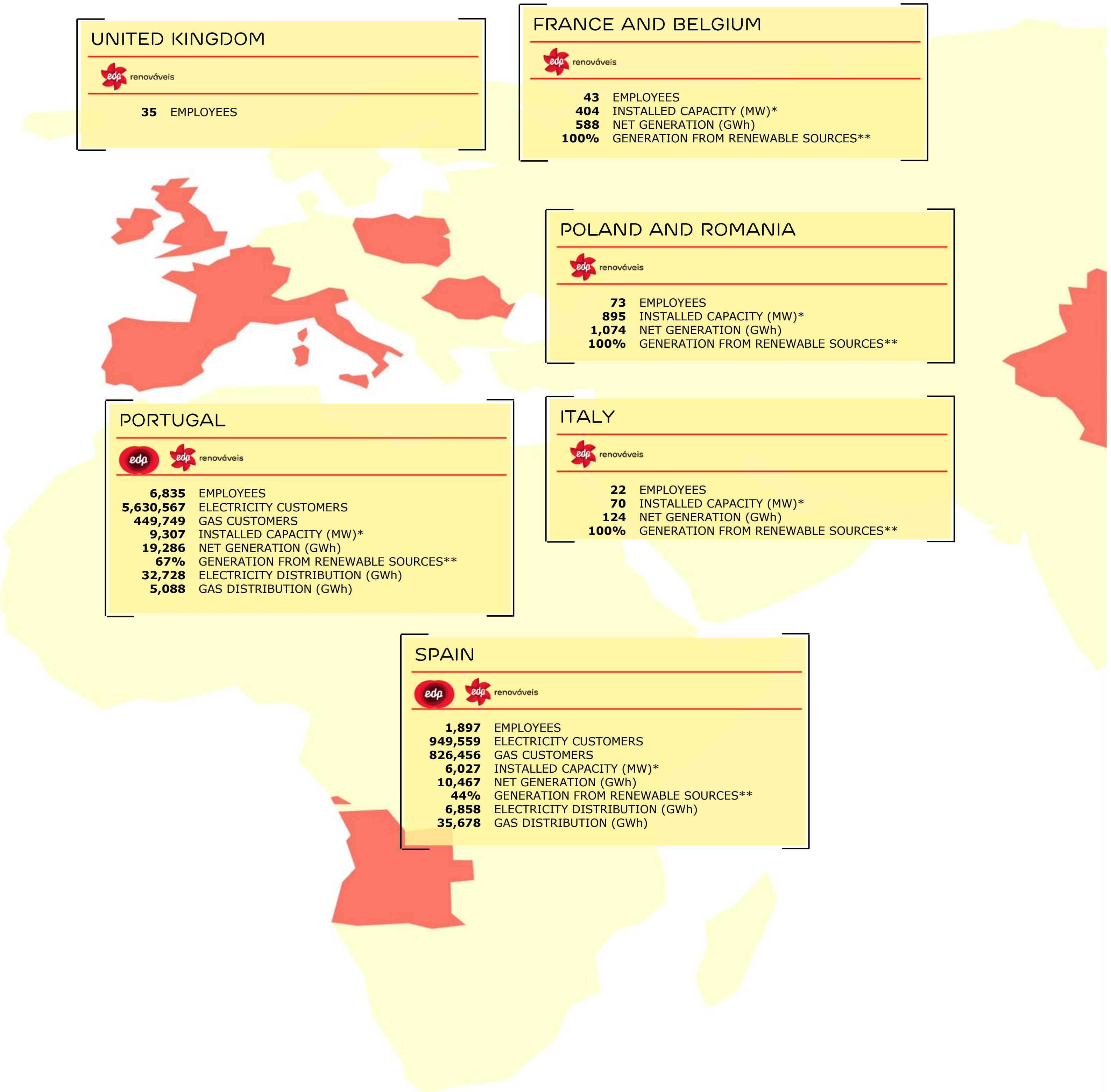
NEVERENDING
ENERGY

INTERIM REPORT

30TH SEPTEMBER 2014

Index

EDP IN THE WORLD



UNITED KINGDOM

35	EMPLOYEES

FRANCE AND BELGIUM

43	EMPLOYEES
404	INSTALLED CAPACITY (MW)*
588	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**

POLAND AND ROMANIA

73	EMPLOYEES
895	INSTALLED CAPACITY (MW)*
