payables:				
- Employees	56,949	64,286	6,901	3,496
- Supply of other goods and services	193,914	147,229	9,777	138,847
- Concession rents	15,822	11,857	-	-
- Amount payable to the regulatory entity in Brazil	11,988	11,591	-	-
- Amount to be invested in research and development - Brazil	16,449	13,734	-	-
- Portuguese public debt securities (treasury bonds) to liquidate	-	48,206	-	-
- Amounts payable for electricity transactions in MIBEL	-	119,714	-	119,714
Payables - related companies	30,481	13,837	-	113,830
Payables from the Regulated Activity	40,159	27,127	-	-
Energetic efficiency program - Brazil	21,056	10,757	-	-
Holiday pay, bonus and other charges	96,606	90,382	587	652
Derivative financial instruments	88,745	178,473	132,349	239,948
Government grants and co-participation in investment in fixed assets	135,446	105,418	-	-
Accrued costs - Energy management business	17,132	107,885	102,176	107,885
Accrued costs - Energy purchase (PRE)	143,280	97,128	-	-
Accrued income - supply energy	20,395	39,251	-	-
Accrued costs relating to CMEC Revisable mechanism	-	84,155	-	-
Accrued costs relating to the fix network utilization tariff	72,140	6,212	-	-
CO2 emission licenses	341,446	496,425	-	-
Accrued costs - Subcontracts (Horizon)	22,841	68,821	-	-
Deferred income - CMEC	92,446	131,136	-	-
OMIP futures (own use)	9,620	-	9,620	13,154
Amounts payable for tariff adjustments - Portugal	1,056,236	300,073	-	-
Amounts payable for tariff adjustments - Spain	65,231	-	-	-
Tariff adjustment payable	14,317	78,584	-	-
Supplementary capital contributions payable to EDP Imobiliária	-	-	-	48,206
Creditors - Group companies	-	-	621,941	768,931
Put options over minority interests liabilities	710,113	-	-	-
Other creditors and sundry operations	298,445	264,694	31,268	24,600
	<b>5,305,631</b>	<b>4,153,100</b>	<b>1,032,380</b>	<b>1,704,896</b>

The caption Group companies on a Company basis includes 558,061 thousand Euros (2008: 768,931 thousand Euros) relating to debt financing obtained by EDP S.A., Sucursal in Spain through Finance BV and 37,690 thousand Euros, 21,554 thousand Euros and 4,636 thousand Euros, relating to debt financing obtained near EDP Renováveis, Nuevas Energías del Occidente e Naturgás Energia Grupo, S.A., respectively (see note 43).

In the caption Put options over minority interests liabilities — current, as referred in accounting policy 2 b), the Group accounts for its put options regarding interests held by minority interests in group subsidiaries, at the acquisition date or in a subsequent date as an anticipated acquisition of those minority interests, booking a financial liability by the present value of the best estimate of the amount payable, regardless the exercise probability of the options. As at 31 December 2009 the liabilities with options over minority interests include a put option of Caja Madrid to NEO regarding 20% of its interests in Genesa of 303,722 thousand Euros (31 December 2008: 258,841 thousand Euros) and a put option from Ente Vasco de la Energia to HC Energia of 30.4% of its interests in Naturgás of 406,391 thousand Euros (31 December 2008: 426,839 thousand Euros). In 2008 these liabilities were booked as non-current.

The caption CO2 emission licenses includes 158,281 thousand Euros of licenses granted in Portugal, to return to the "Instituto do Ambiente" and 183,165 thousand Euros related to the HC Energia Group in Spain, regarding the CO2 consumptions made during the year.

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Trade and other payables - Non-Current</b>				
State participation in Multipurpose hydroelectric power stations	10,893	10,893	10,893	10,893
Deposits received from customers and other debtors	37,670	38,415	3	4
Payables to associates	121,006	64,619	-	-
Suppliers of property, plant and equipment	6,789	5,076	1,888	1,333
Government grants for investment in fixed assets	1,932,913	1,736,514	-	-
Put options over minority interests liabilities	101,622	771,641	-	-
Amounts payable for tariff adjustments - Portugal	88,479	-	-	-
Deferred income	750	56,789	-	-
Energy sales contracts - Horizon	97,951	119,655	-	-
Deferred income - CMEC	381,278	467,209	-	-
Liability to institutional investors in corporate partnership in wind farms in the USA	1,353,612	1,096,668	-	-
Amounts payable for concessions	235,903	228,944	-	-
Derivative financial instruments	178,628	125,965	773	-
Payables - Group companies (EDP Finance BV)	-	-	2,809,277	2,388,201
Amounts payable for the acquisition of companies	21,230	31,247	-	-
Success fees payable related to companies acquisitions	53,034	85,145	-	-
Other creditors and sundry operations	52,511	23,871	1,907	1,409
	<b>4,674,269</b>	<b>4,862,651</b>	<b>2,824,741</b>	<b>2,401,840</b>

Deferred income - CMEC current and non current includes 473,724 thousand Euros (31 December 2008: 598,345 thousand Euros) which refers to the CMEC initial amount (833,467 thousand Euros) net of the amortisations of initial CMEC of the years 2007, 2008 and 2009 and including financial expenses (25,696 thousand Euros in 2009), as referred in note 14.

Subsidies for investment in fixed assets current and non current corresponds to the amount of customer contributions for the investment of the Group, being depreciated through the recognition of a revenue in the income statement over the useful life of the related assets (see note 12).

In the caption Put options over minority interests liabilities medium / long term, as referred under Accounting policies - note 2 b) the Group books the put options related to interests held by minority interests in EDP Group subsidiaries, at the acquisition date or in a subsequent date, as an anticipated acquisition of those minority interests, booking a financial liability for the present value of the best estimate of the payable amount, regardless of the probability of the options being exercised. As at 31 December 2009 the responsibilities with options over minority interests include the put option of Cajastur over EDP for 3.13% of HC Energia share capital of 100,812 thousand Euros (31 December 2008: 85,961 thousand Euros).

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

The subsidiary Horizon books the receipts from equity investors associated to wind farms projects as non current liabilities under Liability to institutional investors in corporate partnership in wind farms in USA. This liability is reduced by the amount of tax benefits provided and payments made to the equity investors during the period. The amount of tax benefits provided is booked as a non current deferred income, recognised over the useful life of 20 years of the related projects (see note 7). Additionally this liability is increased by the estimated interest calculated based on the liability amount and the expected return rate of the equity investors (see note 14).

Amounts payable for concessions refers to the amounts payable, in the medium/long term, related to the concession rights of the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 154,301 thousand Euros as at 31 December 2009 (31 December 2008: 165,089 thousand Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 81,602 thousand Euros as at 31 December 2009 (31 December 2008: 63.855 thousand Euros).

The derivative financial instruments portfolio, booked as other Creditors and liabilities current and non current of 88,745 thousand Euros and 178,628 thousand Euros, respectively, includes the trading and hedge portfolios (see note 40).

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

The caption Payables - Group companies (EDP Finance B.V.) non current on a company basis, of 2,809,277 thousand Euros, corresponds to the financing obtained through EDP Finance B.V. and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following Horizon's acquisition and for the financing of the investment plan of EDP Renováveis Group.

Amounts payable for tariff adjustments - Portugal current and non-current of 1,056,236 thousand Euros and 88,479 thousand Euros, respectively (2008: 300,073 thousand Euros in current), relates to tariff adjustments (see note 3) of the Portuguese Electric System in 2008 and 2009 for the regulated companies in Portugal.

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

	Current Euro'000	Non-Current Euro'000
<b>Balance as at 1 January 2008</b>	-	-
Tariff adjustment of 2007	16,374	-
Tariff adjustment of the period	283,699	-
<b>Balance as at 31 December 2008</b>	<b>300,073</b>	<b>-</b>
Payment through the electricity tariff	-315,995	-
Tariff adjustment of 2008	-	34,144
Tariff adjustment of the period	-	1,109,252
Interest expense	15,922	1,319
Transfer from Non-Current to Current	1,056,236	-1,056,236
<b>Balance as at 31 December 2009</b>	<b>1,056,236</b>	<b>88,479</b>

### 38. Tax payable

Tax payable is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
State and other public entities:				
- Income tax	599,032	160,615	483,912	10,533
- Withholding tax	40,186	44,923	277	278
- Social Security contributions	9,982	8,358	20	19
- Value added tax (VAT)	42,344	37,305	385	-
- Turnover tax (Brazil)	57,179	33,126	-	-
- Social tax (Brazil)	41,402	22,333	-	-
- Other taxes	137,881	81,802	-	-
	<b>928,006</b>	<b>388,462</b>	<b>484,594</b>	<b>10,830</b>

As at 31 December 2009, Other taxes include foreign taxes regarding HC Energia Group of 44,225 thousand Euros, Naturgás Group of 31,671 thousand Euros (31 December 2008: HC Energia Group 41,048 thousand Euros and Naturgás Group of 25,045 thousand Euros) and Energia do Brazil Group of 55,347 thousand Euros.

### 39. Assets and liabilities classified as held for sale

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

This caption is analysed as follows:

	Group		Company	
	Dec 2009 Euro'000	Dec 2008 Euro'000	Dec 2009 Euro'000	Dec 2008 Euro'000
<b>Assets classified as held for sale</b>				
Land held for sale - Horizon	-	985	-	-
Investment held in Denerge - EDP Brasil	-	11,562	-	-
Investment held in ESC 90 - EDP Brasil	-	18,281	-	-
	-	<b>30,828</b>	-	-
<b>Liabilities classified as held for sale</b>				
Liabilities on ESC 90 (associated company)	-	-15,841	-	-
	-	<b>14,987</b>	-	<b>- 208</b>

The EDP Group decided to maintain its interest of 3.16% in Denerge - Desenvolvimento Energético S.A., having reclassified this investment to the caption Available for sale investment (see note 21). This interest resulted from the asset swap operations occurred in 2008 with Rede Group.

On 30 June 2009, EDP Brasil concluded the sale of its shareholding in ESC 90 Telecomunicações Ltda. ("ESC 90"), representing 48.51% of the respective share capital, to Net Serviços de Comunicação S.A. as agreed on the Sale and Purchase Private Agreement signed in August 2008. This operation was subject to the approval from the regulatory entity Agência Nacional de Telecomunicações— ANATEL, which has been granted without any reserves on 8 June 2009. This operation generated a gain on a consolidated basis of 19,141 thousand Euros (see note 13).

#### 40. Derivative financial instruments

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

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

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

In 2008 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
	Assets Euro'000	Liabilities Euro'000	Up 1 year Euro'000	From 1 to 5 years Euro'000	Over 5 Years Euro'000	Total Euro'000
<b>Fair value hedges</b>						
Interest rate swaps	81,619	-	1,000,000	750,000	-	1,750,000
Cross currency rate swaps	2,764	-115,979	43,586	43,113	265,600	352,299
	<u>84,383</u>	<u>-115,979</u>	<u>1,043,586</u>	<u>793,113</u>	<u>265,600</u>	<u>2,102,299</u>
<b>Cash flow hedges</b>						
Raw-materials swaps	5,154	-483	12,865	-	-	12,865
Cross currency rate swaps	102	-17,294	29,310	182,557	212,407	424,274
Foreign exchange forwards	365	-2,264	99,408	-	-	99,408
	<u>5,621</u>	<u>-20,041</u>	<u>141,583</u>	<u>182,557</u>	<u>212,407</u>	<u>536,547</u>
<b>Negotiation</b>						
Raw-materials swaps	84,569	-57,039	591,387	-	-	591,387
Interest rate swaps	26,665	-20,881	22,455	-	600,000	622,455
Cross currency rate swaps	-	-61,175	-	-	410,313	410,313
Foreign exchange forwards	59,629	-26,808	2,104,298	98,700	-	2,202,998
Options purchased and sold	-	-2,515	1,506,609	54,761	2,051	1,563,421
	<u>170,863</u>	<u>-168,418</u>	<u>4,224,749</u>	<u>153,461</u>	<u>1,012,364</u>	<u>5,390,574</u>
	<u>260,867</u>	<u>-304,438</u>	<u>5,409,918</u>	<u>1,129,131</u>	<u>1,490,371</u>	<u>8,029,420</u>

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

The valuation of cash flow hedges is based on external entities. These entities use market information and generally accepted future cash flow discount techniques.

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

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

Type of hedge	Hedging instrument	Hedged risk	2009		2008	
			Changes in fair value		Changes in fair value	
			Instrument Euro'000	Risk Euro'000	Instrument Euro'000	Risk Euro'000
- Fair value	Interest rate swap	Interest rate	-2,286	2,286	18,539	-18,539
- Fair value	Cross currency rate swaps	Interest and exchange rate	26,547	-26,547	-52,141	52,141
- Cash flow hedge	Interest rate swap	Interest rate	-3,242	-	-22,836	-
- Cash flow hedge	Foreign exchange forwards	Exchange rate	-29,177	-	4,434	-
- Cash flow hedge	Raw-materials swaps	Raw-materials price	79,498	-	-39,773	-
			<u>71,340</u>	<u>-24,261</u>	<u>-91,777</u>	<u>33,602</u>

The changes in the fair value reserve relating to cash flow hedges in 2009 and 2008 were as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Balance at the beginning of the year	-54,653	2,014
Fair value changes	47,079	-58,175
Transfers to results	88,018	1,508
Balance at the end of the year	<u>80,444</u>	<u>-54,653</u>

The gains and losses on the financial instruments portfolio booked in the income statement in 2009 and 2008 are as follows:

	Group		Company	
	31 Dec 2009 Euro'000	31 Dec 2008 Euro'000	31 Dec 2009 Euro'000	31 Dec 2008 Euro'000
Derivatives held for trading	34,123	55,295	-10,474	147,089
Fair value hedges				
- Derivatives	24,261	-33,602	-2,852	18,539
- Hedged liabilities	-24,261	33,602	2,852	-18,539
Cash flow hedges				
- Transfer to results	-88,018	-1,508	-42,505	-1,485
- Ineffectiveness	977	-	977	-
	<u>-52,918</u>	<u>53,787</u>	<u>-52,002</u>	<u>145,604</u>

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

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

The currency forward contracts BRL / USD correspond to the exchange hedge of the loan from Porto do Pecém Geração de Energia S.A. The interest rate is fixed through interest rate swaps in USD.

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2008 were as follows:

	Group			
	Notional	Currency	EDP Pays	EDP Receives
<b>Interest rate contracts</b>				
Interest rate swaps	2,796,729	EUR	[ 5.95% - 3.0% ]	[ 6.40% - 3.04% ]
<b>Currency interest rate</b>				
CIRS (currency interest rate swaps)	730,313	GBP / EUR	8.67%	8.63%
CIRS (currency interest rate swaps)	32,299	USD / BRL	[16.35% - 13.47% ]	[ 4.38% - 4.0% ]

	Nominal value Euro'000	Group
	<b>Interest rate contracts</b>	
Options purchased on interest rates (CAP purchases)	534,810	[ 5.75% - 4.00% ]
Options sold on interest rates (CAP sale)	500,000	[ 5.30% - 5.20% ]
Options sold on interest rates (FLOOR sale)	528,611	[ 4.27% - 3.00% ]

#### 41. Commitments

Financial and real guarantees granted by the EDP Group, not included in the balance sheet as at 31 December 2009 and 2008, are analysed as follows:

Type	Group		Company	
	Dec 2009	Dec 2008	Dec 2009	Dec 2008
	Euro'000	Euro'000	Euro'000	Euro'000
<b>Guarantees of a financial nature</b>				
EDP, S.A.	396,175	407,256	396,175	407,256
Hidrocentríbrico Group	36,858	65,027	-	-
Brazil Group	46,587	40,569	-	-
EDP Renováveis Group	9,465	9,574	-	-
Other	3,720	3,729	-	-
	<u>492,805</u>	<u>526,155</u>	<u>396,175</u>	<u>407,256</u>
<b>Guarantees of an operating nature</b>				
EDP, S.A.	829,891	1,042,960	829,891	1,042,960
Hidrocentríbrico Group	324,839	301,454	-	-
Brazil Group	102,732	66,333	-	-
EDP Renováveis Group	1,613,885	1,309,010	-	-
Other (Portugal)	25,191	9,110	-	-
	<u>2,896,538</u>	<u>2,728,867</u>	<u>829,891</u>	<u>1,042,960</u>
<b>Total</b>	<u>3,389,343</u>	<u>3,255,022</u>	<u>1,226,066</u>	<u>1,450,216</u>
<b>Real guarantees</b>	<u>12,504</u>	<u>6,313</u>	<u>-</u>	<u>-</u>

The financial guarantees contracted include, at 31 December 2009 and 31 December 2008, 452,063 thousand Euros and 466,916 thousand Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt. These include guarantees of 359,249 thousand Euros at December 2009 for loans obtained by Brazilian companies to finance the construction of hydro electrical plants, which have counter-guarantees of 132,851 thousand Euros received by EDP from partners in these projects.

EDP and its subsidiaries are required to provide bank or corporate guarantees of an operating nature for the current generation and distribution activities. The total operating guarantees outstanding include, at 31 December 2009 and 2008, 439,030 thousand Euros and 454,651 thousand Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

The Group also has project finance loans with usual guarantees for these loans, namely pledged assets or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2009 and 2008 these loans amounted to 716,429 thousand Euros and 742,190 thousand Euros, respectively, and are included in the Group's consolidated debt.

The commitments relating to short and medium/long term financial debt, finance lease commitments and other long term commitments (included in the balance sheet) and other liabilities relating to purchases and future lease payments under operating leases (not included in the balance sheet) are disclosed, as at 31 December 2009 and 2008, by maturity, as follows:

	Dec 2009				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	19,905,950	3,145,007	3,679,269	5,477,719	7,603,955
Finance lease commitments	7,178	2,957	3,862	359	-
Operating lease commitments	476,479	36,143	61,991	54,383	323,962
Purchase obligations	40,463,940	4,762,822	7,578,651	5,990,735	22,131,732
Other long term commitments	2,510,646	243,036	498,702	485,940	1,282,968
	<u>63,364,193</u>	<u>8,189,965</u>	<u>11,822,475</u>	<u>12,009,136</u>	<u>31,342,617</u>
	Dec 2008				
	Capital outstanding by maturity				
	Total Euro'000	Less than 1 year Euro'000	From 1 to 3 years Euro'000	From 3 to 5 years Euro'000	More than 5 years Euro'000
Short and long term financial debt (including interest)	18,381,211	4,522,169	2,891,980	4,503,073	6,463,989
Finance lease commitments	6,517	2,979	3,033	505	-
Operating lease commitments	493,111	35,193	60,424	54,888	342,606
Purchase obligations	32,506,448	4,201,423	5,670,470	4,700,128	17,934,427
Other long term commitments	2,428,415	238,707	479,685	468,079	1,241,944
	<u>53,815,702</u>	<u>9,000,471</u>	<u>9,105,592</u>	<u>9,726,673</u>	<u>25,982,966</u>

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

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

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

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

Other long term commitments relate essentially to reorganisation plans established in prior years, as well as to Group's liabilities relating to pension and Medical plans and other benefits, classified as provisions in the consolidated balance sheet (note 35 — Employee benefits).