1,074	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**

PORTUGAL

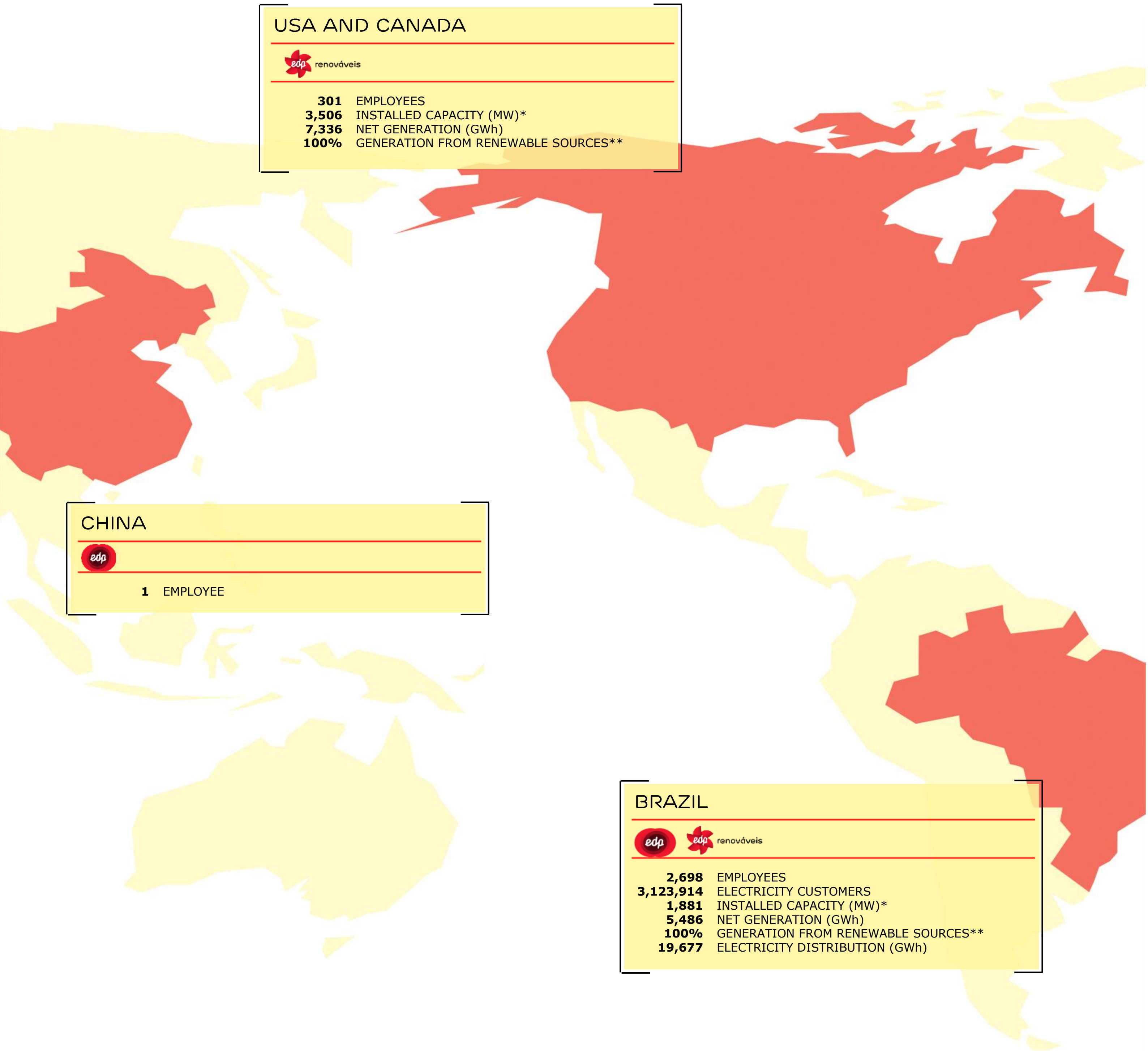
6,835	EMPLOYEES
5,630,567	ELECTRICITY CUSTOMERS
449,749	GAS CUSTOMERS
9,307	INSTALLED CAPACITY (MW)*
19,286	NET GENERATION (GWh)
67%	GENERATION FROM RENEWABLE SOURCES**
32,728	ELECTRICITY DISTRIBUTION (GWh)
5,088	GAS DISTRIBUTION (GWh)

ITALY

22	EMPLOYEES
70	INSTALLED CAPACITY (MW)*
124	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**

SPAIN

1,897	EMPLOYEES
949,559	ELECTRICITY CUSTOMERS
826,456	GAS CUSTOMERS
6,027	INSTALLED CAPACITY (MW)*
10,467	NET GENERATION (GWh)
44%	GENERATION FROM RENEWABLE SOURCES**
6,858	ELECTRICITY DISTRIBUTION (GWh)
35,678	GAS DISTRIBUTION (GWh)



* MW EBITDA.

** Includes hydro, wind and solar.

VISION

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

VALUES

INITIATIVE	Demonstrated through the behaviour and attitude of our people.
TRUST	Of shareholders, customers, suppliers and other stakeholders.
EXCELLENCE	In the way we perform.
SUSTAINABILITY	Aimed at improving the quality of life for present and future generations.
INNOVATION	With the objective of creating value within the various areas in which we operate.

COMMITMENTS

SUSTAINABILITY

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

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

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

PEOPLE

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

We promote the development of skills and merit.

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

RESULTS

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

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

We demand excellence in everything that we do.

CLIENTS

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

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

We surprise our clients by anticipating their needs.

RECOGNITION

CORPORATE

28 Jan - EDP is the world leader in Sustainability among the utilities: For the 7th consecutive year, EDP is a member of the Sustainability Yearbook, and for the 5th consecutive year has been included in the Gold Class as one of the world leaders and has been named as the utilities' industry leader.

14 Mar and 12 June - Brand Finance says EDP tops the list of the "Top 30 Most Valuable Portuguese Brands 2014": The value of EDP brand has risen from 2.04 to 2.26 billion euro, which led Brand Finance to give EDP an AA+. EDP is Portugal's most valuable brand and the only Portuguese brand to appear in the rankings of the 500 most valuable brands in the world. The Company occupies the 476th place in the Brand Finance rankings, and is the only Portuguese company on the list.

22 April – EDP is once more one of the most ethical energy companies in the world: The Ethisphere Institute recognised EDP as one of the world's seven most ethical companies in the electricity sector. The Group was one of "The World's Most Ethical Companies" international ranking for the 3rd consecutive year.

30 April – António Mexia awarded by the President of the Portuguese Republic: The Chairman of EDP's Executive Board received the Grand Cross of the Order of Business Merit - Industrial Merit Class from Aníbal Cavaco Silva for having excelled "in the internationalisation of the Portuguese economy".

20 May – EDP is included in the Euronext Vigeo World 120 Sustainability Index: Once more EDP has been recognised as one of the world's top companies in terms of sustainability.

18 June – António Mexia is the best CEO in the utilities sector: EDP's CEO was named by Thomson Reuters Extel Europe 2014 as the best European CEO in the utilities sector, and the 15th best CEO of an European company. Nuno Alves, CFO of EDP Group, was named the best CFO in Portugal and closed the Top 25 list of CFOs on the European level.