As at 31 December 2009, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Cajastur over EDP for 3.13% of the share capital of HC Energia, this option can be exercised until 31 December 2025;
- Put option of Ente Vasco de la Energia over HC Energia for 30.4% of Naturgás, exercised until 30 July 2010, for the higher of the following amounts:
  - Initial price discounted to the put option exercise date, considering the dividends distributed up to date;
  - Fair value of the asset, determined by investment banks;
- Put option of Caja Madrid over NEO for 20% of its investment in Genesa. The option can be exercised between January 2010 and January 2011, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds a put option over Mercado Electrónico and Mercado Electrónico has a call option over EDP of 34% of the investment in Central E, S.A. The price of the options will be determined based on the last 12 months invoicing and the exercise period of the options starts in June 2010 and ends in June 2015;
- EDP holds, through its subsidiary NEO, a call option over Cajastur for "Quinze Mines" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2012 and 1 January 2013, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary NEO, a call option over Cajastur for the companies "Sauvageon", "Le Mee" and "Petit Peece" share capital (51% of total share capital). Cajastur has an equivalent put option over EDP. This option can be exercised between 1 January 2014 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary NEO, a call option over Copcisa for 49% of Corbera and Vilalba share capital;
- EDP holds, through its subsidiary Veinco Energia Limpia, S.L. a call option over Jorge, S.L. for 8.5% of the share capital of Apineli — Aplicaciones Industriales de Energias Limpias, S.L. This option can be exercised until 18 April 2014;
- The EDP Group, through its subsidiary EDP - Energias do Brasil, acquired an interest of 3.16% in Denerge following the asset swap transaction occurred in August 2008 with Rede Group. The acquisition contract for this investment includes an option clause, valid for 2 years, to swap Denerge shares for a subscription of Rede Group shares in a potential Initial Public Offering, or an equivalent shareholding in preferred shares of Rede Energia, S.A. at a price of 5.68 BRL per share;

#### 42. Share based payments

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

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

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

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

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

	Option activity	Weighted average exercise price (Euro)
Balance as at 31 December 2007	1,610,333	2.21
Options exercised	492,848	
Options granted	-	
Balance as at 31 December 2008	1,117,485	2.21
Options exercised	105,088	
Options granted	-	
Balance as at 31 December 2009	1,012,397	2.21

Information regarding 2009 stock options is:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options (Euro'000)
1,012,397	2.21	4.02	1,012,397	772,237

During 2009 no stock options cost was recognised as the past service cost was recognised in prior years.

In 2009, the EDP Group granted, for the period ended 31 December 2009, treasury stock to employees (722,130 shares acquired at an average price of 2.835 Euros), totalling 2,048 thousand Euros. Additionally, 3,807 shares (14 thousand Euros) were granted, related to a previous year bonus.

#### 43. Related parties

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

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2009 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
Parpública Group	733,150,672	20.05%	20.24%
Iberdrola - Participações, SGPS, S.A.	347,371,083	9.50%	5.00%
Caixa Geral de Depósitos Group	207,093,071	5.66%	5.45%
Caja de Ahorros de Asturias Group	183,257,513	5.01%	5.00%
José de Mello - SGPS, S.A.	176,283,526	4.82%	4.87%
Senfora, SARL	148,431,999	4.06%	4.10%
BlackRock Group	139,884,362	3.83%	3.86%
Millennium BCP Group and Pension Fund	123,052,525	3.36%	3.40%
Banco Espírito Santo Group	111,000,000	3.04%	3.06%
Pictet Asset Management	104,396,422	2.86%	2.88%
Sonatrach	81,713,076	2.23%	2.26%
EDP Group (Treasury stock)	34,212,975	0.94%	
Remaining shareholders	1,266,690,491	34.64%	
	<b>3,656,537,715</b>	<b>100.0%</b>	

The number of shares of EDP S.A. held by company officers in 2009 and 2008 are as follows:

	2009	2008
	Nr. of shares	Nr. of shares
<b>General and Supervisory Board</b>		
Alberto João Coraceiro de Castro	4,578	4,578
António Francisco Barroso de Sousa Gomes *	-	4,135
Carlos Jorge Ramalho dos Santos Ferreira	40,000	40,000
Diogo Campos Barradas de Lacerda Machado	260	260
Eduardo Almeida Catroga	1,375	1,375
Ricardo José Minotti da Cruz Filipe	6,622	-
Rui Eduardo Rodrigues Pena	1,445	1,445
Vital Martins Moreira *	-	27,082
Vitor Fernando da Conceição Gonçalves	3,465	3,465
	<b>57,745</b>	<b>82,340</b>
<b>Executive Board of Directors</b>		
António Luís Guerra Nunes Mexia	1,000	1,000
António Fernando Melo Martins da Costa	13,299	13,299
António Manuel Barreto Pita de Abreu	34,549	34,549
João Manuel Manso Neto	1,268	1,268
Jorge Manuel Pragana da Cruz Morais	12,497	12,497
Nuno Maria Pestana de Almeida Alves	50,000	40,000
	<b>112,613</b>	<b>102,613</b>

\* No longer members of the General and Supervisory Board on 31 December 2009.

#### Remuneration of company officers

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

The remuneration cost of the members of the Executive Board of Directors (EBD) and the members of the General and Supervisory Board (GSC) for 2009 was as follows:

	EBD Euro'000	GSC Euro'000
President	1,303	639
Members	6,305	842
	<b>7,608</b>	<b>1,481</b>

The remuneration of the members of the Executive Board of Directors includes a variable component of 3,170 thousand Euros in accordance with the remuneration policy defined by the Remuneration Committee of the General and Supervisory Board.

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

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

#### Balances and transactions with subsidiaries and associates

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

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

As at 31 December 2008, the **credits** over subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Granted Euro'000	Other Receivables Euro'000	Total Euro'000
<b>Companies</b>				
Balwerk	5,454	280,000	1,580	287,034
EDP Brasil	-	-	7,504	7,504
EDP Comercial	-	-	6,283	6,283
EDP Distribuição	1,030,212	1,406,215	43,034	2,479,461
EDP Finance	-	-	655,931	655,931
EDP Gás	19,207	13,150	1,060	33,417
EDP Imobiliária e Participações	5,045	343,591	4,079	352,715
EDP Inovação	-	813	383	1,196
EDP Internacional	-	661	103	764
EDP Powerline	4,201	-	97	4,298
EDP Produção	7,911	3,171,324	111,463	3,290,698
EDP Produção Bioelétrica	-	21,370	470	21,840
EDP Renováveis	-	862,817	74,646	937,463
EDP Serviço Universal	-	-	92,721	92,721
EDP Serviner	-	-	147	147
EDP Soluções Comerciais	-	3,250	19,085	22,335
EDP Valor	-	1,750	5,019	6,769
Electrica Ribera del Ebro	-	-	10,659	10,659
Energia	-	-	1,276	1,276
Hidroelétrica del Cantábrico	675	-	79,491	80,166
Labelec	-	1,500	522	2,022
NEO	-	-	2,434	2,434
EDP Investimentos	-	17,000	3	17,003
OPTEP	-	-	571	571
Sávida	-	-	234	234
Other	-	-	5,136	5,136
	<u>1,072,705</u>	<u>6,123,441</u>	<u>1,123,931</u>	<u>8,320,077</u>

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

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
<b>Companies</b>				
EDP Produção	-	-	102,718	102,718
EDP Distribuição	-	-	16,041	16,041
EDP Comercial	-	-	6,354	6,354
EDP Estudos e Consultoria	3,284	-	6,562	9,846
EDP Finance	-	3,337,359	36,740	3,374,099
EDP Imobiliária e Participações	-	-	6,402	6,402
EDP Inovação	-	-	4,599	4,599
EDP Soluções Comerciais	38,123	-	-	38,123
EDP Renováveis	-	37,690	-	37,690
EDP Serviner	1,304	-	24	1,328
EDP Valor	31,308	-	792	32,100
Electrica Ribera del Ebro	-	-	28,933	28,933
Energia	-	-	2,446	2,446
Hidrocentrábrico Energia	-	-	1,219	1,219
Hidroelétrica do Guadiana (Alqueva)	-	-	1,143	1,143
Hidroelétrica del Cantábrico	4,604	-	16,545	21,149
Labelec	3,707	-	286	3,993
Naturgás	-	4,636	-	4,636
NEO	-	21,554	11,377	32,931
NQF Gás III SGPS	62,147	-	381	62,528
EDP Investimentos	1,919	-	-	1,919
Sávida	12,163	-	2	12,165
Soporgen	-	-	1,507	1,507
Other	-	-	704	704
	<u>158,559</u>	<u>3,401,239</u>	<u>244,775</u>	<u>3,804,573</u>

As at 31 December 2008, the **debits** from subsidiaries and associates, **at Company level** and eliminated in the consolidated financial statements are analysed as follows:

	Intra-Group Financial Mov. Euro'000	Loans Obtained Euro'000	Other Payables Euro'000	Total Euro'000
<b>Companies</b>				
Edalpro	197	-	-	197
EDP Comercial	1,497	-	2,076	3,573
EDP Distribuição	-	-	42,868	42,868
EDP Estudos e Consultoria	1,416	-	4,639	6,055
EDP Finance	-	-	3,131,528	3,131,528
EDP Gás.Com	-	-	2,258	2,258
EDP Imobiliária e Participações	-	-	48,346	48,346
EDP Inovação	1,238	-	3,871	5,109
EDP Produção	-	-	275,332	275,332
EDP Renováveis	-	-	24,352	24,352
EDP Serviner	1,443	-	55	1,498
EDP Soluções Comerciais	1,497	-	4,404	5,901
EDP Valor	29,492	-	7,078	36,570
Electrica Ribera del Ebro	-	-	848	848
Hidrocantábrico Energia	-	-	2,166	2,166
Hidroeléctrica del Cantábrico	-	-	937	937
EDP Internacional	462	-	-	462
Labelec	3,680	-	1,001	4,681
NEO	-	-	6,684	6,684
EDPGás II SGPS (INQF Energia)	62,147	-	4	62,151
EDP Investimentos	1,949	-	-	1,949
Sávida	6,775	-	353	7,128
Soporgen	-	-	1,542	1,542
Other	-	-	4,719	4,719
	<u>111,793</u>	<u>-</u>	<u>3,565,061</u>	<u>3,676,854</u>

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

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

**Expenses** related to intra-Group transactions for the year ended 31 December 2008, **at Company level**, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Eur'000	Interest on Loans Obtained Eur'000	Other Costs Eur'000	Total Eur'000
<b>Companies</b>				
Balwerk	145	-	94	239
EDP Comercial	-	-	22,364	22,364
EDP Distribuição	-	-	8,690	8,690
EDP Estudos e Consultoria	77	-	16,116	16,193
EDP Finance	-	-	157,872	157,872
EDP Gás .Com	754	-	339	1,093
EDP Inovação	126	-	3,280	3,406
EDP Produção	707	-	1,205,319	1,206,026
EDP Renováveis	-	-	28,317	28,317
EDP Serviço Universal	1,540	-	477	2,017
EDP Valor	952	-	5,881	6,833
Eléctrica Ribera del Ebro	-	-	9,427	9,427
Enernova	340	-	-	340
Hidroeléctrica del Cantábrico	-	-	41,827	41,827
Hidrocantábrico Energia S.A.U.	-	-	30,463	30,463
Labelec	79	-	533	612
NEO	-	-	7,226	7,226
Sávida	233	-	30	263
Other	384	-	7,582	7,966
	<u>5,337</u>	<u>-</u>	<u>1,545,837</u>	<u>1,551,174</u>

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

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

Income related to intra-Group transactions for the year ended 31 December 2008, at Company level, eliminated on consolidation are as follows:

	Interest on Intra-Group Financial Mov. Euro'000	Interest on Loans Granted Euro'000	Other Income Euro'000	Total Euro'000
<b>Companies</b>				
Balwerk	16	14,304	-	14,320
EDP Comercial	1,102	-	4,382	5,484
EDP Distribuição	17,112	92,893	36,721	146,726
EDP Finance	-	4,278	61,175	65,453
EDP Imobiliária e Participações	257	20,882	349	21,488
EDP Produção	8,087	151,690	117,108	276,885
EDP Gás	851	744	707	2,302
EDP Renováveis	-	12,958	108,596	121,554
EDP Serviço Universal	3,432	-	58,134	61,566
EDP Soluções Comerciais	979	-	32,778	33,757
EDP Valor	49	-	9,190	9,239
EDP Powerline	207	-	-	207
Energia	7	1,258	118	1,383
Eléctrica Ribera del Ebro	-	-	15,202	15,202
Hidroelétrica del Cantábrico	-	-	50,589	50,589
Hidrocantábrico Energia S.A.U.	-	-	2,359	2,359
Horizon Wind Energy, LLC	-	3,200	2	3,202
NEO	-	37,819	546	38,365
Other	45	948	14,661	15,654
	<u>32,144</u>	<u>340,974</u>	<u>512,617</u>	<u>885,735</u>

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

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

Assets and Liabilities with related companies at 31 December 2008, for the Group and eliminated in the consolidated financial statements are analysed as follows:

	Assets Euro'000	Liabilities Euro'000	Net Value Euro'000
Associates	28,394	1,905	26,489
Jointly controlled entities	25,786	2,503	23,283
	<u>54,180</u>	<u>4,408</u>	<u>49,772</u>

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

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	8,762	2,641	-1,871	-14
Jointly controlled entities	29,251	852	-20,002	-546
	<u>38,013</u>	<u>3,493</u>	<u>-21,873</u>	<u>-560</u>

Transactions with related companies at 31 December 2008, for the Group and eliminated in the consolidated financial statements are analysed as follows:

	Operating Income Euro'000	Financial Income Euro'000	Operating Expenses Euro'000	Financial Expenses Euro'000
Associates	11,064	1,270	-1,133	-18
Jointly controlled entities	1,641	965	-10,005	-3,827
	<u>12,705</u>	<u>2,235</u>	<u>-11,138</u>	<u>-3,845</u>

#### 44. Fair value of financial assets and liabilities

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2009 and 2008, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December 2009			31 December 2008		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	0.70%	0.25%	8.74%	2.89%	1.43%	13.02%
6 months	0.99%	0.43%	9.22%	2.97%	1.75%	12.68%
1 year	1.25%	0.98%	10.50%	3.05%	2.00%	12.16%
2 years	1.89%	1.42%	11.86%	2.68%	1.48%	12.19%
3 years	2.25%	2.06%	12.43%	2.96%	1.75%	12.29%
4 years	2.56%	2.58%	12.65%	3.12%	1.95%	12.55%
5 years	2.80%	2.98%	12.79%	3.25%	2.13%	12.56%
6 years	3.03%	3.29%	12.90%	3.37%	2.25%	12.65%
7 years	3.22%	3.54%	13.10%	3.48%	2.31%	12.71%
8 years	3.36%	3.70%	13.30%	3.56%	2.44%	12.73%
9 years	3.49%	3.85%	13.31%	3.67%	2.50%	12.73%
10 years	3.58%	3.97%	13.31%	3.74%	2.56%	12.73%

Fair value of assets and liabilities as at 31 December 2009 and 31 December 2008 is analysed as follows:

	Group Dec 2009			Group Dec 2008		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
<b>Financial assets</b>						
Available for sale investments	443,117	443,117	-	350,887	350,887	-
Trade receivables	2,008,134	2,008,134	-	1,758,657	1,758,657	-
Derivative financial instruments	276,311	276,311	-	260,867	260,867	-
Financial assets at fair value through profit or loss	84,852	84,852	-	83,227	83,227	-
Cash and cash equivalents (assets)	2,189,560	2,189,560	-	713,587	713,587	-
	<u>5,001,974</u>	<u>5,001,974</u>	<u>-</u>	<u>3,167,225</u>	<u>3,167,225</u>	<u>-</u>
<b>Financial liabilities</b>						
Loans	16,280,980	16,658,072	377,092	14,686,325	14,500,981	-185,344
Trade payables	1,704,874	1,704,874	-	1,606,220	1,606,220	-
Derivative financial instruments	267,373	267,373	-	304,438	304,438	-
	<u>18,253,227</u>	<u>18,630,319</u>	<u>377,092</u>	<u>16,596,983</u>	<u>16,411,639</u>	<u>-185,344</u>

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

The market value of the medium/long term loans is calculated based on the discounted cash flows at market interest rates at the date of the balance sheet, increased by the best estimate, at the same date, of market conditions applicable to the Group's debt, based on its average term. Regarding short term debt, the market value does not differ substantially from the book value.

According to IFRS 7, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 — Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 — Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 — Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	31 December 2009			31 December 2008		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>						
Available for sale investments	323,645	47,570	71,902	272,924	22,379	55,584
Derivative financial instruments	-	276,311	-	-	260,867	-
Financial assets at fair value through profit or loss	84,852	-	-	83,227	-	-
	<u>408,497</u>	<u>323,881</u>	<u>71,902</u>	<u>356,151</u>	<u>283,246</u>	<u>55,584</u>
<b>Financial liabilities</b>						
Derivative financial instruments	-	267,373	-	-	304,438	-
	<u>-</u>	<u>267,373</u>	<u>-</u>	<u>-</u>	<u>304,438</u>	<u>-</u>

As at 31 December 2009 and 2008, the movement in assets and liabilities included in Level 3 is analysed as follows:

	Financial assets available for sale	
	Dec 2009	Dec 2008
<b>Balance at beginning of year</b>	55,584	55,792
Change in fair value reserve	17,277	8,574
Disposals	-1,168	-10,561
Transfers and other changes	209	1,779
<b>Balance at year end</b>	<u>71,902</u>	<u>55,584</u>

#### 45. Discontinued operations

On 11 September 2008, the assets swap between EDP Energias do Brasil and Rede Group (Rede Energia S.A. and Rede Power do Brasil S.A.) was concluded. This operation consisted in a swap of 100% interest in Enersul, previously held by EDP Energias do Brasil, by the shareholding control of Investco, after the purchase of the majority interests held in the share capital of the companies Lajeado Energia, S.A. and Tocantins. The EDP Group results as at 31 December 2008 include the effect of the Enersul operations, which have been identified in the column "Discontinued operations" in the Consolidated Income Statement for comparative purposes.

#### 46. CO2 licenses

The movements in the portfolio of CO<sub>2</sub> licenses are analysed as follows:

	Group Dec 2009	Group Dec 2008
	<b>CO<sub>2</sub> (Ton)</b>	<b>CO<sub>2</sub> (Ton)</b>
CO <sub>2</sub> licenses as at 1 January	1,373,457	820,169
Licenses canceled (granted in PNALE I)	-	-820,169
Licenses granted free of charge	15,713,069	15,335,505
Licenses purchased	6,390,760	5,352,160
Licenses transferred (from own consumption to trading)	-3,105,000	-2,446,000
	<u>20,372,286</u>	<u>18,241,665</u>
Licenses to be returned (consumed)	19,956,601	16,868,208
Excess/Lack of licenses	<u>415,685</u>	<u>1,373,457</u>

Licenses equivalent to total emissions during the year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 17 and 23).

The movements in the portfolio of CO<sub>2</sub> licenses held for trading and classified as inventories are analysed as follows:

	Group Dec 2009	Group Dec 2008
	<b>CO<sub>2</sub> (Ton)</b>	<b>CO<sub>2</sub> (Ton)</b>
CO <sub>2</sub> licenses held for trading on 1 January	1,830,009	148,908
Licenses cancelled (granted in PNALE I)	-	-148,908
Licenses acquired in the market	5,860,583	7,983,009
Emission licenses transferred to the trading portfolio	3,105,000	2,446,000
Licenses sold	-9,840,853	-8,599,000
	<u>954,739</u>	<u>1,830,009</u>
CO <sub>2</sub> licenses for trading (in tons) - EUA	601,000	1,630,853
CO <sub>2</sub> licenses for trading (in tons) - CER	353,739	199,156
	<u>954,739</u>	<u>1,830,009</u>
Fair Value at 31 December - EUA (in Euros)	12.33	15.36
Fair Value at 31 December - CER (in Euros)	11.14	13.53
CO <sub>2</sub> Licenses for trading (in thousand Euros)	<u>11,351</u>	<u>27,744</u>

Purchases and sales of licenses are booked based on the listed price on the transaction date. Emission licenses transferred to the trading portfolios are classified as Inventories (see note 23), in accordance with Accounting policy - note 2 I).