24 June – IR Magazine Europe Awards 2014: EDP came 10th in the IR Magazine EuroTop 100 list, and was mentioned in the "Best Investor Relations by a CEO (large capital)", "Best Sustainable Practice", "Best Overall Investor Relations - Southern Europe", "Regional Awards – Southern Europe" and "Best in Sector – Utilities" categories.

04 Jul - António Mexia is the best CEO in investor relations in 2013: The Chairman of the EBD of EDP was honoured with the award at the ceremony of the Investor Relations & Governance Awards. EDP also won in the Best Annual Report category for the non-financial sector.

16 Jul - EDP wins in 3 categories of the APCE 2013 Grand Prix: EDP earned 3 first places in the categories of intranet (edpON intranet), best annual report (2012 Annual Report) and best special edition (edp life 2012, report of the communication activities in the group). The aim of these awards is to distinguish excellence in organisational communication strategy.

11 Sep - EDP is once again the best utility worldwide on the Dow Jones Sustainability indices: EDP is the best European and global company of the "Utilities: Electricity, Water and Gas" sector on the Dow Jones Sustainability indices, for the 2nd consecutive year. The assessment process by ROBECOSAM analysed over 1,800 companies and less than 20% made it on to the index. The assessment considers the impact/risk that the company may have based on 25 criteria in the environmental, social, and economic, and corporate governance areas.

17 Sep - EDP wins five Meios e Publicidade Awards at the 2nd communication awards: EDP won silver in the Internal Communication category for its edpON intranet and edpON tv, and it won a bronze award for the edpON magazine. The Conciliar Programme received a bronze award in the Social Responsibility category. The Grand Union agency earned a silver award in the Digital Site category for the re:dy site of EDP. The communication awards of the Meios & Publicidade magazine aim to distinguish the projects, companies and agencies that most stood out during the past year.

PORTUGAL

16 Jan - Project STORK in the Environmental Engineering and Management Journal (EEMJ): The project seeks to reduce the number of birds being electrocuted on our electrical distribution grid, and to improve the quality of the grid's technical service and received the second-highest assessment rating from its assessors.

21 Jan - EDP Produção is distinguished by the University of Porto's Engineering Faculty (FEUP): Recognition of this business partnership focused on the faculty's civil engineering department.

24 Jan - EDP Comercial receives the Gatewit Procurement Awards: This award recognizes supply companies that apply best practices in public electronic contracts within the framework of the use of the Public Procurement platform.

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

21 May – Museum of Electricity wins Certificate of Excellence: The Museum of Electricity is one of the 215 tourist attractions in Lisbon listed on TripAdvisor to "consistently receive top ratings from travellers".

30 May – EDP Distribuição wins international award: EDP Distribuição won the "Most Effective Recovery of the Year" award, from the BCI-Business Continuity Institute, in recognition of the efficient way in which the company worked to restore the grid and in providing service to customers after Gong storm.

08 Jul - EDP Distribuição wins "Best Paper Award 2014": "Évora: InovCity - A 'living lab' for the Smart Grids of the future" is the title of the winning paper. The paper was presented at "Power-Gen Europe & Renewable Energy World Europe 2014", the largest annual joint conference of the Generation sector, with more than 12 000 participants. This year's event was held in Cologne, Germany.

SPAIN

Jan - PERFILA project is a winner at the first EnerTIC Awards: The platform for information and communications technology (ICT) companies to improve energy efficiency, EnerTIC, distinguished the project headed by Red Eléctrica de España, in which EDP España participates, as the best SmartGrids initiative of 2013.

May – EDP wins FM Global award: The insurer FM Global recognized the Soto Ribera combined cycle power plant with the Highly Protected Risk award for the improvements that have been carried out to the risk prevention system.

EDP RENOVÁVEIS

31 Mar - EDP Renováveis in Poland is named "best place to work" in 2014, for the second consecutive year: Great Place to Work recognized EDP Renováveis (EDPR) in the "Companies with fewer than 50 employees" category.