Fair value corresponds to the spot price (closing price) at the end of December in each year.

#### 47. Subsequent events

##### **EDP adjudicates construction of new hydroelectric Venda Nova III**

On 13 January 2010, EDP adjudicated the construction works to increase the power of the hydroelectric plant in Venda Nova, designated as Venda Nova III, to the consortium MSF/Somague/Mota-Engil/Spie Batignolles, for 131 million Euros. The beginning of the work in the new plant, located in Vieira do Minho, is expected to start in January 2010, being almost exclusively underground works. The plant is expected to start to produce in the first semester of 2015. At this date, the total estimated investment amounts to 349 million Euros.

##### **EDP Renováveis enters the Italian wind market through the acquisition of 520 MW in developing stage**

On 27 January 2010, EDP Renováveis acquired 85% of Italian Wind Srl, from Co-Ver Group (industrial cluster in North Italy), adding to its portfolio several wind projects in Italy totalling 520 MW. These projects are in different stages of maturity and in prime locations: i) 4 wind projects totalling 108 MW classified as Tier 2; ii) 98 MW of projects classified as Tier 3; and iii) 314 MW classified as Prospects.

##### **EDP Renováveis awarded 1.3 GW of wind offshore capacity in the UK**

EDP Renováveis UK and SeaEnergy PLC formed in 2009 a company denominated Moray Offshore Renewable Limited ("MORL", company owned 75% by EDP Renováveis Group), to develop wind farms offshore in the Moray estuary, in Scotland.

In January 2010, EDP Renováveis announced that UK Crown Estate awarded to MORL, the right to develop wind farms in this region, with the capacity of 1,3 GW.

After obtaining the required administrative authorizations, MORL will be able to start the construction and operation of the wind offshore projects, which should occur between 2015 and 2020.

#### 48. Recent accounting standards and interpretations issued

The new standards and interpretation that have been issued and are already effective and that the Group has applied on its consolidated financial statements can be analysed as follows:

##### **IAS 1 (Amended) — Presentation of Financial Statements**

The International Accounting Standards Board (IASB) issued in September 2007, the amended IAS 1 - Presentation of Financial Statements, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

The changes regarding the current text of IAS 1 are as follows:

- The presentation of the financial position statement (balance sheet) is required for current and comparative period. According to amended IAS 1, the financial position statement should also be presented for the beginning of the comparative period, when an entity restates the comparatives following a change in an accounting policy, an error adjustment or a reclassification of an item in the financial statements. In these cases, three statements of the financial position would be presented, compared to the two already required.

- Following the changes required by this standard, the users of the financial statements will be able to distinguish, in an easier way, the variations in the equity of the Group on transactions with shareholders, as shareholders (ex. dividends, transactions with treasury stocks) and transactions with third parties, that are summarised in the comprehensive income statement.

Given the nature of these changes (disclosures), no significant impact resulted from this amendment.

##### **IAS 23 (Amended) — Borrowing costs**

The International Accounting Standards Board (IASB) issued in March 2007, the amended IAS 23 - Borrowing costs, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

This standard defines that borrowing costs, directly attributable to acquisition cost, construction or production of an asset (eligible asset) are included in its cost. Therefore, the option to recognise these costs directly in the profit or loss is eliminated.

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

##### **IAS 32 (Amended) - Financial Instruments: Presentation - Puttable Financial Instruments and obligations arising from liquidation**

The International Accounting Standards Board (IASB) issued in February 2008, the revised IAS 32 Financial Instruments - Presentation - Puttable financial instruments and obligations arising from liquidation, with effective date of mandatory application of 1 January 2009.

According with the previous requirements of IAS 32, if an issuer can be required to make a payment in money or in other financial asset in exchange for the redemption or repurchase of the financial instrument, the instrument is classified as a financial liability. As a result of this review, some financial instruments that currently comply with the definition of a financial liability will be classified as an equity instrument if (i) they represent a residual interest in the net assets of the entity; (ii) are included in a class of instruments subordinated to any other class of instruments issued by the entity; and (iii) all instruments in the class have the same terms and conditions. A change in IAS 1 Presentation of Financial Statements was also performed to add a new presentation requirement for puttable financial instruments and obligations arising from liquidation.

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

##### **IFRS 2 (Amended) - Share-based payment: Acquisition conditions**

The International Accounting Standards Board (IASB) issued in January 2008, the amended IFRS 2 - Share-based payment - Acquisition conditions, with effective date of mandatory application of 1 January 2009, being allowed its early adoption.

This change to IFRS 2 clarifies that: (i) the conditions to acquire the inherent rights to a share-based payment are limited to service conditions or performance and that (ii) any cancellation of such programs, by the entity or by third parties, has the same accounting treatment.

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

##### **IFRS 7 (Amended) — Financial Instruments: Disclosures**

The International Accounting Standards Board (IASB) issued in March 2009 the amended IFRS 7 — Financial instruments: Disclosures, with effective date of mandatory application of 1 January 2009.

This amendment to IFRS 7 requires the disclosure of additional information related to fair value measurement, namely that these amounts should be presented in three hierarchical levels defined in the standard and related to liquidity risk.

Given the nature of these changes (disclosures) the impact in the Group financial statements was exclusively related to presentation.

#### **IFRS 8 — Operating Segments**

The International Accounting Standards Board (IASB) issued on 30 November 2006, the IFRS 8 - Operating Segments, approved by the European Commission on 21 November 2007. This standard is mandatory and applicable for periods beginning on or after 1 January 2009.

IFRS 8 - Operating Segments defines the presentation of information about an entity's operating segments and also about services and products, geographical areas where the entity operates and its major clients. This standard specifies how an entity should disclose its information in the annual financial statements and, consequently will amend IAS 34 - Interim Financial Reporting, regarding the information to be disclosed in the interim financial reporting. Each entity should also to provide a description of the segmental information disclosed, namely profit or loss and of segment assets, as well as a brief description of how the segmental information is produced.

Given the nature of these changes, the impact was exclusively related to presentation.

#### **IFRIC 13 — Customer Loyalty Programmes**

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007 the IFRIC 13 - Customer Loyalty Programmes with effective date of mandatory application on 1 July 2008, being allowed its early adoption.

This interpretation is applicable to customer loyalty programmes and addresses how companies grant their customers loyalty award credits (often called points) when buying goods or services, allowing them to exchange these credits, in the future, by goods or services free of charge or with a discount.

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

#### **IFRIC 15 - Agreements for the Construction of Real Estate**

The IFRIC 15 - Agreements for the Construction of Real Estate is effective from 1 January 2009.

This interpretation includes guidance that allows determining if a contract for the construction of real estate is within the scope of IAS 18 - Revenue or IAS 11 - Construction Contracts. It is expected that IAS 18 will be applied to a larger number of transactions.

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

#### **IFRIC 16 — Hedges of a Net Investment in a Foreign Operation**

The International Financial Reporting Interpretations Committee (IFRIC), issued in July 2008 the IFRIC 16 — Hedges of a Net Investment in a Foreign Operation, with mandatory application for years started after 1 October 2008, although allowing for an early adoption.

This interpretation intends to clarify that:

- The hedge of a net investment in a foreign operation can only be applied to exchange differences resulting from the foreign subsidiaries' financial statements conversion from its functional currency to the parent company's functional currency and only for an amount equal or smaller to the subsidiary's net assets;
- The hedge instrument can be contracted by any of the Group's entities, except by the entity that is being hedged; and
- At the moment of the hedged subsidiary's sale, the accumulated gain or loss related to the effective hedge component is reclassified to profit and loss.

This interpretation allows an entity that uses the step by step consolidation method to choose an accounting policy that allows determining the accumulated foreign exchange conversion adjustment that is reclassified to profit and loss when the subsidiary is sold, as it would do if applying the direct consolidation method. This interpretation has a prospective application.

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

#### **Annual Improvement Project**

In May 2008, the IASB published the Annual Improvement Project that implied changes to the standards in force. The effective date of the referred changes depends on the specific standard, although the majority is mandatory for the Group in 2009, as follows:

- Changes to IAS 1 - Financial Statements presentation, which is applicable from 1 January 2009. The change clarifies that only some financial instruments classified as trading instruments are an example of current assets and liabilities.

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

- Changes to IAS 16 - Property, Plant and Equipment, which is applicable from 1 January 2009. The change that occurred on this standard establishes classification rules (i) for the income originated by the sale of rented assets subsequently sold and (ii) from these assets during the period between the termination date of the rental agreement and the date of the sale agreement.

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

- Changes to IAS 19 - Employee Benefits, which is applicable from 1 January 2009. The changes clarified (i) the concept of negative costs associated to past services resulting from changes in the defined benefit plan, (ii) the interaction between the expected return from the assets and the costs of managing the plan, and (iii) the distinction between short and medium and long term benefits.

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

- Changes to IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance, which is applicable from 1 January 2009. This change established that the benefit arising from obtaining a government loan at rates below market rates, should be measured as the difference between the fair value of the liability at granting date, determined according with IAS 39 Financial Instruments: Recognition and Measurement and the amount received. This benefit should be subsequently accounted according with IAS 20.

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

- Changes to IAS 23 - Borrowing Costs, applicable from 1 January 2009. The concept of borrowing costs was changed to clarify that these costs should be determined according to the effective interest rate as defined in IAS 39 - Financial Instruments: Recognition and Measurement, thus eliminating the inconsistency between IAS 23 and IAS 39.

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

- Changes to IAS 27 - Consolidated and Separate Financial Statements, applicable from 1 January 2009. The change to this standard determines that in the cases when an investment in a subsidiary is accounted at fair value in the individual accounts, according with IAS 39 - Financial Instruments: Recognition and Measurement and qualifies for classification as a non-current asset held for sale according with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations, the investment should continue to be measured as defined in IAS 39.

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

- Changes to IAS 28 - Investments in Associates, applicable from 1 January 2009. The changes to IAS 28 - Investments in Associates had the objective of clarifying (i) that an investment in an associate should be treated as a single asset for impairment testing purposes under the scope of IAS 36 - Impairment of assets, (ii) that any impairment loss to be recognised should not be allocated to specific assets namely to goodwill and (iii) that the impairment reversals are accounted as an adjustment to the carrying amount of the associate as long as and to the extent that the recoverable amount of the investment increases.

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

- Changes to the IAS 39 - Financial Instruments: Recognition and Measurement, applicable from 1 January 2009. These changes include mainly (i) the clarification that it is possible to perform transfers from and to the category of fair value through profit and loss regarding derivatives, whenever these start or end an hedge relationship in cash-flows hedge models or net investment in an associate or subsidiary, (ii) the change to the definition of financial instruments at fair value through profit and loss in what relates to the trading portfolio, determining that in the case of financial instrument portfolios jointly managed and for which there is evidence of a recent and real model of short-term profit taking, these should be classified as trading on initial recognition; (iii) the change to the documentation requirements and the effectiveness tests of the hedge relationship for the operational segments defined under the scope of IFRS 8 - Operating Segments; and (iv) the clarification that the measurement of a financial liability at amortised cost, after the interruption of the respective fair value hedge relationship, should be performed based on the new effective rate calculated at the interruption date.

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

- Change to IAS 40 - Investment Properties, applicable from 1 January 2009. Following this change, the properties under construction or development for subsequent use as investment properties are included under the scope of IAS 40 (before they were included under the scope of IAS 16 Property, Plant and Equipment). These properties under construction can be accounted at fair value except if they cannot be reliably measured in which case they should be accounted at acquisition cost.

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

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

##### **IAS 39 (Amended) - Financial Instruments: Recognition and measurement — Eligible hedged items**

The International Accounting Standards Board (IASB) issued an amendment to IAS 39 - Financial Instruments: Recognition and measurement — Eligible hedged items, which is of mandatory application from 1 July 2009.

This change clarifies the application of the existing principles that determine what risks or which cash-flows are eligible for inclusion on a hedged operation.

The Group is evaluating the impact of adopting this standard in its financial statements.

##### **IFRS 1 (Amended) - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements**

The changes to IFRS 1 - First time adoption of the International Financial Reporting Standards and IAS 27 - Consolidated and Separated Financial Statements are effective for periods beginning on or after 1 July 2009.

These changes allow entities adopting IFRS for the first time in the preparation of the individual accounts to use as deemed cost of the investments in subsidiaries, joint-ventures and associated companies, the respective fair value at the transition date to the IFRS or the carrying amount determined based on the previous accounting framework.

The Group does not expect any significant impact from the adoption of this amendment.

##### **IFRS 3 (Amended) - Business Combinations and IAS 27 (Amended) Consolidated and Separate Financial statements**

The International Accounting Standards Board (IASB) issued in January 2008 the reviewed IFRS 3 - Business Combinations, with effective date of mandatory application of 1 July 2009, being allowed its early adoption.

The main impacts of the changes to these standards are: (i) the treatment of partial acquisitions where the non-controlling interests (previously defined as minority interests) will be measured at fair value (which implies also the recognition of goodwill attributable to non-controlling interests) or as component attributable to non controlling interest on the fair value of the net assets acquired (as currently required); (ii) the step acquisition that require, at the time when the goodwill is determined, the revaluation against profit and loss, of the fair value of any non-controlling interest held previously to the acquisition; (iii) the costs directly related with the acquisition of a subsidiary will be accounted in profit and loss; (iv) the changes in the estimates of the contingent prices are accounted in profit and loss and do not affect goodwill; (v) the changes in percentages of subsidiaries held that do not result in a loss in control are accounted as equity changes.

Additionally, following the changes to IAS 27, the accumulated losses of a subsidiary will be attributed to the non-controlling interests (recognition of negative non-controlling interests) and when a subsidiary is sold with a subsequent loss of control, the remaining non-controlling interests are measured at the fair value determined at the date of the transaction.

The Group is evaluating the impact of adopting this standard.

##### **IFRS 9 - Financial Instruments**

The International Accounting Standards Board (IASB) issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

- The financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;
- Debt instruments model can be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value; and

- Equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably elect equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year.

The Group is evaluating the impact of adopting this standard.

#### **IFRIC 12 — Service Concession Arrangements**

The International Financial Reporting Interpretations Committee (IFRIC) issued in July 2007 IFRIC 12 — Service Concession Arrangement. The EU endorsement of this interpretation was on 25 March 2009, which is mandatory for annual periods beginning on or after 29 March 2009. The IFRIC 12 applies to public-to-private service concession arrangements. Therefore IFRIC 12 shall be applied to EDP Group consolidated financial statements, from 1 January 2010, including the comparative amounts disclosed for 2009.

The IFRIC 12 applies to public-to-private service concession arrangements and establishes the accounting framework to the activity made by infrastructure operators under service concession arrangements, whose objective is to render a public service.

This interpretation is applicable when the grantor maintains the control of the services rendered by the operator, in what concerns its nature and type, maintains the control over the prices and controls any significant residual interest in the infrastructure comprised by the arrangement.

The Group EDP is evaluating the impact in its subsidiaries in Portugal and in other locations of adopting this interpretation. Following this assessment, the main activities which fall under the scope of IFRIC 12 are analysed as follows:

##### *Portugal*

In the distribution activity in Portugal, the concessions with the municipalities for the low-tension electricity, the State concession for the distribution of high and medium tension (EDP Distribuição), as well as the State concession for the distribution of low and medium pressure gas (EDP Gás) were identified. In the production of electricity were also identified exploration licenses of mini-hydric in EDP Produção and in Pebble Hydro Group, where the IFRIC 12 is applicable, and that will be reclassified under the application of this standard.

##### *Brazil*

It was identified that the distribution activity rendered under concessions falls under IFRIC 12, namely the concessions of Bandeirante and Escelsa.

According to the preliminary analysis made, the Group does not expect a significant impact resulting from the adoption of this interpretation in the other locations of EDP Group. The Group is evaluating the impact of adopting this interpretation, which could affect the classification of certain assets currently recognised as property, plant and equipment, to intangible assets and / or financial assets.

#### **IFRIC 17 — Distributions of Non-cash Assets to Owners**

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 17 — Distributions of Non-cash Assets to Owners, with effective application date to years started after 1 July 2009, early adopting being allowed.

This interpretation intends to clarify the accounting treatment of non-cash assets distribution to owners. It establishes that non-cash assets distributions must be accounted at fair value and the difference to the distributed assets carrying amount recognised in profit and loss in the period of the distribution.

The Group does not expect any significant impact from the adoption of this interpretation in the financial statements.

#### **IFRIC 18 — Transfers of Assets from Customers**

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, IFRIC 18 — Transfers of Assets from Customers, with effective application date to years started after 1 July 2009, early adoption being allowed.

As such, IFRIC 18 shall be applied to the Group's financial statements starting after 1 January 2010.

This interpretation intends to clarify the accounting treatment of agreements through which an entity receives assets from customers for its own use and with the intent of establishing a future connection of the clients to a network or of granting continued access to the supply of services and goods to customers.

The interpretation clarifies:

- The conditions in which an asset is within the scope of this interpretation;
- The assets recognition and initial measurement;
- The identification of the identifiable services (one or more services in exchange for the transferred asset);
- Revenue recognition and;
- Accounting of money transfers from customers.

The Group does not expect any significant impact from the adoption of this interpretation in the financial statements.

#### **Annual Improvement Project**

In May, 2008, as referred previously IASB published the Annual Improvement Project that implied changes to the standards in force. However, the effective date of the referred changes depends on each specific standard.

- Changes to IFRS 5 — Non-current assets held for sale and discontinued operations, effective for years starting after 1 July 2009. This change clarifies that all the assets and liabilities of a subsidiary must be classified as non-current assets held for sale in accordance with IFRS 5 if a plan for the partial sale of the subsidiary, that will imply losing the subsidiary's control, exists.

This standard will be adopted prospectively by the Group.

#### **49. EDP Branch in Spain**

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

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

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

The Executive Committee of EDP is composed of five permanent representatives, a Corporate General Director (Group Controller for the activities in Spain) and by first line directors of the business units in Spain, which constitute the main direction and coordination body of the Branch, being responsible for the coordination of the activities of the permanent representatives and of the Management Committee. The Management Committee is chaired by the Corporate General Director and is composed by the natural extension of the Departments of the Corporate Centre of EDP, namely the Department of M&A ("Direcção de Análise de Negócios"), Department of Legal Affairs ("Direcção de Assessoria Jurídica"), Department of Internal Audit ("Direcção de Auditoria"), Department of Spanish Tax Matters ("Direcção de Fiscalidade Espanhola"), Department of Financial Management ("Direcção de Gestão Financeira"), Department of Shared Services ("Direcção de Serviços Partilhados") and IT Department ("Direcção de Sistemas de Informação") ensuring in a homogeneous way the functions of these departments transversally to the Spanish territory. Lastly, the Generation, Distribution, Trading and Gas Coordination Committees are composed and chaired by the respective Directors from the Board of Executive Directors of EDP in order to ensure synergies with Spain and eliminate inefficiencies and redundancies.