12 Set - EDPR has been selected by Forum Ethibel for inclusion in the Ethibel PIONEER and EXCELLENCE Investment Registers: This acknowledges EDPR's leadership in terms of Corporate Social Responsibility (CSR). The registers are meant to serve as a way for investors to identify socially responsible investments.

BRAZIL

27 Jan - ClimaGrid is featured on the cover of Metering International magazine. The project was also presented to the InterClima Forum in Lima, at the invitation of the Peruvian environment ministry, promoted by the LEDS-LAC International Platform and sponsored by the Inter-American Development Bank.

24 Mar – Personnel management certified by Top Employers for the 3rd consecutive time: EDP was chosen as one of the companies with the best HR management practices in accordance to the Top Employers Brazil certification. EDP remains one of the three standard-bearing companies in the area of personnel management.

27 Mar - Amanhã magazine recognizes EDP in its "Champions of Innovation" ranking: EDP was listed as one of the 50 most innovative companies in the south of the country because of the Cenaeel wind farm in Santa Catarina. In the energy sector, EDP stood out as the leading electricity company, and took first place in the innovation category. The 500 major companies in the south, listed in the Great and Leader categories elaborated by Amanhã and PriceWaterhouseCoopers are invited to take part.

26 May – EDP wins award for respecting the customer: EDP won the Smart Contact Centre 2014's gold award in the "Respect for the Customer" category for the successful case in which "EDP solidified its foundations in terms of Excellence and Respect for the Customer." The winning project highlighted the physical transition from the EDP Group distributor's call centres, as well as the success of indicator management and of the results obtained by the customer care service.

30 Sep - EDP wins Transparency Trophy awarded by ANEFAC: EDP was awarded the Transparency Trophy in the Publicly Traded Companies – net income up to BRL 5 billion category.

OBJECTIVES AND GOALS

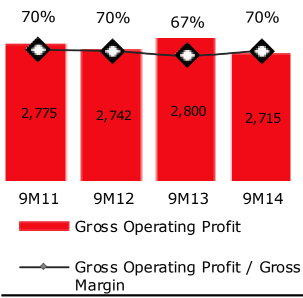
Objectives	Goals	Date
1. ECONOMIC AND SOCIAL VALUE		
To focus on growth maintaining the financial deleveraging	EBITDA Average Annual Growth Rate: ~5% per year	2014-2017
	Net Profit Average Annual Growth Rate: ~5% per year	2014-2017
	Payout ratio between 55% and 65% of recurrent net profit, with a minimum of €0.185 per share	2014-2017
	Average Annual Net Investments of ~€1.6bn per year	2014-2015
	Installed capacity of ~27 GW	2017
	Renewable installed capacity >75% of total installed capacity	2017
	Adjusted Net Debt/EBITDA: ~3.0x	2017
To preserve a low risk business profile	Regulated & LT Contracted EBITDA >70% of total EBITDA	2017
To promote internal efficiency	OPEX III cost savings of €180M/year by 2017	2017
To improve the integration of sustainability practices in the internal management systems	Keep the SAM Gold Class	2017
2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION		
To focus growth on a cleaner production	Until 2020, reduce CO_2 emissions by 70% in comparison with 2008 values	2020
To strenghten an appropriate environmental management of EDP's activities	Increase 25% of installed capacity and 15% of substations certified according with ISO 14001	2014
To contribute actively to the preservation of the environment and biodiversity	Globally extend environmental externalities evaluation	2017
3. INNOVATION		
To promote competitiveness and productivity through innovation	Maintain a financing budget of €20M/year for Research&Development projects	2017
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015
4. INTEGRITY AND GOOD GOVERNANCE		
To strenghten the ethics in all EDP's employees' culture	Maintain the incorporation in the World Most Ethical Companies list by the Ethisphere Institute	2017
	Identify and assess ethical risks of EDP Group	2014
5. TRANSPARENCY AND DIALOGUE		
To report transparently and ensure an open and trusting relationship with stakeholders	Set up na external Stakeholder Board, as an advisory corporate board to support EDP's strategy	2014
	Complete the report of GHG emissions, scope 3	2015
	Report in accordance to the new Global Reporting Initiative Standards - G4	2015
6. HUMAN CAPITAL AND DIVERSITY		
To work towards "Zero accidents, no personal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2013	2014
To implement an action plan for the Diversity Policy	Between 10 and 15 initiatives	2013-2015
Extend EDP's training model to the Group	Implement EDP's University in Brazil	2014
To keep a high level of employee satisfaction	Maintain employees's Global Satisfaction above 80%	2014-2017
7. ACCESS TO ENERGY		
To keep or improve the quality levels of technical and commercial services provided to our clients	Ensure that ICEIT and DEC are above the levels set by Regulators	2014-2015
8. SOCIAL DEVELOPMENT AND CITIZENSHIP		
To enhance a close relationship between the company and the society	Guarantee an allocated budget to Fundação EDP up to 0.1% of the Group's turnover	2012-2015
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015
	Relaunch the Social Stock Exchange, reaching €2.5M and 10 client companies	2015