The balance sheet of the Branch as at 31 December 2009 and 2008 is analysed as follows:

	<b>EDP Branch</b>	
	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Investments in subsidiaries		
EDP Renováveis S.A.	2,939,889	2,939,889
Hidroeléctrica del Cantábrico S.A.	1,981,798	1,981,798
Other	60	60
Deferred tax assets	-	52,404
Other debtors	1,478	928,506
<b>Total Non-Current Assets</b>	<b>4,923,225</b>	<b>5,902,657</b>
Trade receivables	16,157	2,022
Debtors and other assets	376,013	154,589
Tax receivable	10,442	7,406
Financial assets at fair value through profit or loss	-	-
Cash and cash equivalents	10,885	113,379
<b>Total Current Assets</b>	<b>413,497</b>	<b>277,396</b>
<b>Total Assets</b>	<b>5,336,722</b>	<b>6,180,053</b>
	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Equity	1,852,407	1,925,440
Financial debt	2,809,277	3,419,314
<b>Total Non-Current Liabilities</b>	<b>2,809,277</b>	<b>3,419,314</b>
Financial debt	22,771	760,825
Trade and other payables	651,760	74,324
Tax payable	507	150
<b>Total Current Liabilities</b>	<b>675,038</b>	<b>835,299</b>
<b>Total Liabilities</b>	<b>3,484,315</b>	<b>4,254,613</b>
<b>Total Equity and Liabilities</b>	<b>5,336,722</b>	<b>6,180,053</b>

## 50. Environmental matters

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2009 and 2008 are analysed as follows:

	<b>Group</b>	
	<b>Dec 2009</b>	<b>Dec 2008</b>
	<b>Euro'000</b>	<b>Euro'000</b>
Air and climate protection	59,062	93,052
Biodiversity and landscape protection	16,150	20,555
Waste management	1,485	8,876
Research and development in the environmental area	-	1,197
Soil, subterranean and superficial water protection	1,104	1,596
Residual water management	1,403	112
Noise and radiation reduction	27	607
Other environmental management and protection activities	7,439	5,518
	<b>86,670</b>	<b>131,513</b>

Investments recognised in Air and climate protection as Property, plant and equipment in 2009 include costs incurred by EDP Produção of 51,628 thousand Euros. The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermolectric plant, which at 31 December 2009, have a net book value of 249 million Euros.

During the year, the Group recognised expenses that are analysed as follows:

	Group	
	Dec 2009 Euro'000	Dec 2008 Euro'000
Air and climate protection	9,582	15,196
Soil, subterranean and superficial water protection	3,635	2,894
Waste management	3,477	6,731
Biodiversity and landscape protection	2,765	1,394
Residual water management	1,577	-
Research and development in the environmental area	106	2,420
Noise and radiation reduction	296	-
Other environmental management and protection activities	10,747	2,521
Other expenses	43	1,113
	<u>32,228</u>	<u>32,269</u>

Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the restoring and decontamination of land where the electric power plants are located, of 12,154 thousand Euros and 5,831 thousand Euros as at 31 December 2009, to the electric power plants located in Portugal and Spain, respectively. According to the accounting policy referred in note 2 o), these provisions are calculated at the present amount of the expected future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the expected average useful life of the assets. Regarding the liabilities to dismantle and restore the land where the wind farms are located to its original condition, as at 31 December 2009, the provisions amount to 63,956 thousand Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 21,466 thousand Euros (see note 36).

During the year 2009, EDP Group incurred in fines and other penalties for breaching environmental regulations of 29 thousand Euros.

Environmental income recognised in 2009 relates to the sale of environmental subproducts of 5,510 thousand Euros, the sale of environmental waste of 4,967 thousand Euros and public environmental protection incentives of 1,043 thousand Euros.

## 51. Segmental reporting

A business segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of the Group, that is engaged in providing a product or an individual service or a group of related products or services within a particular economic environment which is subject to risks and returns that are different from those of components operating in other economic environments.

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

The Group internal reporting system produces reports with business segments organised by geography and responsibility area for each member of the Board of Directors.

Based on these reports, the Board of Directors assumes the function of Chief Operating Decision Maker ("CODM"), evaluating the performance of the various segments and deciding on resource allocations to each identified segment.

The Group manages its activities based on several business segments, which involve essentially the following products/services: Electricity, Gas and Other Operations.

The segments defined by the Group are the following:

- Iberian Generation
- Iberian Distribution
- Iberian Supply
- EDP Renováveis
- EDP - Energias do Brasil
- Iberian Gas
- Other Operations

The EDP Group makes a separate analysis of the electricity generation business through renewable power sources, which is achieved in a specific segment (EDP Renováveis). Taking into consideration the specificity of the Brazilian market, the Group also makes a separate analysis of the electricity generation, distribution and supply businesses in Brazil (EDP Energias do Brasil).

The **Iberian Generation** segment corresponds to the activity of electricity generation in Portugal and Spain. This segment includes, namely, the following companies:

- EDP - Gestão da Produção de Energia, S.A.
- Pebble Hydro subgroup
- Eléctrica de la Ribera del Ebro, S.A.
- Hidroeléctrica Del Cantábrico, S.L.
- Central Térmica Ciclo Combinado Group 4
- Patrimonial de La Ribera del Ebro, S.L.

The **Iberian Distribution** segment corresponds to the activities of electricity distribution in Portugal and Spain and last resort supplier. This segment includes, namely, the following companies:

- EDP Distribuição de Energia, S.A.
- EDP Serviço Universal, S.A.
- EDP Soluções Comerciais, S.A.
- Fuerzas Electricas Valencianas, S.A.
- Electra de Llobregat Energia, S.L.
- HDC Explotacion Redes
- Hidrocanábico Distribucion Eléctrica, S.A.U.

The **Iberian Supply** segment corresponds to the activity of unregulated electricity supply in Portugal and Spain. The regulated supply activity is included in the iberian distribution activity. This segment includes, namely, the following companies:

- EDP Comercial - Comercialização de Energia, S.A.
- Hidrocontábrico Energia, S.A.U.

The **EDP Renováveis** segment corresponds to the power generation activity through renewable energy resources and includes all the companies of NEO Energia and Horizon Wind Energy subgroups. This segment also includes the holding company EDP Renováveis, S.A., and all the adjustments between the companies composing this segment, including consolidation adjustments.

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

The **Gas** segment includes the gas distribution and supply activities in Portugal and Spain. This segment includes, namely, the following companies:

- EDP Gás, SGPS
- Portgás - Soc. de Produção e Distribuição de Gás, S.A.
- EDP Gás Serviço Universal, S.A.
- Gas de Euskadi Transporte de Gas, S.A.U.
- Naturgás Comercializadora, S.A.
- Naturgás Energia Distribución, S.A.U.
- Naturgás Energia Group, S.A.
- Septentrional de Gas, S.A.

The **Other operations** segment includes the centralised management of financial investments and the remaining activities not included in the businesses segments, namely the centralised management of human resources, logistic platforms and shared service centers.

The column "Adjustments" includes the elimination of dividends paid to EDP Energias de Portugal by the companies included in the segments, as well as, the adjustments related to the elimination of financial investments in the EDP Group subsidiaries and the remaining consolidation adjustments and intra-segments eliminations.

#### **Segment Definition**

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

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

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

For comparability purposes the information as at 31 December 2008 has been restated to reflect the changes which occurred in 2009.

#### **53. Explanation added for translation**

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

## 52. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2009 are as follows:

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/(Loss) 31-Dec-09 Euro'000	% Group	% Company
<b>Portugal</b>									
<b>Group Parent Company and Related Activities:</b>									
EDP - Energias de Portugal, S.A.	Lisbon	3.656.537.715 EUR	17.253.574	10.710.705	6.542.869	3.926.537	630.021	100,00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal, Lda.	Lisbon	5.000 EUR	293.154	287.311	5.843	18.055	4.444	100,00%	100,00%
EDP Estudos e Consultoria, S.A.	Lisbon	50.000 EUR	12.359	9.338	3.021	32.133	2.579	100,00%	100,00%
EDP Gás - S.G.P.S., S.A.	Lisbon	120.000.000 EUR	265.643	73.047	192.596	12.655	3.623	100,00%	100,00%
EDP Imobiliária e Participações, S.A.	Lisbon	10.000.000 EUR	266.087	238.192	27.896	37.603	-9.901	100,00%	100,00%
EDP Inovação, S.A.	Lisbon	50.000 EUR	9.995	8.459	1.536	4.724	225	100,00%	100,00%
EDP Investments and Services, S.L.	Madrid	3.006 EUR	267.345	195.779	71.566	27.468	20.749	100,00%	-
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4.550.000 EUR	66.104	51.073	15.031	61.588	5.957	100,00%	100,00%
EDP Internacional S.A.	Lisbon	50.000 EUR	7.605	5.900	1.705	4.095	1.219	100,00%	100,00%
Labelec - Estudos, Desenvolvimento e Atividades Laboratoriais, S.A.	Sacavem	2.200.000 EUR	17.453	11.305	6.148	13.620	1.870	100,00%	100,00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5.100 EUR	154.571	140.794	13.777	16.331	2.964	100,00%	-
Sávida - Medicina Apoiada, S.A.	Lisbon	450.000 EUR	17.756	14.089	3.667	35.190	1.143	100,00%	100,00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50.000 EUR	152	87	64	264	-52	100,00%	-
EDP Ventures, S.G.P.S., S.A.	Lisbon	50.000 EUR	2.156	1.490	666	1	-94	100,00%	-
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65.435 EUR	3.291	2.321	970	-	-8.354	52,07%	-
<b>Electricity - Portugal:</b>									
<b>Electricity Generation:</b>									
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1.263.285.505 EUR	7.656.118	5.577.284	2.078.834	1.813.514	376.445	100,00%	100,00%
Energim, S.A.	Lisbon	50.000 EUR	42.239	41.899	340	3.083	-134	65,00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500.000 EUR	7.897	4.393	3.504	11.535	2.448	100,00%	-
Soporgen, S.A.	Lisbon	50.000 EUR	37.778	29.302	8.476	45.374	2.024	82,00%	-
Tergen - Operação e Manutenção de Centrais Termoelétricas, S.A.	Carregado	250.000 EUR	3.208	1.963	1.245	3.457	170	100,00%	-
Greenvooiga - Soc. Gestora do Aproveitamento Hidroelétrico de Ribeirão-Ermita,S.A.	Oliveira de Frades	50.000 EUR	5.442	5.518	-76	30	-194	55,00%	-
Hidroelétrica de Fajãde, Lda.	Lisbon	374.098 EUR	2.630	2.068	562	388	19	100,00%	-
Hidroelétrica Janeiro de Baixa, LDA	Lisbon	5.000 EUR	43	42	1	-	-20	100,00%	-
Minihídrica do Páhal, Lda.	Lisbon	450.000 EUR	3.735	1.609	2.126	1.945	1.046	100,00%	-
Hidroelétrica de Penacova, Lda.	Lisbon	498.798 EUR	9.325	8.895	430	1.296	205	100,00%	-
Hidroelétrica de Pinhal, Lda.	Lisbon	1.415.000 EUR	13.788	12.078	1.710	2.189	380	100,00%	-
Hidroelétrica do Rabaçal Ponte, Lda.	Lisbon	1.350.000 EUR	20.790	19.745	1.044	156	100,00%	-	
FSIGEN - Empresa de Cogeração, S.A.	Lisbon	50.000 EUR	178	139	38	-	-12	51,00%	-
Empresa Hidroelétrica do Guadiana, SA	Lisbon	48.750.000 EUR	413.732	395.933	17.798	21.447	-16.138	100,00%	-
<b>Renewable Energies:</b>									
Enerallus-Produção de Energia Elétrica, S.A.	Oporto	1.505.000 EUR	39.528	33.462	6.065	9.083	2.187	77,53%	-
Enernova - Novas Energias, S.A.	Oporto	7.500.000 EUR	784.488	698.373	86.115	115.984	35.728	77,53%	-
Eólica da Alagoa, S.A.	Arcos Valdevez	50.000 EUR	12.821	10.259	2.563	3.186	784	46,51%	-
Eólica da Serra das Alturas, S.A.	Bolicas	50.000 EUR	15.581	13.688	1.893	1.776	668	38,84%	-
Eólica de Montenegro, Lda	Vila Pouca de Aguiar	50.000 EUR	26.343	22.761	3.582	3.475	1.442	38,84%	-
Malhadizes, S.A	Oporto	50.000 EUR	27.782	27.437	345	4.876	195	77,53%	-
Windplus, S.A.	Lisbon	50.000 EUR	325	153	172	-	-3	71,40%	-
<b>Electricity Distribution:</b>									
EDP Distribuição de Energia, S.A.	Lisbon	1.024.500.000 EUR	5.426.830	4.875.689	551.141	1.948.913	211.960	100,00%	100,00%
<b>Electricity Supply:</b>									
EDP Serviço Universal, S.A.	Lisbon	10.100.000 EUR	2.260.061	2.227.087	32.974	4.562.377	16.532	100,00%	-
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20.814.695 EUR	205.486	182.122	23.363	498.330	7.391	100,00%	100,00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50.000 EUR	2.687	2.269	418	4.942	-44	100,00%	100,00%
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, SA	Massama	50.000 EUR	940	600	340	756	-28	55,00%	-
<b>Gas Supply and Distribution:</b>									
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50.000 EUR	42.740	34.785	7.955	158.536	7.507	100,00%	-
ENAGÁS - S.G.P.S., S.A.	Lisbon	299.400 EUR	14.164	13.501	662	385	30	60,00%	-
EDP Investimentos, S.G.P.S., S.A.	Lisbon	5.489.000 EUR	63.265	17.981	45.284	1.515	506	100,00%	100,00%
EDP Gás III S.G.P.S., S.A.	Lisbon	5.500.000 EUR	62.831	33.684	29.147	4	-1.142	100,00%	-
EDP Gás II S.G.P.S., S.A.	Lisbon	5.000.000 EUR	53.029	18.488	34.541	812	-44	100,00%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7.909.150 EUR	351.461	284.800	66.661	52.322	6.285	71,97%	-
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549.998 EUR	5.735	3.340	2.395	3.651	984	71,97%	-
EDP Gás Serviço Universal, S.A.	Oporto	1.049.996 EUR	25.392	21.843	3.549	99.235	-3.479	71,97%	-
<b>Related Activities:</b>									
EDP Soluções Comerciais, S.A.	Lisbon	50.000 EUR	99.661	102.490	-2.830	171.012	3.278	100,00%	100,00%
<b>Other Activities:</b>									
FCTE - Forum do Comércio, Transações Electrónicas e Serviços Empresariais On-Line, S.A.	Lisbon	500.000 EUR	11	512	-501	25	14	80,00%	-
Orni Multimédia - Serviços Interactivos, S.A.	Lisbon	50.000 EUR	1.968	64.660	-62.692	1	1.796	100,00%	-
OPTEP SGPS, S.A.	Lisbon	5.500.000 EUR	49.596	27.912	21.684	37.522	27.823	100,00%	-
<b>Spain</b>									
<b>Parent Company and Related Activities:</b>									
EDP Renováveis S.A.	Oviedo	4.361.540.810 EUR	7.250.640	2.194.214	5.056.426	325.448	68.012	77,53%	62,02%
Nuevas Energías de Occidente, S.L.	Oviedo	30.000.000 EUR	4.218.682	4.042.169	176.513	172.544	-20.008	77,53%	-
Hidroeléctrica Del Cantábrico, S.L.	Oviedo	421.739.790 EUR	5.492.164	3.321.042	2.171.123	1.341.385	83.694	100,00%	96,86%
<b>Electricity - Spain:</b>									
<b>Electricity Generation:</b>									
Capstrutur AIE	Oviedo	360.607 EUR	418	2	415	2	-3	44,01%	-
Rosacal Cogeneración S.A.	Madrid	60.200 EUR	7	423	-416	-	-	46,52%	-
Cogeneración Bergara, A.I.E.	Bilbao	450.000 EUR	1.242	478	763	1.719	167	50,00%	-
Cogeneración Montjuic, S.L.U.	Bilbao	1.250.000 EUR	4.433	2.164	2.269	110	-468	100,00%	-
Cogeneración Serantes, S.L.U.	Bilbao	2.750.000 EUR	13.377	8.800	4.577	1.992	1.629	70,00%	-
Electrica de la Ribera del Ebro, SA	Oviedo	5.000.000 EUR	381.103	320.846	60.257	140.496	-6.407	100,00%	-
Energia e Industria de Toledo, S.A.	Oviedo	2.139.603 EUR	5.395	9.145	-3.750	5.820	136	90,00%	-
Fuerzas Electricas Valencianas, SA	Valencia	1.021.700 EUR	10.401	11.122	-721	697	-690	100,00%	-
Central Termica Ciclo Combinado Grupo 4	Oviedo	2.117.000 EUR	208.075	212.908	-4.833	73.988	-20.167	75,00%	-
HC Soluciones Comerciales S.A.	Oviedo	60.300 EUR	25.603	9.924	15.679	34.774	6.483	100,00%	-
HDC Explotacion Centrales-2	Oviedo	60.150 EUR	42.144	59.467	-17.323	1.949	-456	100,00%	-
HDC Explotacion Redes-2	Oviedo	70.000 EUR	2.003	1.605	398	5.133	383	100,00%	-
HDC Gestion de Energia-2	Oviedo	5.078.029 EUR	947.314	428.831	518.482	32.086	15.190	100,00%	-
Hidrocentrálbrico Servicios, S.A.	Oviedo	60.150 EUR	14.435	6.214	8.221	23.003	819	100,00%	-
Instalaciones Electricas Rio Isabena, S.L.	Zaragoza	3.006 EUR	4.138	3.849	289	625	190	90,02%	-
Mazarrón Cogeneración, S.A.	Oviedo	70.000 EUR	462	5.199	-4.736	292	-29	90,00%	-
Millenium Energy S.L.	Bilbao	2.830.247 EUR	9.259	7.913	1.345	160	-1.421	100,00%	-
Papresa Cogeneración AIE	Bilbao	50.000.000 EUR	51.080	-	51.080	1.333	1.080	95,41%	-
Patrimonial de La Ribera del Ebro, S.L.	Pamplona	150.000.000 EUR	637.377	1.042	636.335	29.500	20.296	100,00%	-
HC Tudela Cogeneración	Carrene	306.030 EUR	1.965	1.666	299	-	-7	50,10%	-
Ciclo Combinado Soto 5, S.L.	Oviedo	1.000.000 EUR	277.485	276.533	952	-	-48	100,00%	-
<b>Renewable Energies:</b>									
Acampo Arias,S.L.	Zaragoza	3.314.300 EUR	30.391	27.402	2.989	2.201	-326	76,12%	-
Agrupación Eólica, SLU	Zaragoza	649.836 EUR	79.371	44.270	35.101	3.481	1.682	77,53%	-
Ceasa Promociones Eólicas, SLU	Zaragoza	1.205.029 EUR	142.690	137.620	5.071	170.653	5.018	77,53%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/Loss 31-Dec-09 Euro'000	% Group	% Company
<b>Spain</b>									
<b>Electricity - Spain:</b>									
<b>Renewable Energies:</b>									
Cia. Eléctrica de Energías Renovables Alternativas, SAU	Zaragoza	69.116 EUR	74	19	55	-	-	77,53%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857.945 EUR	1.574	432	1.142	520	157	58,79%	-
Corporación Empresarial de Renovables Alternativas, SLU	Zaragoza	86.480 EUR	85	1	84	-	-	77,53%	-
Desarrollos Eólicos Promoción, S.A.	Seville	8.061.000 EUR	54.966	11	54.955	16.404	16.555	77,53%	-
Desarrollo Eólico Almarcho, S.A.	Cádiz	2.061.190 EUR	19.874	16.468	3.406	3.193	490	77,53%	-
Desarrollo Eólico Buenavista, SAU	Cádiz	1.712.369 EUR	12.000	8.074	3.926	2.654	687	77,53%	-
Desarrollo Eólico de Corme, S.A.	La Coruña	3.666.100 EUR	11.647	3.197	8.450	4.237	1.677	77,53%	-
Desarrollo Eólico de Lugo, SAU	Lugo	7.761.000 EUR	71.248	55.758	15.490	16.316	5.683	77,53%	-
Desarrollo Eólico de Tarifa, SAU	Cádiz	5.799.650 EUR	13.399	3.799	9.600	5.102	1.778	77,53%	-
Desarrollo Eólico Dumbria, SAU	La Coruña	61.000 EUR	81.511	71.075	10.436	14.523	2.914	77,53%	-
Desarrollo Eólico Rebosera, S.A.	Huesca	7.560.950 EUR	36.774	25.513	11.261	7.553	2.455	73,65%	-
Desarrollo Eólico Santa Quetada, S.L.	Huesca	63.006 EUR	27.227	15.473	11.754	6.214	2.051	45,22%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	5.992.600 EUR	45.043	23.533	21.509	938	26	46,52%	-
Desarrollos Eólicos de Galicia, S.A.	La Coruña	6.130.200 EUR	12.951	2.175	10.776	3.772	1.153	77,53%	-
Desarrollos Eólicos, S.A.	Seville	1.056.225 EUR	57.520	39.395	18.125	115.907	519	77,53%	-
Eólica Dulcinea, S.L.	Albacete	10.000 EUR	37.123	35.940	1.183	5.964	1.002	77,53%	-
Eólica Alfaz, SL	Madrid	10.000 EUR	147.866	147.856	10	3.515	-	65,88%	-
Eneroliva S.A.	Seville	75.120 EUR	206	138	68	2	-	77,53%	-
Eólica Arlanzón, S.A.	Madrid	4.508.980 EUR	28.864	21.336	7.528	5.888	1.322	60,08%	-
Eólica Campollano S.A.	Madrid	6.559.994 EUR	104.608	84.732	19.876	22.784	5.675	58,15%	-
Eólica Don Quijote, S.L.	Albacete	3.006 EUR	54.016	51.488	2.529	10.405	2.525	77,53%	-
Energía Eólica La Manchuela, SLU	Madrid	1.141.900 EUR	22.142	18.839	3.303	4.772	1.217	77,53%	-
Genesa I S.L.	Madrid	28.562.170 EUR	649.229	452.143	197.086	215.862	8.600	77,53%	-
Guadalteba	Seville	10.000 EUR	215.159	214.359	800	16.194	791	77,53%	-
Hidroeléctrica Congeneración S.L.	Oviedo	2.914.650 EUR	47.144	19.408	27.736	30.971	-295	100,00%	-
Hidroeléctrica del Rumbiar, S.L.	Madrid	276.460 EUR	946	871	75	174	33	62,02%	-
Hidroeléctrica Fuentesoto, S.L.	Oviedo	77.036 EUR	298	29	269	74	8	77,53%	-
Hidroeléctrica Gormaz S.A.	Salamanca	60.701 EUR	426	482	-55	41	-20	58,15%	-
Iberia Aprovechamientos Eólicos, SAU	Zaragoza	1.918.728 EUR	30.398	28.458	1.940	4.094	-142	77,53%	-
Industrias Medioambientales Río Carrión, S.A.	Madrid	15.124 EUR	7	602	-595	-	-	69,78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	15.717.845 EUR	173.624	162.895	10.728	16.047	-2.513	46,20%	-
Lajanda	Madrid	2.050.000 EUR	183.468	180.309	3.158	17.184	1.095	77,53%	-
Lanavica	Madrid	10.000 EUR	48.164	46.132	2.033	6.630	852	77,53%	-
Molino de Caragüeyes, S.L.	Zaragoza	180.300 EUR	607	431	176	187	30	62,02%	-
NEO Catalunya SL	Barcelona	10.000 EUR	33.634	34.534	-900	32	-596	77,53%	-
NEO Energía Aragón SL	Madrid	10.000 EUR	10	1	9	-	-	77,53%	-
Neomal Inversiones SICAV, SA	Madrid	33.358.370 EUR	40.008	151	39.857	1.429	1.355	77,53%	-
Parque Eólico Belchite S.L.	Zaragoza	3.600.000 EUR	47.083	38.731	8.352	8.172	1.532	77,53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2.000.000 EUR	20.073	15.543	4.530	4.219	1.210	50,27%	-
Parque Eólico Los Cantales, SLU	Zaragoza	1.963.050 EUR	29.156	24.506	4.650	5.950	1.700	77,53%	-
Parque Eólico Montes de Castañón, S.L.	Zaragoza	12.024 EUR	50	41	9	-	-	77,53%	-
Parque Eólico Plano de Artajona, SLU	Zaragoza	12.024 EUR	67	59	9	-	-	77,53%	-
Parques de Generación Eólica, S.L.	Burgos	1.924.000 EUR	42.586	39.527	3.059	3.433	411	46,52%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9.079.680 EUR	56.567	32.589	23.977	11.000	899	77,53%	-
Renovables Castilla la Mancha, S.A.	Albacete	60.102 EUR	36.919	34.695	2.223	6.589	1.402	69,78%	-
Eólica Sierra de Avila, SL	Madrid	10.000 EUR	74.258	74.248	10	4.872	-	69,77%	-
Siesa Renovables Canarias, S.L.	Gran Canaria	3.006 EUR	1	1	-	-	-	77,53%	-
Sinac Inversiones Eólicas S.A.	Madrid	6.010.000 EUR	113.394	83.843	31.550	22.024	17.871	77,53%	-
Sotromat, S.A.	Madrid	112.880 EUR	30	206	-176	-	-	69,78%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60.200 EUR	67	50	17	-	-	62,02%	-
Valle del Ebro Ingeniería y Consultoría, S.L.	Zaragoza	188.047 EUR	4.838	17	4.821	911	833	77,53%	-
Veinco Energía Limpia SLU	Zaragoza	3.043 EUR	5.620	5.055	565	443	157	77,53%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	3.005 EUR	23.383	23.375	8	568	-	46,52%	-
Fontesiva	La Coruña	10.000 EUR	52.928	52.920	9	2.614	-1	77,53%	-
Parc Eólic Moliners SL	Girona	3.006 EUR	215	212	3	-	-	41,87%	-
Muxia I e II	La Coruña	10.000 EUR	66.494	66.485	9	1.420	-1	77,53%	-
Naturmeo Energía, S.L.	Bilbao	3.020 EUR	2	-	2	-	-	86,93%	-
Eólica de Radona SL	Madrid	10.000 EUR	75.021	75.115	-94	4.582	-104	77,53%	-
Parc Eólic de Torre Madrino, S.L.	Barcelona	3.005 EUR	47.183	47.175	7	563	-	46,52%	-
Bon Vent de Corbera, SL	Barcelona	90.000 EUR	73.542	73.456	86	3.150	-	77,53%	-
Bon Vent de Vilalba, SL	Barcelona	90.000 EUR	75.703	76.332	-629	4.724	-715	77,53%	-
Parc Eólic de Vilalba dels Arcs, S.L.	Barcelona	3.006 EUR	34.232	34.229	3	509	-	46,52%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1.994.350 EUR	21.293	19.845	1.448	230	-214	37,75%	-
Agrupación Eólica Francia SL	Madrid	900.000 EUR	43.250	4	43.246	97	18	77,53%	-
Coll de la Garganta	Barcelona	3.010 EUR	19.873	19.870	3	440	-	77,53%	-
Eólica Curiscoo Pumar, S.A.	Madrid	60.200 EUR	69.744	67.399	2.345	12.036	2.271	77,53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60.100 EUR	71	90	-19	-	-79	31,43%	-
Sierra de la Peña, S.A.	Madrid	3.294.000 EUR	72.236	64.765	7.471	12.894	2.429	65,82%	-
Bon Vent de L'Ebre, S.L.	Barcelona	90.000 EUR	5.157	5.102	55	-	-	77,53%	-
Serra Voltorera	Barcelona	3.010 EUR	29.884	29.881	3	748	-	77,53%	-
Eólica Garcimuñoz, SL	Madrid	10.000 EUR	11	1	10	-	-	77,53%	-
<b>Electricity Distribution:</b>									
Electra de Llobregat Energía, S.L.	Oviedo	150.000 EUR	5.492	7.052	-1.561	533	-597	75,00%	-
Solanar Distribución Eléctrica, S.L.	Zaragoza	421.000 EUR	8.458	8.031	427	889	-58	90,00%	-
<b>Gas Supply and Distribution:</b>									
Gas de Euskadi Transporte de Gas, S.A.U.	Bilbao	12.880.200 EUR	161.867	96.218	65.649	21.871	9.841	95,97%	-
Naturgas Comercializadora, S.A.	Bilbao	8.255.306 EUR	256.821	225.932	30.889	822.351	20.162	95,97%	-
Naturgas Energía Distribución, S.A.U.	Bilbao	100.000.000 EUR	1.857.830	560.244	1.297.585	176.554	74.851	95,97%	-
Naturgas Energía Grupo, S.A.	Bilbao	316.516.400 EUR	1.611.603	536.858	1.074.744	296.528	17.574	95,97%	-
Naturgas Participaciones, S.A.U.	Bilbao	300.500 EUR	12.530	11.894	636	696	287	95,97%	-
Naturgas Energía Comercializadoras Ultimo Recurso, S.A.	Bilbao	2.000.000 EUR	2.040	18	2.022	28	20	95,97%	-
Naturgas Energía Servicios, S.A.	Bilbao	60.200 EUR	10.958	10.304	654	17.259	582	95,97%	-
Naturgas Energía Suministro Sur, S.L.	Bilbao	2.077.000 EUR	9.576	7.519	2.056	-	-	95,97%	-
Naturgas Energía Suministro, S.L.	Bilbao	2.129.600 EUR	10.973	8.865	2.109	-	-	95,97%	-
Naturgas Energía Servicios Comunes, S.A.	Bilbao	191.010 EUR	227	41	186	-	-	95,97%	-
Naturgas Energía Distribución Cantabria, S.A.	Santander	3.160.333 EUR	99.279	62.528	36.751	-	-	86,77%	-
Naturgas Energía Distribución Murcia, S.A.	Murcia	61.414.185 EUR	152.622	102.559	50.063	-	-	95,95%	-
HC Energía Ultimo Recurso, S.A.	Oviedo	1.000.000 EUR	38.984	37.976	1.008	96.616	8	97,99%	-
<b>Electricity Supply:</b>									
EDP Energía Ibérica, S.A.	Madrid	60.200 EUR	17	13.376	-13.359	36	9	100,00%	-
Hidroeléctrica Energía, S.A.U.	Oviedo	44.502.000 EUR	1.127.192	1.066.713	60.479	1.540.261	29.097	100,00%	-
<b>Other Activities:</b>									
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62.247 EUR	1.418	1.938	-520	1.195	65	90,00%	-
Iniciativas Tecnológicas de Valorización Energética de Residuos S.A.	Oviedo	2.996.022 EUR	9.749	9.719	30	15.514	1.707	100,00%	-
Renovamed, S.A.	Oviedo	60.200 EUR	550	1.321	-770	925	67	75,00%	-
Sinova Medioambiental, SA	Oviedo	2.687.364 EUR	16.433	13.623	2.810	14.217	1.385	84,00%	-
Teclan, S.L.	Bilbao	250.000 EUR	4.931	1.416	3.515	5.306	321	95,97%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3.731.202 EUR	14.737	5.331	9.406	16.317	2.496	88,00%	-
<b>Brazil</b>									
<b>Parent Company and Related Activities:</b>									
EDP Energias do Brasil, S.A.	Sao Paulo	3.182.715.954 BRL	2.031.817	121.654	1.910.164	293.452	250.941	64,91%	25,02%

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/Loss 31-Dec-09 Euro'000	% Group	% Company	
<b>Brazil</b>										
<b>Parent Company and Related Activities:</b>										
Energset, S.A.	Sao Paulo	120.480.870 BRL	196.146	73.436	122.711	58.979	31.489	64,91%	-	
Escelsapar	Espirito Santo	2.800.000 BRL	2.115	3.064	-948	1	-175	64,91%	-	
Santa-Fé Energia, S.A.	Espirito Santo	86.371.000 BRL	63.147	27.974	35.173	7.079	1.103	64,91%	-	
Elebras Projetos, Ltda	Sao Paulo	1.326.013 BRL	174	4	170	-	-6	71,85%	-	
Erecy Participações Ltda	Sao Paulo	21.462.267 BRL	10.119	496	9.623	1.691	1.462	64,91%	-	
<b>Electricity - Brazil:</b>										
<b>Electricity Generation:</b>										
CESA - Castelo Energética, S.A.	Sao Paulo	23.458.269 BRL	81.755	54.976	26.780	16.412	6.351	64,91%	-	
Costa Rica Energética, Ltda.	Mato Grosso Sul	14.318.185 BRL	9.459	1.132	8.327	6.053	5.013	33,11%	-	
Enercoto, S.A.	Sao Paulo	1.000 BRL	1.977	2.164	-187	-	-21	64,91%	-	
Enerpeixe, S.A.	Sao Paulo	882.627.748 BRL	831.923	390.903	441.020	121.482	48.360	38,95%	-	
Pantanal	Sao Paulo	23.390.369 BRL	32.389	9.489	22.900	14.910	10.770	64,91%	-	
Ipueiras Energia S.A.	Sao Paulo	14.721.836 BRL	3	2	-	-	-2	64,91%	-	
Lajeado Energia S.A.	Sao Paulo	756.867.541 BRL	736.883	126.632	610.251	106.823	40.556	36,26%	-	
Investco, S.A.	Sao Paulo	961.793.701 BRL	750.856	254.456	496.400	78.072	36.684	26,47%	-	
<b>Renewable Energies:</b>										
EDP Renováveis Brasil, SA	Sao Paulo	49.458.545 BRL	27.428	8.018	19.410	567	-205	71,85%	-	
Enemova, SA (Brasil)	Sao Paulo	1.000 BRL	10.285	12.522	-2.237	-540	-2.031	64,91%	-	
Central Nacional de Energia Eólica, S.A.	Sao Paulo	22.035.000 BRL	18.781	9.898	8.883	2.640	634	71,85%	-	
Terra Verde Bioenergia Participações S.A.	Sao Paulo	100 BRL	665	1.274	-609	-	-609	59,72%	-	
<b>Electricity Distribution:</b>										
Bandsiarante Energia, S.A.	Sao Paulo	254.628.684 BRL	1.031.902	699.870	332.031	798.077	114.156	64,91%	-	
Esceisa - Espirito Santo Centrais Elétricas, S.A.	Espirito Santo	376.021.630 BRL	918.995	592.054	326.941	524.563	63.242	64,91%	-	
<b>Electricity Supply:</b>										
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26.284.758 BRL	67.576	47.387	20.188	290.165	9.972	64,91%	-	
<b>France</b>										
<b>Electricity - France:</b>										
<b>Renewable Energies:</b>										
C.E. Canet-Pont de Salars, S.A.S.	Paris	125.000 EUR	16.367	16.803	-435	2.062	-7	77,53%	-	
C.E. Guelgas Noyal-Pontivy, S.A.S.	Paris	2.261.000 EUR	9.422	5.778	3.645	1.540	344	77,53%	-	
C.E. Patay, SAS	Paris	1.640.000 EUR	16.625	13.980	2.645	2.835	447	77,53%	-	
C.E. Segur, SAS	Paris	1.615.000 EUR	15.750	13.944	1.805	2.398	238	77,53%	-	
Plouvien Breiz, S.A.S.	Carhaix	40.000 EUR	12.880	14.453	-1.573	1.483	-382	77,53%	-	
C.E. NEO Truc L'homme, SAS	Paris	37.500 EUR	35	7	29	-	-3	77,53%	-	
Parc Eolien D'Ardennes	Elbeuf	1.000 EUR	25	147	-122	1	-1	77,53%	-	
Parc Eolien du Clos Bataille, SAS	Elbeuf	37.001 EUR	12.516	13.655	-1.139	1.810	286	77,53%	-	
Eolienne des Bocages, SARL	Elbeuf	1.000 EUR	8	35	-27	1	-1	77,53%	-	
Eolienne de Callengeville, SARL	Elbeuf	37.004 EUR	29	12	17	9	3	77,53%	-	
Parc Eolien des Longs Champs, SARL	Elbeuf	1.000 EUR	79	148	-68	1	-3	77,53%	-	
Eolienne D'Etalondes, SARL	Elbeuf	1.000 EUR	19	46	-27	1	-2	77,53%	-	
Parc Eolien de La Hetroye, SAS	Elbeuf	37.004 EUR	19	10	9	-	-5	77,53%	-	
Parc Eolien de Mancherville, SARL	Elbeuf	1.000 EUR	7	46	-39	-	-4	77,53%	-	
Neo Galta, SAS	Paris	48.526.642 EUR	260.687	218.223	42.464	15.046	-4.587	77,53%	-	
Parc Eolien des Bocages, SARL	Elbeuf	1.000 EUR	27	188	-161	1	-1	77,53%	-	
Parc Eolien de Roman, SARL	Elbeuf	1.000 EUR	139	240	-101	1	-7	77,53%	-	
C.E. Saint Barnabe, SAS	Paris	1.600.000 EUR	15.607	13.883	1.724	2.362	144	77,53%	-	
Eolienne de Saugueuse, SARL	Elbeuf	1.000 EUR	10	37	-26	-	-2	77,53%	-	
Parc Eolien de Varimpre, SAS	Elbeuf	37.003 EUR	15.201	16.754	-1.553	2.429	527	77,53%	-	
Parc Eolien des Vattines, SAS	Elbeuf	37.004 EUR	14.737	16.419	-1.682	2.062	196	77,53%	-	
Le Mee, S.A. R.L.	Toulouse	1.000 EUR	7.111	7.153	-42	151	-9	37,99%	-	
Sauvageons, S.A.R.L.	Toulouse	1.000 EUR	9.834	9.866	-32	324	-13	37,99%	-	
Pette Piece, S.A.R.L.	Toulouse	1.000 EUR	1.042	1.116	-75	-	-72	37,99%	-	
Mardelle, SARL	Toulouse	1.000 EUR	5.294	5.298	-3	14	-1	77,53%	-	
Quinze Mines, SARL	Toulouse	1.000 EUR	11.225	11.242	-17	256	-15	37,99%	-	
Vallée du Moulin, SARL	Toulouse	1.000 EUR	9.593	9.609	-16	218	-13	77,53%	-	
<b>United Kingdom</b>										
<b>Electricity - United Kingdom:</b>										
<b>Renewable Energies:</b>										
EDPR UK Limited	Cardiff	- EUR	-	-	-	-	-	77,53%	-	
Moray Offshore Renewables Limited	Cardiff	- EUR	-	-	-	-	-	58,15%	-	
<b>Poland</b>										
<b>Electricity - Poland:</b>										
<b>Renewable Energies:</b>										
Relax Wind Park I, S.P. ZO.O	Warsaw	521.379 EUR	170.970	171.080	-110	126.038	-277	74,76%	-	
Relax Wind Park III, S.P. ZO.O	Warsaw	102.327 EUR	5.964	5.937	27	4.319	-57	77,53%	-	
Neolica Polska SP Z.O.O.	Warsaw	105.943.477 EUR	267.009	157.885	109.125	139.220	6.619	77,53%	-	
Relax Wind Park II, S.P. ZO.O	Warsaw	107.199 EUR	369	301	69	111	-2	39,54%	-	
Relax Wind Park IV, S.P. ZO.O	Warsaw	95.018 EUR	650	668	-18	175	52	39,54%	-	
Elekrownia Wiatrowa Kresy I SP ZOO	Warsaw	17.054 EUR	2.476	2.470	6	200	-11	77,53%	-	
Chodow Wind Park SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
KIP Wind Park I SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
KIP Wind Park II SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
Relax Wind Park V SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
Relax Wind Park VI SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
SK Wind Park SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
Sokolowo Wind Park SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
Zulawy Wind Park I SP.ZO.O.	Warsaw	- EUR	-	-	-	-	-	77,53%	-	
<b>United States of America</b>										
<b>Parent Company:</b>										
Horizon Wind Energy LLC	Houston, Texas	4.060.307.096 USD	3.124.691	399.493	2.725.198	11.357	-31.938	77,53%	-	
<b>Electricity - United States of America:</b>										
<b>Renewable Energies:</b>										
2007 Vento I LLC	Texas	1.208.830.306 USD	844.614	3.112	841.502	4.526	1.173	77,53%	-	
Arlington Wind Power Project LLC	Oregon	198.688.728 USD	143.189	2.995	140.194	12.721	1.999	77,53%	-	
Aroostook Wind Energy LLC	Maine	1.257.610 USD	6.568	5.769	799	-	-17	77,53%	-	
BC2 Maple Ridge Wind LLC	Texas	418.051.060 USD	301.852	-	301.852	8.008	5.171	77,53%	-	
Blue Canyon Windpower II LLC	Oklahoma	177.566.728 USD	145.411	14.798	130.613	15.105	1.831	77,53%	-	
Clinton County Wind Farm, LLC	New York	15.009.806 USD	23.909	13.495	10.414	-	-	77,53%	-	
High Prairie Wind Farm II, LLC	Minnesota	162.402.566 USD	122.548	9.423	113.124	9.455	-1.142	77,53%	-	
High Trail Wind Farm, LLC	Illinois	413.131.796 USD	300.553	8.088	292.466	25.343	1.701	77,53%	-	
Horizon Wind Energy International	Texas	5.691.290 USD	4.320	191	4.129	4	-2	77,53%	-	
Horizon Wind Ventures I LLC	Texas	1.764.182.426 USD	2.403.190	1.153.249	1.249.942	36.713	15.276	77,53%	-	
Horizon Wind Ventures IB, LLC	Texas	3.304.156 USD	419.026	398.412	20.614	29.934	11.060	77,53%	-	
Jericho Rise Wind Farm LLC	New York	1.600.290 USD	3.591	2.510	1.081	3	-6	77,53%	-	
Madison Windpower LLC	New York	10.166.158 USD	6.783	836	5.947	677	-963	77,53%	-	