KEY INDICATORS

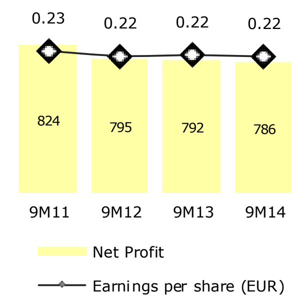
FINANCIAL INDICATORS

	Unit	9M14	9M13	9M12	9M11
EDP Group					
Turnover	€000	11,823,232	11,914,953	12,089,966	11,161,907
Gross Operating Profit	€000	2,715,435	2,800,068	2,742,440	2,775,028
Long-Term Contracted Generation in Iberia	€000	511,912	537,749	608,485	622,523
Liberalised Activities in Iberia	€000	367,648	263,414	280,347	279,409
Regulated Networks in Iberia	€000	816,093	772,161	809,254	799,566
EDP Renováveis	€000	647,737	685,884	674,683	548,313
EDP Brasil	€000	373,774	527,680	397,357	554,321
Other activities	€000	-1,729	13,180	-27,686	-29,104
Operating Profit	€000	1,679,679	1,706,236	1,678,589	1,720,374
Net Profit [1]	€000	786,076	792,345	794,526	823,630
Operating Cash-Flow	€000	2,440,754	2,365,086	1,371,122	2,352,275
Operating Investment	€000	1,089,858	1,125,886	1,197,439	1,352,821
Long-Term Contracted Generation in Iberia	€000	19,775	36,516	28,648	45,872
Liberalised Activities in Iberia	€000	410,659	404,192	363,441	268,566
Regulated Networks in Iberia	€000	245,711	246,214	264,224	255,849
EDP Renováveis	€000	277,986	142,320	263,193	516,062
EDP Brasil	€000	92,815	269,105	253,793	228,446
Other activities	€000	42,912	27,539	24,140	38,025
Investment in renewables	%	63.1	64.7	56.7	58.0
Financial Investment/(Divestment)	€000	-106,200	-330,834	55,751	-136,455
Net Investments [2]	€000	1,108,142	1,308,542	1,262,261	1,632,011
Net Assets	€000	41,368,232	41,195,092	42,083,336	39,775,327
Equity	€000	11,740,536	11,517,186	11,278,227	10,922,911
Net Debt [3]	€000	17,483,073	17,695,141	18,181,676	16,591,740
Net Debt Adjusted from Regulatory Receivables	€000	15,005,981	14,731,953	15,595,789	15,146,858
Net Debt/Gross Operating Profit	x	4.8	4.7	5.0	4.5
Adjusted Net Debt/Gross Operating Profit	x	4.1	3.9	4.3	4.1
Net Debt/Equity	%	149	154	161	152
Earnings per share [1]	€	0.22	0.22	0.22	0.23
Market Capitalisation	€000	12,633,338	9,872,652	7,832,304	8,464,885
Stock price	€	3.46	2.70	2.14	2.32