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/Loss 31-Dec-09 Euro'000	% Group	% Company
<b>United States of America</b>									
<b>Electricity - United States of America:</b>									
<b>Renewable Energies:</b>									
Marble River, LLC	New York	18.671.894 USD	44.267	31.419	12.847	-	-40	77.53%	-
Martinsdale Wind Farm LLC	Colorado	3.196.368 USD	2.616	402	2.214	2	-2	77.53%	-
Mesquite Wind, LLC	Texas	270.389.299 USD	232.109	30.588	201.521	25.303	6.724	77.53%	-
Old Trail Wind Farm, LLC	Illinois	432.164.536 USD	302.529	5.264	297.265	22.285	-2.969	77.53%	-
OPQ Property LLC	Illinois	17.838 USD	1.944	1.840	104	88	72	77.53%	-
Post Oak Wind, LLC	Texas	309.069.202 USD	259.233	34.269	224.963	25.806	5.377	77.53%	-
Signal Hill Wind Power Project LLC	Colorado	-24.029 USD	1	20	-18	-	-	77.53%	-
Talocast Wind Power Partners, LLC	Oregon	147.493.608 USD	132.793	21.459	111.334	15.173	3.856	77.53%	-
Tumbleweed Wind Power Project LLC	Colorado	-1.629 USD	-	4	-4	-	-	77.53%	-
Stinson Mills Wind Farm, LLC	Colorado	860.990 USD	1.941	1.411	530	-	-2	77.53%	-
Wind Turbine Prometheus, IP	California	-568.023 USD	1	399	-398	-	-	77.53%	-
Lost Lakes Wind Farm, LLC	Minnesota	203.677.837 USD	201.905	60.659	141.246	540	-71	77.53%	-
Quilt Block Wind Farm, LLC	Minnesota	- USD	2.506	2.519	-13	-	-8	77.53%	-
Cloud County Wind Farm	Kansas	349.286.236 USD	247.496	3.090	244.406	20.701	1.850	77.53%	-
Whitstone Wind Purchasing, LLC	Texas	- USD	149.339	150.058	-719	128	-10.900	77.53%	-
Blue Canyon Windpower V, LLC	Oklahoma	199.255.942 USD	158.967	20.141	138.826	2.940	529	77.53%	-
Pioneer Prairie Wind Farm I, LLC	Iowa	625.332.250 USD	438.658	6.497	432.161	20.544	-11.092	77.53%	-
Sagebrush Power Partners, LLC	Washington	- USD	42.662	42.688	-26	-	-13	77.53%	-
Rail Splitter	Illinois	252.149.315 USD	176.684	3.142	173.542	3.532	-1.323	77.53%	-
Blackstone Wind Farm, LLC	Illinois	- USD	197.154	198.104	-950	1.574	-947	77.53%	-
Meadow Lake Wind Farm, LLC	Indiana	- USD	373.539	374.910	-1.370	3.890	-1.158	77.53%	-
Wheatfield Wind Power Project, LLC	Oregon	- USD	164.060	161.039	3.021	9.742	2.956	77.53%	-
2007 Vento II	Texas	1.062.259.725 USD	736.327	315	736.012	1	-731	77.53%	-
2008 Vento III	Texas	1.180.921.586 USD	819.924	803	819.121	5	-622	77.53%	-
Horizon Wind Ventures IC, LLC	Texas	5.496.832 USD	259.556	256.163	3.393	12.969	-422	77.53%	-
Meadow Lake Wind Farm VI, LLC	Indiana	- USD	2.008	2.008	-	-	-	77.53%	-
Meadow Lake Windfarm III LLC	Indiana	- USD	1.160	1.160	-	-	-	77.53%	-
2009 Vento IV, LLC	Texas	252.182.648 USD	175.031	46	174.984	-	-69	77.53%	-
2009 Vento V, LLC	Texas	199.255.942 USD	138.315	5	138.309	-	-5	77.53%	-
2009 Vento VI, LLC	Texas	202.969.316 USD	141.384	561	140.823	-	-69	77.53%	-
Horizon Wind Ventures II, LLC	Texas	152.278.982 USD	175.963	70.824	105.140	711	-565	77.53%	-
Horizon Wind Ventures III, LLC	Texas	82.988.612 USD	138.743	81.146	57.597	493	-10	77.53%	-
Horizon Wind Ventures VI, LLC	Texas	112.863.100 USD	141.446	63.103	78.343	-	-1	77.53%	-
Black Prairie Wind Farm LLC	Texas	- USD	3.089	3.089	-	-	-	77.53%	-
Blackstone Wind Farm II LLC	Texas	- USD	12.496	12.497	-1	-	-1	77.53%	-
Meadow Lake Wind Farm III LLC	Texas	- USD	62.102	62.103	-1	-	-1	77.53%	-
Saddleback Wind Power Project LLC	Texas	- USD	783	787	-3	-	-3	77.53%	-
Horizon Wind, Freepoint Windpower I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Juniper Wind Power Partners, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Machias Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
New Trail Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pacific Southwest Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Rim Rock Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Sardinia Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Western Trail Wind Project I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whistling Wind WJ Energy Center, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Peterson Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection LLC	Texas	- USD	-	-	-	-	-	77.53%	-
The Nook Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Whiskey Ridge Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Wilson Creek Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
WTP Management Company LLC	Texas	- USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Cloud West Wind Project, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Five-Spot, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Arkwright Summit Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Ashford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower VI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Crosey Ridge Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Diamond Power Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Ford Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Freepoint Windpower I, LP	Texas	- USD	-	-	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Homestead Wind Farm LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest XI LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Chocolate Bayou I LLC	Texas	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project LLC	Washington	- USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Blue Canyon Wind Power VII LLC	Oklahoma	- USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-

Subsidiaries	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/Loss 31-Dec-09 Euro'000	% Group	% Company
<b>United States of America</b>									
<b>Electricity - United States of America:</b>									
<b>Renewable Energies:</b>									
AZ Solar LLC	Arizona	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm II LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III LLC	Illinois	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm III LLC	Ohio	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V LLC	Wyoming	- USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, LLC	Oregon	- USD	-	-	-	-	-	77.53%	-
Meadow Lake Wind Farm V, LLC	Indiana	- USD	-	-	-	-	-	77.53%	-
<b>Other Countries</b>									
<b>Related Activities:</b>									
EDP Finance BV	Amsterdam	2.000.000 EUR	11.203.207	11.197.528	5.679	390.872	1.126	100,00%	100,00%
EDP Finance Company Ltd.	Dublin	1.000.001 EUR	674	352	322	-	-82	100,00%	100,00%
EDP ASIA - Investimento e Consultadoria, Limitada	Macao	200.000 MOP	58.602	147	58.456	13.973	13.048	100,00%	100,00%
EDP - Ásia Soluções Energéticas Limitada	Macao	1.500.000 MOP	130	-	130	-	-	60,00%	-
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	2.000.000 EUR	50.301	33.737	16.564	13.603	2.464	100,00%	100,00%
<b>Electricity - Other Countries:</b>									
<b>Renewable Energies:</b>									
Greenwind, S.A.	Louvain-la-Neuve	24.924.000 EUR	87.902	63.059	24.843	8.190	1.166	54,27%	-
Torcan, BV	Amsterdam	20.000 EUR	20.294	15.643	4.650	6.542	5.283	77,53%	-
Cernavoda Power SRL	Bucharest	200 LEI	55.901	56.704	-803	4.000	-281	65,90%	-
Renovatio Power SRL	Bucharest	200 LEI	53.610	54.520	-910	3.035	-518	65,90%	-

The EDP Group holds, through EDP Renováveis a number of subsidiaries legally constituted, without share capital, and that at the year end do not have any assets, liabilities, or any operational activity.

When applicable, the interest held by EDP Group include the effect of the acquisition of minority interests by means of written put options as described under the accounting policy 2 b).

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2009 are as follows:

Jointly controlled entities	Head Office	Share Capital / Currency	Non-current Assets 31-Dec-09 Euro'000	Current Assets 31-Dec-09 Euro'000	Non-current Liabilities 31-Dec-09 Euro'000	Current Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Total Costs 31-Dec-09 Euro'000	Net Profit/Loss 31-Dec-09 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60.101 EUR	23	997	-	572	447	1.652	-1.376	276	50,00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1.208.010 EUR	50	2.463	-	1.106	1.407	3.647	-3.050	597	50,00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6.701.165 EUR	105.014	9.088	44.313	13.357	56.433	14.805	-11.946	2.859	38,76%	-
Desarrollos Energeticos Canarias, S.A.	Las Palmas	15.025 EUR	-8	4	-	9	-13	-	-	-	38,69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50.000 EUR	68.776	3.379	69.887	6.559	-4.291	10.192	-10.402	-210	50,00%	40,00%
Evolución 2000, S.L.	Albacete	117.994 EUR	22.690	5.694	23.366	3.895	1.124	5.273	-3.955	1.318	38,11%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1.003.006 EUR	571	1.822	194	735	1.464	544	-234	309	47,99%	-
Murciasol I Sola Térmica, S.L.	Almería	3.340 EUR	84	16	-	100	-	-	-	-	38,76%	-
Tébar Eólica, S.A.	Cuenca	4.720.400 EUR	15.436	4.992	14.981	2.845	2.601	4.054	-3.449	606	38,76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	1.082	-	1.082	-	645	-645	-	60,00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Ródão	50.000 EUR	8.219	376	2	9.359	-766	6.572	-7.084	-512	50,00%	-
Porto do Peçém Geração de Energia S.A.	Ceará	507.594.744 BRL	183.315	81.966	242.064	36.049	-12.832	24.828	-28.264	-4.346	32,46%	-
Flat Rock Windpower II LLC	Portland	207.447.187 USD	-7.899	849	387	43	-7.479	2.743	-4.387	-1.644	38,76%	-
Flat Rock Windpower LLC	Portland	525.479.601 USD	-19.659	3.694	1.049	66	-17.081	11.353	-13.386	-2.033	38,76%	-
CIDE HC Energia, S.A.	Madrid	500.000 EUR	-166	37.002	-	36.722	114	52.664	-52.550	114	50,00%	-
InovGrid, A.C.E.	Lisbon	- EUR	-	266	-	266	-	362	-362	-	55,00%	-

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2008 are as follows:

Jointly controlled entities	Head Office	Share capital / Currency	Non-current Assets 31-Dec-08 Euro'000	Current Assets 31-Dec-08 Euro'000	Non-current Liabilities 31-Dec-08 Euro'000	Current Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Total Costs 31-Dec-08 Euro'000	Net Profit/Loss 31-Dec-08 Euro'000	% Group	% Company
Bioastur, AIE	Gijón	60.101 EUR	87	2.196	-	1.480	803	3.542	-3.096	446	50,00%	-
Cogeneracion y Mantenimiento AIE	Oviedo	1.208.010 EUR	868	6.348	-	3.527	3.689	8.842	-8.033	809	50,00%	-
Compañía Eólica Aragonesa, S.A.	Zaragoza	6.701.165 EUR	111.323	32.463	78.081	16.569	49.136	41.157	-26.923	14.234	38,76%	-
Desarrollos Energeticos Canarias, S.A.	Las Palmas	15.025 EUR	-	8	-	18	-10	-	-	-	38,69%	-
EDP Produção Bioelétrica, S.A.	Lisbon	50.000 EUR	130.964	3.310	106.739	22.545	4.990	6.961	-9.138	-2.177	50,00%	40,00%
Evolución 2000, S.L.	Albacete	117.994 EUR	54.664	11.580	42.808	10.971	12.465	13.468	-9.402	4.066	38,11%	-
Horta Medioambiental S.A.	Madrid	60.200 EUR	-	-	-	113	-113	-	-	-	38,76%	-
Ibersol E. Solar Ibérica, S.A.	Almería	65.000 EUR	2.134	56	200	1.925	65	-	-	-	38,76%	-
Infraestructuras Gasistas de Navarra, S.L.	Pamplona	1.003.006 EUR	884	4.897	399	1.258	4.124	2.112	-1.928	184	47,99%	-
Murciasol I Sola Térmica, S.L.	Almería	3.340 EUR	152	50	-82	281	3	-	-	-	38,76%	-
Proenergim, S.L.	Ruiloba	240.400 EUR	111	267	80	396	-98	158	-213	-55	50,00%	-
Tébar Eólica, S.A.	Cuenca	4.720.400 EUR	37.784	10.737	34.611	3.838	10.072	12.163	-8.506	3.657	38,76%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	- EUR	-	530	-	530	-	380	-380	-	60,00%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Ródão	50.000 EUR	19.591	3.614	-	23.175	30	14.843	-15.014	-171	50,00%	-
Porto do Peçém Geração de Energia S.A.	Ceará	160.310.744 BRL	297.867	8.975	42.329	208.394	56.119	12.083	-5.218	6.865	35,97%	-
Flat Rock Windpower II LLC	Portland	207.447.187 USD	137.438	2.351	740	176	138.873	10.814	-7.846	2.968	38,76%	-
Flat Rock Windpower LLC	Portland	525.479.601 USD	345.091	8.862	2.005	424	351.524	31.284	-26.223	5.061	38,76%	-

The associated companies included in the consolidation under the equity method as at 31 December 2009 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-09 Euro'000	Liabilities 31-Dec-09 Euro'000	Equity 31-Dec-09 Euro'000	Total Income 31-Dec-09 Euro'000	Net Profit/(Loss) 31-Dec-09 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.	Huesca	454.896 EUR	238	-	238	-	-	23,26%	-
Carrigo Cogeração, S.A.	Vila Rei	50.000 EUR	17.308	14.158	3.149	23.763	2.113	35,00%	-
CEM, S.A.	Macao	580.000.000 MOP	429.127	199.585	229.543	388.150	46.918	21,19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227.275 EUR	879	315	564	971	-14	34,00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300.000 EUR	252	-	252	-	-	23,26%	-
D.E. de Canárias, S.A.	Gran Canaria	4.291.140 EUR	11.435	807	10.628	4.108	1.115	34,69%	-
DECA - Distribucion Eléctrica Centroamericana Dos Ill, S.A.	Guatemala	1.141.092.000 GTQ	476.890	275.631	201.259	450.449	24.794	21,00%	21,00%
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1.000.000 EUR	951	-	951	-	-19	25,00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	5.000.000 EUR	440.141	404.900	35.241	12.462	2.151	15,20%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1.000.000 EUR	27.598	26.605	992	2.002	-1	49,90%	-
Hidroastur, S.A.	Oviedo	4.808.000 EUR	7.749	-	7.749	-	-	19,38%	-
Inkolon, A.I.E.	Bilbao	60.101 EUR	247	133	114	372	-	41,13%	-
Inverasturias - Fondo Capital Riesgo	Aviles	3.005.000 EUR	5.582	-	5.582	229	33	20,00%	-
Kosorkunizta, A.I.E.	Bilbao	1.502.500 EUR	9.158	5.692	3.466	10.180	1.031	23,99%	-
Parque Eólico Altos del Voltoy, S.A.	Madrid	6.444.956 EUR	39.395	28.398	10.997	7.343	1.066	37,99%	-
Parque Eólico de Belmonte, S.A.	Asturias	120.400 EUR	4.506	-	4.506	-	576	23,18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7.194.021 EUR	13.059	-	13.059	-	3.843	32,56%	-
Portines - Terminal Multipurpose de Sines, S.A.	Sines	10.000.000 EUR	21.180	2.201	18.979	15.759	1.708	39,40%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Chameca da Caparica	9.000.000 EUR	126.578	90.499	36.078	26.197	8.079	19,83%	-
Sodecoan, S.L.	Seville	6.010 EUR	3	-	3	-	-	38,76%	-
Solar Siglo XXI, S.A.	Ciudad Real	80.000 EUR	62	-	62	-	-	19,38%	-
Tolosa Gas, S.A.	Tolosa	1.021.700 EUR	2.617	364	2.253	1.369	655	38,39%	-
Aproflament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3.869.020 EUR	24.547	21.044	3.503	-	-366	14,71%	-

The associated companies included in the consolidation under the equity method as at 31 December 2008 are as follows:

Associated companies	Head Office	Share capital / Currency	Assets 31-Dec-08 Euro'000	Liabilities 31-Dec-08 Euro'000	Equity 31-Dec-08 Euro'000	Total Income 31-Dec-08 Euro'000	Net Profit/(Loss) 31-Dec-08 Euro'000	% Group	% Company
Biomassas del Pirineo, S.A.	Huesca	454.896 EUR	432	194	238	-	-169	18,49%	-
Carrigo Cogeração, S.A.	Vila Rei	50.000 EUR	22.380	17.343	5.037	25.037	2.540	35,00%	-
CEM, S.A.	Macao	580.000.000 MOP	420.814	183.169	237.645	373.640	42.447	21,19%	-
Central E - Informação e Comércio Electrónico, S.A.	Lisbon	227.275 EUR	1.094	543	551	1.272	324	34,00%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300.000 EUR	62	-190	252	-	-	18,49%	-
D.E. de Canárias, S.A.	Gran Canaria	4.291.140 EUR	10.431	919	9.512	4.784	1.388	27,58%	-
DECA - Distribucion Eléctrica Centroamericana Dos Ill, S.A.	Guatemala	1.141.092.000 GTQ	596.939	350.773	246.166	619.452	61.055	21,00%	21,00%
EDEL - Empresa Editorial Electroéctrica, Lda.	Portugal	1.798 EUR	19	93	-74	-	-	47,77%	47,77%
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1.000.000 EUR	970	-	970	-	-19	25,00%	-
ENEOP - Eólicas de Portugal, SA	Lisbon	5.000.000 EUR	107.446	74.357	33.089	1.331	-258	15,10%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1.000.000 EUR	16.973	15.980	993	931	-	49,90%	-
Hidroastur, S.A.	Oviedo	4.808.000 EUR	9.188	739	8.449	-	-	15,41%	-
Inkolon, A.I.E.	Bilbao	60.101 EUR	247	194	53	-	-	27,22%	-
Inverasturias - Fondo Capital Riesgo	Aviles	5.384.132 EUR	5.265	49	5.216	-	-	19,37%	-
Kosorkunizta, A.I.E.	Bilbao	1.503 EUR	9.775	6.137	3.638	11.706	1.336	15,88%	-
Parque Eólico Altos del Voltoy, S.A.	Madrid	6.444.956 EUR	44.101	32.196	11.905	12.320	2.451	19,11%	-
Parque Eólico de Belmonte, S.A.	Asturias	120.400 EUR	38.542	33.467	5.075	6.756	2.541	18,43%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7.194.021 EUR	27	-12.959	12.986	13.573	3.980	25,89%	-
Portines - Terminal Multipurpose de Sines, S.A.	Sines	10.000.000 EUR	23.060	3.366	19.694	16.749	2.500	39,60%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Chameca da Caparica	9.000.000 EUR	120.815	92.810	28.005	23.820	4.671	19,83%	-
Sodecoan, S.L.	Seville	6.010 EUR	-	3	-3	-	-	30,82%	-
Solar Siglo XXI, S.A.	Ciudad Real	80.000 EUR	69	7	62	-	-7	15,41%	-
Tolosa Gas, S.A.	Tolosa	1.021.700 EUR	2.574	375	2.199	1.963	602	25,40%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2009, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tejo Energia, S.A.	Abrantes - Portugal	11,11%	-
EDA, S.A.	Azores - Portugal	10,00%	-

**EDP Group Activity by Business Segment - IFRS**

**Information by Business Segment — 31 December 2009**

(Amounts in thousand Euros)

	Electricity															Gas										EDP Group				
	Iberian Generation				Iberian Distribution *				Iberian Supply			EDP Renováveis				EDP Energias do Brasil						Iberian Activity					Other Operations	Adjustments		
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Ajustamentos	Total	Portugal	Spain	Total	Europe	U.S.A.	Other Operations	Adjustments	Total	Generation	Distribution	Supply	Other Operations	Adjustments	Total	Portugal	Spain	Adjustments				Total	
Turnover	2,331,504	1,429,637	-52,382	3,708,759	4,763,759	224,046	-	4,987,805	495,546	1,289,270	1,784,816	441,437	204,649	1,771	385	648,242	351,201	1,242,560	289,136	1,693	-204,584	1,680,006	255,681	1,030,595	-97,252	1,189,024	168,955	-1,969,424	12,198,183	
External customers	1,940,347	1,352,278	-36,305	3,256,320	4,632,156	175,212	-	4,807,368	487,479	1,159,214	1,646,693	141,977	204,649	2,286	-	348,912	193,933	1,240,350	244,736	987	-	1,680,006	126,687	994,883	-	1,121,570	-932,241	15,730	11,944,358	
Inter segmental customers	391,157	77,359	-16,077	452,439	131,603	48,834	-	1,800,437	8,067	130,056	138,123	299,460	-	-515	385	299,330	157,268	2,210	44,400	706	-204,584	-	128,994	35,712	-97,252	67,454	1,101,196	-1,985,154	253,825	
Cost of consumed electricity	-404,369	-473,575	943	-877,001	-3,380,624	-38,577	-	-3,419,201	-450,839	-1,231,440	-1,682,279	-246	-1,198	-78	-	-1,522	-52,222	-744,496	-269,686	-	204,584	-861,820	-	-	-143,180	-	1,644,545	-5,340,458		
Cost of consumed gas	-	-	-	-	-	-	-	-	-	-5,602	-5,602	-	-	-	-	-	-	-	-	-	-	-	-203,374	-619,242	97,583	-725,033	-	89,452	-641,183	
Change in inventories and cost of raw materials and consumables used	-675,146	-484,737	33,600	-1,126,283	-12,104	564	-	-11,540	-6,062	-14,491	-20,553	-4,804	-	-	91	-4,713	-37	-1,167	-7	-	-	-1,211	-	-5,249	-	-5,249	-112	58,432	-1,111,229	
	1,251,989	471,325	-17,839	1,705,475	1,371,031	186,033	-	1,557,064	38,645	37,737	76,382	436,387	203,451	1,693	476	642,007	298,942	496,897	19,443	1,693	-	816,975	52,307	262,924	331	315,562	168,843	-176,995	5,105,239	
Other operating income / (expenses)																														
Other operating income	18,244	3,932	-	22,176	51,434	12,567	-	64,001	2,475	38,168	40,643	9,853	115,318	1,303	-1,243	125,231	206	10,355	4	388	-	10,953	2,040	3,398	-86	5,352	69,545	-113,111	224,790	
Supplies and services	-96,230	-62,810	2,140	-156,900	-289,154	-63,652	-	-352,806	-16,555	-36,167	-52,722	-68,699	-65,418	-15,113	926	-148,304	-20,603	-94,865	-1,750	-13,233	-	-130,451	-13,164	-43,880	1,469	-55,575	-136,020	264,576	-768,202	
Personnel costs	-72,603	-31,762	1,030	-103,335	-164,262	-18,491	-	-182,753	-4,776	-6,004	-10,780	-14,665	-19,641	-7,608	-	-41,914	-12,069	-53,846	-1,926	-5,679	-	-73,520	-4,758	-23,192	-	-27,950	-101,312	1,528	-540,036	
Employee benefits	-41,659	-1,643	-	-43,302	-94,351	-2,921	-	-97,272	-172	212	-384	813	-1,346	-100	-	-633	-1,093	-13,346	-180	-1,903	-	-16,502	-117	-513	-	-630	-9,475	9,845	-158,353	
Other operating expenses	-18,563	-31,353	738	-49,178	-284,840	-9,353	-	-294,193	-6,295	-15,254	-21,549	-15,322	-17,926	-430	-160	-33,838	-5,715	-46,883	-2,145	-2,491	-	-57,234	-4,871	-13,753	-617	-19,241	-29,045	3,714	-500,564	
	-210,811	-123,636	3,908	-330,539	-781,173	-81,850	-	-863,023	-25,323	-19,469	-44,792	-88,020	10,987	-21,948	-477	-99,458	-39,274	-198,585	-5,977	-22,918	-	-266,754	-20,870	-77,940	766	-98,044	-206,307	166,552	-1,742,365	
	1,041,178	347,689	-13,931	1,374,936	589,858	104,183	-	694,041	13,322	18,268	31,590	348,367	214,438	-20,255	-1	542,549	259,668	298,312	13,466	-21,225	-	550,221	31,437	184,984	1,097	217,518	-37,464	-10,443	3,362,948	
Provisions	-5,859	-20,299	-	-26,158	-8,558	-5,384	-	-13,942	-1,913	-17,333	-19,246	182	-	1	183	-595	-3,890	-242	-	-8,057	-	-12,784	-848	-188	-	-1,036	-	-74,685	-	
Depreciation and amortisation expense	-316,818	-128,659	-	-445,477	-346,776	-34,799	-	-381,575	-1,135	-2,534	-3,669	-154,092	-158,982	-1,035	-241	-314,350	-50,128	-68,907	-77	-	-4,663	-	-123,775	-12,376	-37,577	-	-49,953	-11,781	-98,715	-1,429,295
Impairment of tangible and intangible assets	-416	-	-	-416	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-416	
Compensation of amortisation and depreciation	5,225	450	-	5,675	88,659	4,109	-	92,768	51	-	51	813	1,589	-	1	2,403	-3	5,574	-	-	-	5,571	1,251	3,241	-	4,492	55	-	111,015	
	723,310	199,181	-13,931	908,560	323,183	68,109	-	391,292	10,325	-1,599	8,726	195,270	57,045	-21,289	-241	230,785	208,942	231,089	13,147	-33,945	-	419,233	19,464	150,460	1,097	171,021	-50,892	-109,158	1,969,567	
Gains/(losses) from the sale of financial assets	-	13,231	-	13,231	-	2	-	2	-	-	-	268	-	-	-	268	-	-	-	45,673	-	45,673	-	143	-	143	34,793	-34,427	59,703	
Other financial income	523,980	54,945	-70,845	508,080	485	-	-	485	46	53	99	10,382	6,218	127,928	-125,784	18,744	13,784	19,901	51	168,094	-167,082	34,748	2,084	1,489	-766	2,807	1,003,832	-908,218	660,577	
Interest revenue	465	22,328	-	22,793	90,528	78	-	90,606	62	361	423	7,839	692	197,069	-188,627	16,973	7,564	29,573	774	17,967	-2,318	53,759	957	4,932	-	5,889	658,446	-473,292	375,797	
Other financial expenses	-475,608	-82,393	73,234	-484,767	-41,593	-607	-	-42,200	-12	-431	-443	-19,115	-59,590	-126,461	126,069	-79,097	-45,447	-20,627	-713	-15,420	2,325	-74,883	-3,869	-768	-332	-4,969	-474,334	313,187	-852,506	
Interest expense	-153,329	-24,811	-	-178,140	-83,575	-7,997	-	-91,572	-690	-7,638	-8,328	-166,989	2,477	-80,057	215,515	-29,054	-42,469	-41,532	-64	-10,729	-	-94,794	-5,337	-258	-	-5,595	-736,606	473,512	-670,577	
Gains/(losses) in associates	735	258	-	993	-	-	-	993	-	-	-	4,209	-287	-	-	3,922	-	-	-	-83	-	2,668	262	-84	-	2,846	17,307	166	25,151	
Profit / (loss) before tax	619,553	182,759	-11,541	790,770	289,028	59,585	-	348,613	9,731	-9,254	477	31,864	6,555	97,190	26,932	162,541	142,374	218,404	13,393	171,640	-167,158	378,653	15,967	156,260	-85	172,142	452,746	-738,230	1,567,712	
Income tax expense	-118,781	-29,455	-4,241	-152,477	-57,224	-18,067	-	-75,291	-2,625	2,843	218	-7,324	-	-29,363	-8,067	-44,754	-19,440	-58,326	-4,395	-3,568	-	-85,729	-5,010	-36,780	-	-41,790	-21,715	21,773	-399,765	
<b>Net profit / loss for the year</b>	<b>500,772</b>	<b>153,304</b>	<b>-15,783</b>	<b>638,293</b>	<b>231,804</b>	<b>41,518</b>	<b>-</b>	<b>273,322</b>	<b>7,106</b>	<b>-6,411</b>	<b>695</b>	<b>24,540</b>	<b>6,555</b>	<b>67,827</b>	<b>18,865</b>	<b>117,787</b>	<b>122,934</b>	<b>160,078</b>	<b>8,998</b>	<b>168,072</b>	<b>-167,158</b>	<b>292,924</b>	<b>10,957</b>	<b>119,480</b>	<b>-85</b>	<b>130,352</b>	<b>431,031</b>	<b>-716,457</b>	<b>1,167,947</b>	
Attributable to:																														
Equity holders of EDP	500,319	152,103	-15,783	636,639	231,804	40,362	-	272,166	7,119	-6,210	909	21,019	6,555	67,910	18,865	114,349	74,893	160,078	8,998	163,975	-167,158	240,786	8,892	112,818	-85	121,625	439,816	-802,445	1,023,845	
Minority interest	453	1,201	-	1,654	-	1,156	-	1,156	-13	-201	-214	3,521	-	-83	-	3,438	48,041	-	-	4,097	-	52,138	2,065	6,662	-	8,727	-8,785	85,988	144,102	
Net profit / loss for the year	<b>500,772</b>	<b>153,304</b>	<b>-15,783</b>	<b>638,293</b>	<b>231,804</b>	<b>41,518</b>	<b>-</b>	<b>273,322</b>	<b>7,106</b>	<b>-6,411</b>	<b>695</b>	<b>24,540</b>	<b>6,555</b>	<b>67,827</b>	<b>18,865</b>	<b>117,787</b>	<b>122,934</b>	<b>160,078</b>	<b>8,998</b>	<b>168,072</b>	<b>-167,158</b>	<b>292,924</b>	<b>10,957</b>	<b>119,480</b>	<b>-85</b>	<b>130,352</b>	<b>431,031</b>	<b>-716,457</b>	<b>1,167,947</b>	
Assets																														
Property, plant and equipment	4,092,660	1,994,279	-	6,086,939	4,328,548	682,603	1,981	5,013,132	4,082	11,280	15,362	4,590,281	3,978,845	40,011	25,874	8,635,011	1,929,064	968,702	303	9,087	-	2,907,156	321,795	805,049	-	1,126,844	163,485	145,809	24,093,738	
Intangible assets + Goodwill	1,658,250	591,848	-	2,250,098	-	235,556	-	2,355,556	524	7	531	772,344	549,122	1,507	12,723	1,335,696	332,290	65,670	402	111,601	-891	509,072	771,550	710,403	-	787,553	368,030	480,010	5,966,546	
Financial investments in associates	1,340	1,053	-	2,393	-	-	-	2,393	-	-	-	45,924	1,686	-	-	47,609	8,862	-	-	10,951	-11,078	8,735	23							

**EDP Group Activity by Business Segment - IFRS**

Information by Business Segment — 31 December 2008

(Amounts in thousand Euros)

	Electricity																								Gas				EDP Group				
	Iberian Generation						Iberian Distribution *						Iberian Supply						EDP Renováveis						EDP Energias do Brasil					Iberian Activity			
	Portugal	Spain	Adjustments	Total	Portugal	Spain	Total	Portugal	Spain	Total	Europe	U.S.A.	Other Operations	Adjustments	Total	Generation	Distribution	Supply	Other Operations	Adjustments	Total	Portugal	Spain **	Adjustments	Total	Other Operations	Adjustments	Continued		Discontinued			
Turnover	3,066,782	1,037,032	-8,064	4,095,750	6,056,159	157,068	6,213,227	165,042	964,908	1,129,950	400,615	131,814	-	-	532,429	297,241	1,487,553	291,316	-	-231,202	1,844,908	259,418	1,325,627	-142,623	1,442,422	162,135	-1,749,617	13,671,004	222,859	13,894,063			
External customers	2,643,472	806,490	-	3,449,962	5,971,360	127,273	6,098,633	142,254	751,006	893,260	201,332	131,814	-	-	333,166	102,181	1,487,553	256,157	-	-	1,845,891	186,714	1,306,734	-	1,425,448	406,010	-16,895	13,657,245	222,859	13,880,104			
Inter segmental customers	423,310	230,542	-8,064	645,788	84,799	29,795	114,594	22,788	213,902	236,690	199,263	-	-	-	199,263	195,060	-	35,159	-	-231,202	-983	140,704	18,893	-142,623	16,974	568,145	-1,766,512	13,959	-	13,959			
Cost of consumed electricity	-1,057,117	-29,249	-	-1,086,366	-4,562,113	-	-4,562,113	-145,024	-898,651	-1,043,675	-487	-506	-	-	-993	-46,077	-865,688	-261,977	-	-	193,793	-979,949	-	-159,761	609	-159,152	-	1,273,998	-6,558,250	-69,023	-6,627,273		
Cost of consumed gas	-	-	-	-	-	-	-	-	-2,430	-2,430	-	-	-	-	-	-	-	-	-	-	-	-212,563	-904,667	-	136,789	-980,441	-	159,671	-	-823,200			
Change in inventories and cost of raw materials and consumables used	-813,062	-676,386	-	-1,489,448	-11,909	1,021	-10,888	-5,994	-5,990	-11,984	-11,251	-	-	-	-11,251	-553	-13,013	-7	-62	-	-	-13,635	-	-1,890	607	-1,283	-387	-5,148	-1,544,024	-2,381	-1,546,405		
	1,196,603	331,397	-8,064	1,519,936	1,482,137	158,089	1,640,226	14,024	57,837	71,661	388,877	131,308	-	-	520,185	250,611	608,852	29,332	-62	-37,409	851,324	46,855	259,309	-4,618	301,546	161,748	-321,096	4,745,730	151,455	4,897,185			
<b>Other operating income / (expenses)</b>																																	
Other operating income	16,372	22,125	-	38,497	48,942	17,472	66,414	2,424	31,693	34,117	5,583	84,601	1,679	-	89,524	1,910	17,603	-	645	-	20,158	2,408	12,129	-620	13,917	84,918	-121,303	226,242	2,431	228,673			
Supplies and services	-108,961	-55,582	8,064	-156,479	-284,339	-59,948	-344,287	-15,828	-34,011	-49,839	-55,777	-45,381	-7,318	2,062	-106,614	-16,009	-18,390	-1,967	-10,377	-	-144,743	-14,367	-42,497	4,380	-52,484	-147,858	294,341	-707,783	-27,985	-725,768			
Personnel costs	-80,495	-33,294	-	-113,789	-173,761	-20,897	-194,658	-4,681	-5,134	-9,815	-17,098	-20,977	-1,723	191	-37,544	-10,237	-78,504	-2,017	-5,733	-	-96,041	-4,228	-22,609	374	-26,463	-95,688	16,322	-557,676	-15,998	-573,674			
Employee benefits	-36,218	-1,683	-	-37,901	-132,087	-3,611	-135,698	-147	-173	-320	-162	-928	-	-	-1,090	-485	-9,336	-80	-430	-	-10,331	-75	-479	-	-554	-5,722	32,216	-159,400	-1,800	-161,200			
Other operating expenses	-6,082	-71,993	-	-78,075	-253,028	-9,160	-262,188	-1,568	-10,581	-12,149	-13,217	-14,034	-1	468	-26,784	-11,627	-77,068	-5,956	-848	-	37,409	-58,090	-8,085	-19,308	-51	-27,444	29,116	-454,918	-45,362	-500,280			
	-215,404	-140,427	8,064	-347,767	-794,273	-76,144	-870,417	-19,800	-18,206	-38,006	-82,105	7,160	-7,363	-	-82,308	-36,448	-263,245	-10,020	-16,743	37,409	-289,047	-24,347	-72,764	4,083	-93,028	-183,653	250,692	-1,653,535	-88,714	-1,742,249			
	981,199	190,970	-	1,172,169	687,864	81,945	769,809	-5,776	39,631	33,855	306,772	138,468	-7,363	-	437,877	214,163	345,607	19,312	-16,805	-	562,277	22,508	186,545	-535	208,518	-21,905	-70,404	3,092,195	62,741	3,154,936			
Provisions	1,080	-19,037	-	-17,957	1,452	-	1,326	-7,384	2,995	-4,389	807	-1	-	-	806	-78	-6,980	-	-1,340	-	-8,398	47	-445	-	-398	-5,997	7,012	-27,994	-4,077	-32,071			
Depreciation and amortisation expense	-296,557	-122,781	-	-419,338	-340,399	-29,288	-369,687	-1,056	-1,996	-3,052	-120,078	-87,686	-	-	-207,764	-40,750	-141,850	-108	-55,016	54,892	-182,832	-11,774	-35,465	6	-47,233	-10,499	-37,054	-1,277,439	-29,009	-1,306,448			
Compensation of amortisation and depreciation	3,596	451	-	4,047	91,767	3,553	95,320	-	-	-	696	-	-	-	696	-	8,511	-	-	-	-	1,399	3,176	-	4,575	447	-2,884	110,712	2,885	113,597			
	689,318	49,603	-	738,921	440,684	56,084	496,768	-14,216	40,630	26,414	188,197	50,781	-7,363	-	231,615	173,335	205,288	19,204	-73,161	54,892	379,558	12,180	153,811	-529	165,462	-37,954	-103,330	1,897,454	32,540	1,929,994			
Gains/(losses) from the sale of financial assets	49,398	1,741	-	51,139	680	-	680	-	-	-	2,363	-	-	-	2,363	-	-	-	-	-	-	-	-	-	-	-9,254	436,804	481,732	-	481,732			
Other financial income	342,574	63,003	-112,499	293,078	2,751	47	2,798	210	1,203	1,413	1,813	1,317	326,581	-104,059	225,652	13,711	14,840	315	57,566	-55,742	30,690	8,458	683	-3,773	5,368	2,129,065	-1,753,255	934,989	1,734	936,723			
Interest revenue	1,821	12,750	-	14,571	16,287	147	16,434	162	392	554	7,223	1,872	127,544	-91,390	45,249	9,419	49,504	884	8,312	-1,924	66,195	2,194	14,420	-	16,614	141,151	-60,665	240,103	9,271	249,374			
Other financial expenses	-296,094	-80,701	112,499	-264,296	-4,546	-496	-5,042	-11	-605	-616	-2,777	-56,568	-326,808	104,842	-281,311	-28,964	-38,829	-318	-64,541	57,666	-74,786	-6,377	-600	3,766	-3,211	-1,265,170	571,631	-1,323,801	-214	-1,323,015			
Interest expense	-153,939	-22,166	-	-156,105	-102,097	-12,880	-114,977	-1,115	-17,201	-18,316	-155,141	19,974	-13,249	90,607	-46,809	-44,735	-6,960	-	-118,538	-	-7,403	1,110	-	-	-	-8,513	-783,007	476,461	-789,804	-855,784			
Gains/(losses) in associates	5,982	340	-	6,322	-	-	-	-	-	4,444	-	-5	-	-	4,438	-	-	-	-33	-	-33	1,544	241	-	-	-	1,783	22,175	34,687	-	34,687		
Profit / (loss) before tax	659,240	24,570	-	683,810	353,759	42,902	396,661	-14,970	24,419	9,449	46,122	8,370	106,705	-	161,197	122,766	163,260	20,085	-77,917	54,892	283,086	10,596	167,445	-536	177,505	174,831	-410,179	1,476,360	27,351	1,503,711			
Income tax expense	-152,516	-6,075	-	-158,591	-79,135	-12,732	-91,867	2,780	-7,291	-4,511	-16,992	-	-31,987	-	-48,979	-19,615	-53,673	-6,579	-9,504	-	-10,170	-99,541	-3,382	-36,493	36	-39,839	-164,855	333,917	-274,266	-9,325	-283,591		
Profit after taxes and before gains/(loss) from discontinued operations	506,724	18,495	-	525,219	274,624	30,170	304,794	-12,190	17,128	4,938	29,130	8,370	74,718	-	112,218	103,151	109,587	13,506	-87,421	44,722	183,545	7,214	130,952	-500	137,666	9,976	-76,262	1,202,094	18,026	1,220,120			
Gains / (losses) on sale of discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-8,448	-8,448			
<b>Net profit / (loss) for the year</b>	<b>506,724</b>	<b>18,495</b>	<b>-</b>	<b>525,219</b>	<b>274,624</b>	<b>30,170</b>	<b>304,794</b>	<b>-12,190</b>	<b>17,128</b>	<b>4,938</b>	<b>29,130</b>	<b>8,370</b>	<b>74,718</b>	<b>-</b>	<b>112,218</b>	<b>103,151</b>	<b>109,587</b>	<b>13,506</b>	<b>-87,421</b>	<b>44,722</b>	<b>183,545</b>	<b>7,214</b>	<b>130,952</b>	<b>-500</b>	<b>137,666</b>	<b>9,976</b>	<b>-76,262</b>	<b>1,202,094</b>	<b>9,578</b>	<b>1,211,672</b>			
<b>Attributable to:</b>																																	
Equity holders of EDP	506,162	17,303	-	523,465	274,624	29,492	304,116	-12,181	15,909	3,728	24,889	8,370	74,718	-	112,218	103,151	109,587	13,506	-87,421	44,722	183,545	5,193	126,117	-3,331	122,797	9,976	-134,080	1,089,232	2,297	1,091,529			
Minority interest	562	1,192	-	1,754	-	678	678	-9	1,219	1,210	4,241	-	-	3,613	7,854	9,440	-	-	-	24,421	33,861	2,021	4,835	-	2,831	9,687	-	57,818	112,862	7,281	120,143		
<b>Net profit / (loss) for the year</b>	<b>506,724</b>	<b>18,495</b>	<b>-</b>	<b>525,219</b>	<b>274,624</b>	<b>30,170</b>	<b>304,794</b>	<b>-12,190</b>	<b>17,128</b>	<b>4,938</b>	<b>29,130</b>	<b>8,370</b>	<b>74,718</b>	<b>-</b>	<b>112,218</b>	<b>103,151</b>	<b>109,587</b>	<b>13,506</b>	<b>-87,421</b>	<b>44,722</b>	<b>183,545</b>	<b>7,214</b>	<b>130,952</b>	<b>-500</b>	<b>137,666</b>	<b>9,976</b>	<b>-76,262</b>	<b>1,202,094</b>	<b>9,578</b>	<b>1,211,672</b>			
<b>Assets</b>																																	
Property, plant and equipment	3,986,466	1,923,81																															