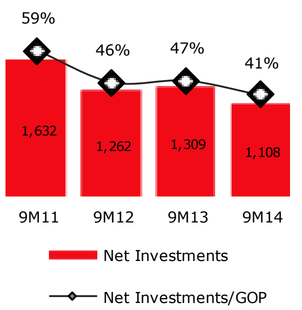
GROSS OPERATING PROFIT (€M)



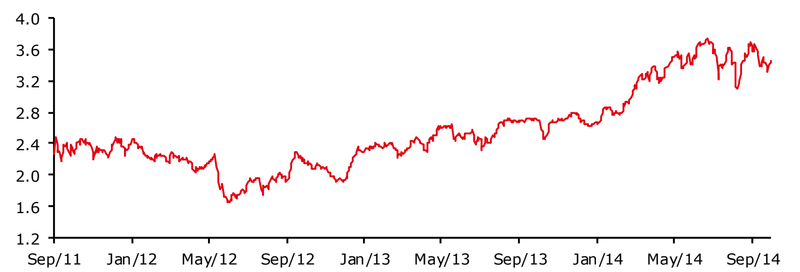
NET PROFIT [1] (€M)



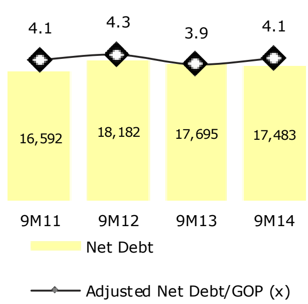
NET INVESTMENTS [2] (€M)



EDP STOCK PRICE EVOLUTION (€)



NET DEBT [3] (€M)

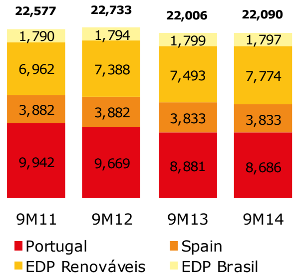


NOTE: 9M13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards and the inclusion of concession redits, according to IFRIC 12.

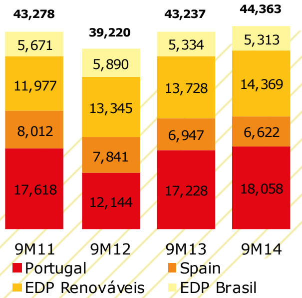
[1] Net Profit attributable to EDP Equity holders. [2] Includes Operating Investment, Financial Investment and divestments ("asset rotation") [3] Includes Financial Debt, Cash and equivalents, short-term assets at fair value, fair value and net investment hedges and collateral deposits related with financial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

OPERATIONAL INDICATORS (1/2)

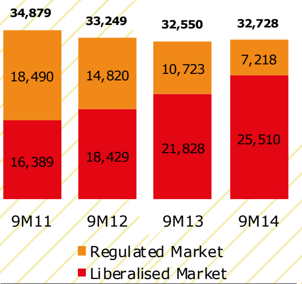
INSTALLED CAPACITY [1] (MW)



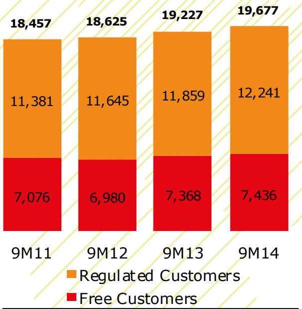
NET ELECTRICITY GENERATION (GWh)



ELECTRICITY DISTRIBUTED IN PORTUGAL (GWh)



ELECTRICITY DISTRIBUTED IN BRAZIL (GWh)