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## 06. Annexes

- Acknowledgements
- Proposal for the appropriation of profits
- External checks
- Extract from the minutes of the General Meeting of Shareholders of EDP

## ACKNOWLEDGEMENTS

The Executive Board of Directors expresses its gratitude to all those who have contributed to the activity of EDP during 2009.

First of all, we thank the shareholders for the interest and confidence they placed in the current Executive Board of Directors and to each of its members, designated on the Annual Shareholders Meeting for the new mandate, corresponding to the three-year period 2009-2011.

A word of gratitude is also due to the members of the Company Bodies, responsible for the auditing and supervision of the Group, for the work undertaken and for the support provided during 2009 and, in particular, to the General and Supervisory Board for the guidance provided to activity of the Executive Board of Directors .

2009 came to contribute, once again, for the consolidation of the existing governance model of EDP, which has been serving as an example in the overseeing of the management activity and as a guarantee for the interests of the Group's stakeholders.

As a result of the support granted to the Group activities during last year, the Board also wishes to thank the members of the governmental bodies of the countries in which EDP has institutional presence and who have assisted EDP in its activities for the benefit of the economic and social development of their respective nations.

Similar to previous years, it is also important to refer to, the ongoing cooperation between EDP and the energy sector regulators. A particular emphasis should be given to the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in the countries where the activity of the EDP Group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to other entities that have related with EDP during 2009, namely:

- CMVM, Euronext Lisbon, Interbolsa, CNMV, CVM and BOVESPA;
- EDP Group companies' external auditors;
- Financial and bonds institutions and ratings agencies;
- Scientific, academic and technical institutions;
- The Portuguese association of Electricity Sector Companies – ELECPOR;
- Asociación Española de la Industria Eléctrica – UNESA;
- The European Wind Energy Association – EWEA and the American Wind Energy Association – AWEA;
- The National Association of Portuguese Municipalities and Town Councils;
- Environmental and social non-governmental organisations.

A particular acknowledgment is also to be given to the clients of the EDP Group companies, to which we reinforce the commitment towards Excellency in the provision of services and fulfilment of their needs. The provision of a service driven by quality and excellence is assumed by us as a constant priority.

The Board's gratitude is also extended to the various media bodies that followed closely the company during 2009. The coverage made with respect to the various EDP Group events inspires us to continue the requirement of accuracy and professionalism of all those who cooperate with the Company.

Finally, a special word of thanks to all the staff of EDP, whose contribution, commitment, competence and dynamic were crucial elements to the results attained by the Company.

The Executive Board of Directors

António Luís Guerra Nunes Mexia (Presidente)

Ana Maria Machado Fernandes

António Fernando Melo Martins da Costa

António Manuel Barreto Pita de Abreu

João Manuel Manso Neto

Jorge Manuel Pragana da Cruz Morais

Nuno Maria Pestana de Almeida Alves

## PROPOSAL FOR THE APPROPRIATION OF PROFITS

Under the terms of the Article 30 of the Company Constitution, the Executive Board of Directors proposes that the Net Profit is appropriated as follows:

<b>APROPRIATION OF PROFIT (EUROS)</b>	<b>2009</b>
- Legal Reserve	31.501.045,15 €
- Dividends	566.763.345,83 €
- Donations to Fundação EDP	6.000.000,00 €
- Retained Earnings	25.756.511,99 €
<b>Net Profit</b>	<b>630.020.902,97 €</b>



**KPMG & Associados - Sociedade de Revisores  
Oficiais de Contas, S.A.**  
Edifício Monumental  
Av. Praia da Vitória, 71 - A, 11º  
1069-006 Lisboa  
Portugal

Telephone: +351 210 110 000  
Fax: +351 210 110 121  
Internet: www.kpmg.pt

**AUDITORS' REPORT**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)  
(This report is a free translation to English from the Portuguese version)

**Introduction**

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information for the year ended 31 December, 2009 included in the Executive Board of Directors report and in the consolidated financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December, 2009 (showing total assets of 40,261,557 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 7,291,151 thousand Euros, including a profit for the year attributable to equity holders of EDP of 1,023,845 thousand Euros), the consolidated statements of income, the cash flows, the changes in equity and the comprehensive income for the year then ended, and the corresponding Notes to the accounts.

**Responsibilities**

- 2 The Executive Board of Directors is responsible for:
- a) the preparation of the consolidated financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the comprehensive income;
  - b) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code ('CVM');
  - c) the adoption of adequate accounting policies and criteria;
  - d) the maintenance of an appropriate internal control system; and
  - e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

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Inscrito na C.M.V.M. N.º 9099

Matriculada na Conservatória do registo Comercial de Lisboa sob o N.º PT 002 161 078



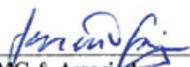
#### Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly our audit included:
- verification that the financial statements of the companies included in the consolidation have been properly audited and the verification, on a test basis, of the information underlying the figures and its disclosures contained therein, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
  - verification of the consolidation procedures and of the application of the equity method;
  - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
  - assessment of the applicability of the going concern principle;
  - assessment the overall adequacy of the consolidated financial statements' presentation; and
  - assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements.
- 6 We believe that our audit provides a reasonable basis for our opinion.

#### Opinion

- 7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of EDP – Energias de Portugal, S.A., as at 31 December, 2009, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 4 March, 2010

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)  
represented by  
Jean-éric Gaign (ROC n.º 1013)



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Oficiais de Contas, S.A.**  
Edifício Monumental  
Av. Praia de Vitória, 71 - A, 11º  
1069-006 Lisboa  
Portugal

Telephone: +351 210 110 000  
Fax: +351 210 110 121  
Internet: www.kpmg.pt

**REPORT AND OPINION OF THE STATUTORY AUDITOR  
Consolidated Accounts  
Year ended 31 December, 2009**

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

To the Shareholders of  
**EDP – Energias de Portugal, S.A.**

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report and on the consolidated financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2009.
- 2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.
- 4 Within the scope of our mandate, we have verified that:
  - i) the consolidated balance sheet, the consolidated statements of income, of cash flows, of changes in equity, the comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;
  - ii) the accounting policies and valuation criteria used are appropriate;
  - iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
  - i) the Executive Board of Directors annual report;
  - ii) the consolidated financial statements.

Lisbon, 4 March 2010

**THE STATUTORY AUDITOR**

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)  
represented by  
Jean-éric Gaign (ROC n.º 1013)

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do registo Comercial de  
Lisboa sob o N.º PT 802 161  
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Edifício Monumental  
Av. Praia de Vitória, 71 - A, 11º  
1069-006 Lisboa  
Portugal

Telephone: +351 210 110 000  
Fax: +351 210 110 121  
Internet: www.kpmg.pt

## AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

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

### Introduction

- 1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information for the year ended 31 December, 2009 included in the Executive Board of Directors report and in the financial statements of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December, 2009 (showing total assets of 17,253,574 thousand Euros and shareholders' equity of 6,542,869 thousand Euros, including a net profit of 630,021 thousand Euros), the statement of income, the cash flows, the statement of changes in equity and the comprehensive income for the year then ended, and the corresponding Notes to the accounts.

### Responsibilities

- 2 The Executive Board of Directors is responsible for:
  - a) the preparation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union which presents fairly the financial position of EDP, the results of its operations, the cash flows and the changes in equity and the comprehensive income;
  - b) the preparation of financial information in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code ('CVM');
  - c) the adoption of adequate accounting policies and criteria;
  - d) the maintenance of an appropriate internal control system; and
  - e) the communication of any relevant fact that may have influenced the activity of EDP, its financial position or results.
- 3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

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Inscrito na C.M.V.M. N.º 9095

Matriculada na Conservatória  
do registo Comercial de  
Lisboa sob o N.º PT 502 161  
078



### Scope

- 4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:
- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
  - evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
  - assessment of the applicability of the going concern principle;
  - assessment of the overall adequacy of the financial statements' presentation; and
  - assessment of whether the financial information is complete, true, current, clear, objective and lawful.
- 5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements.
- 6 We believe that our audit provides a reasonable basis for our opinion.

### Opinion

- 7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December, 2009, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Lisbon, 4 March, 2010

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)  
represented by  
Jean-éric Gaign (ROC n.º 1013)



**KPMG & Associados - Sociedade de Revisores  
Oficiais de Contas, S.A.**  
Edifício Monumental  
Av. Praia de Vitória, 71 - A, 11º  
1069-006 Lisboa  
Portugal

Telephone: +351 210 110 000  
Fax: +351 210 110 121  
Internet: www.kpmg.pt

**REPORT AND OPINION OF THE STATUTORY AUDITOR  
Year ended 31 December, 2009**

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

To the Shareholders of  
**EDP – Energias de Portugal, S.A.**

- 1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2009.
- 2 Since our appointment, we have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.
- 3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the company's financial statements.
- 4 Within the scope of our mandate, we have verified that:
  - i) the balance sheet, the statements of income, of cash flows, of changes in equity, the comprehensive income and the related notes, present adequately the financial position and the results of EDP;
  - ii) the accounting policies and valuation criteria used are appropriate;
  - iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP, highlighting the more significant aspects.
- 5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:
  - i) the Executive Board of Directors annual report;
  - ii) the financial statements.

Lisbon, 4 March 2010

**THE STATUTORY AUDITOR**

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)  
represented by  
Jean-éric Gaign (ROC n.º 1013)

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Inscrito na C.M.V.M. N.º 9083

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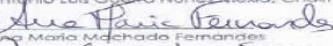
EDP – Energias de Portugal, S.A.  
Executive Board of Directors

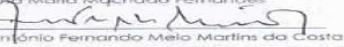
**STATEMENT**

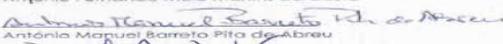
With reference to 2009 financial year, and according to N.º 1 item c) of article 245º of the Securities Code, the declarants, acting as members of the Executive Board of Directors, hereby declare that, to the best knowledge of each of them, the information foreseen in N.º 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. and its subsidiaries included in the respective consolidation perimeter and that the Management Financial Analysis Report clearly discloses the evolution of the business, performance and position of EDP – Energias de Portugal, S. A., and its subsidiaries included in the consolidation perimeter, enclosing a description of the main risks and uncertainties to which they are exposed.

Osbon, 4<sup>th</sup> of March 2010

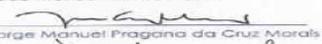
  
António Luís Custódio Nunes Mexia, Chairman

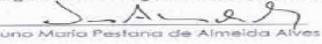
  
Ana Maria Machado Fernandes

  
António Fernando Melo Martins da Costa

  
António Manuel Barreto Pita de Abreu

  
João Manuel Manso Neto

  
Jorge Manuel Pragana da Cruz Morais

  
Nuno Maria Pestana de Almeida Alves



EDP - Energias de Portugal, S.A.  
Miguel Tiago Paredinho da Câmara Ribeiro Ferreira  
Senior Accounting Officer  
Corporate Centre

**DECLARATION**

With reference to 2009 financial year, and according to N.º 1 Item c) of article 245º of the Securities Code, hereby declare that, to my best knowledge, the information foreseen in N.º 1 item a) of the article mentioned above, was prepared in accordance with the applicable accounting standards, presenting a fair view of the assets, liabilities, financial position and results of EDP - Energias de Portugal, S.A. and subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, performance and position of EDP - Energias de Portugal, S.A. and subsidiaries included in the consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon March 4, 2010

A handwritten signature in blue ink, appearing to be 'Miguel Tiago Paredinho', is written over a horizontal line.



**KPMG & Associados - Sociedade de Revisores** Telephone: +351 210 110 000  
**Oficiais de Contas, S.A.** Fax: +351 210 110 121  
Edifício Monumental Internet: www.kpmg.pt  
Av. Praia da Vitória, 71 - A, 11º  
1069-006 Lisboa  
Portugal

## Independent Limited Assurance Report

**(This Report is a free translation to English from the Portuguese version  
In case of doubt or misinterpretation the Portuguese version will prevail)**

### Introduction

- 1 We were engaged by the Executive Board of Directors of EDP- Energias de Portugal, S.A (“EDP”) to provide limited assurance on the sustainability information included in the chapter “Contribution to sustainability” of the EDP’s Annual Report (“the Report”) for the year ended 31 December, 2009.

### Responsibilities

- 2 The Executive Board of Directors of EDP is responsible for:
  - The preparation and presentation of the sustainability information in accordance with the Sustainability Reporting Guidelines (G3) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix “GRI Evaluation” of the Report, and the information and assertions contained within it;
  - For determining the EDP’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA 1000 APS (2008); and;
  - For establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
- 3 Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the sustainability information included in the chapter “Contribution to sustainability” of the Report is free from material misstatement.

### Scope

- 4 A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the chapter “Contribution to sustainability” of the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:
  - Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues, and the implementation of these across the business.

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PT 502 161 078 - Inscrição na D.R.O.C. N.º 189 -  
Inscrito na C.M.V.M. N.º 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o N.º PT 602 161 078



- Interviews with relevant staff at corporate and business unit level responsible for providing the sustainability information in the Report.
  - Visits to sites operating in Portugal, Spain, Brazil and USA, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria.
  - Comparing the information presented in the chapter “Contribution to sustainability” of the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report.
  - Reading the information presented in the chapter “Contribution to sustainability” of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.
- 5 The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

#### **Conclusion**

- 6 Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the sustainability information included in the chapter “Contribution to sustainability” of EDP’s Annual Report for the year ended 31 December, 2009 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3) and the Electric Utilities Sector supplement, of the Global Reporting Initiative GRI as described in the appendix “GRI Evaluation” of the Report.
- 7 Our limited assurance report is intended solely to EDP in accordance with the terms of our engagement. Our work has been undertaken so that we might state to EDP those matters we have been engaged to state in this limited assurance report and for no other purpose. We do not accept or assume responsibility to anyone other than EDP for our work, for this limited assurance report, or for the conclusions we have reached.

Lisbon, 4 March 2010

  
KPMG & Associados  
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)  
represented by  
Jean-éric Gaign (ROC nr. 1013)