	Unit	9M14	9M13	9M12	9M11
INSTALLED CAPACITY [1]	**MW**	**22,090**	**22,006**	**22,733**	**22,577**
Hydro	MW	7,510	7,498	7,236	6,795
Thermal	MW	6,532	6,697	7,643	8,354
Conventional Thermal	MW	2,640	2,805	3,752	4,462
CCGT	MW	3,736	3,736	3,736	3,736
Nuclear	MW	156	156	156	156
Wind	MW	7,722	7,442	7,388	6,959
Other Renewables	MW	209	207	192	195
Other	MW	118	161	275	275
Installed Capacity - Contracted Generation	MW	14,316	14,884	15,869	15,439
Installed Capacity - Liberalised Generation	MW	7,774	7,122	6,864	7,137
NET ELECTRICITY GENERATION	**GWh**	**44,363**	**43,237**	**39,220**	**43,278**
Hydro	GWh	17,329	16,301	9,562	14,550
Thermal	GWh	11,927	11,974	14,679	14,980
Conventional Thermal	GWh	10,363	10,246	11,504	8,349
CCGT	GWh	699	895	2,284	5,759
Nuclear	GWh	865	834	891	872
Wind	GWh	14,316	13,695	13,345	11,975
Other Renewables	GWh	498	489	301	495
Other	GWh	293	778	1,333	1,279
Steam	*GWh*	*770*	*1,185*	*1,593*	*1,577*
Net Generation - Contracted Generation	GWh	33,143	33,615	29,842	31,517
Net Generation - Liberalised Generation	GWh	11,219	9,622	9,379	11,762
ELECTRICITY DISTRIBUTED	**GWh**	**59,263**	**58,586**	**58,665**	**60,555**
Portugal	GWh	32,728	32,550	33,249	34,879
Spain	GWh	6,858	6,808	6,791	7,220
Brazil	GWh	19,677	19,227	18,625	18,457
ELECTRICITY SUPPLY POINTS		**9,865**	**9,763**	**9,667**	**9,616**
Portugal	'000	6,082	6,082	6,107	6,154
Spain	'000	659	659	657	655
Brazil	'000	3,124	3,023	2,904	2,808
INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME					
Portugal [2]	minutes	49.1	49.9	37.6	52.6
Spain [2]	minutes	23.6	29.6	23.0	27.5
Brazil - Bandeirante (DEC)	hours	7.3	9.0	8.7	11.2
Brazil - Escelsa (DEC)	hours	9.9	10.5	9.8	9.7
ELECTRICITY DISTRIBUTION GRID STRUCTURE					
Grid extension	km	338,498	336,260	333,737	330,327
Portugal	km	226,000	225,000	224,083	222,239
Spain	km	23,355	23,242	22,912	22,585
Brazil	km	89,143	88,018	86,742	85,503
GAS DISTRIBUTED	**GWh**	**40,766**	**44,457**	**48,386**	**40,692**
Portugal	GWh	5,088	5,120	5,520	5,296
Spain	GWh	35,678	39,337	42,866	35,396
GAS SUPPLY POINTS	**'000**	**1,340**	**1,315**	**1,289**	**1,254**
Portugal	'000	316	301	285	264
Spain	'000	1,024	1,014	1,004	989
GAS DISTRIBUTION GRID STRUCTURE					
Grid extension	km	14,696	14,376	14,560	14,059
Portugal	km	4,575	4,407	4,269	4,005
Spain [3]	km	10,122	9,969	10,292	10,054

NOTE: 9M13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards

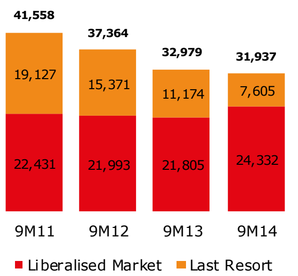
[1] MW EBITDA [2] ICEIT in MV grid, excluding extraordinary events. [3] From 2011 to 2012, includes gas transmission grid in Spain.

OPERATIONAL INDICATORS (2/2)

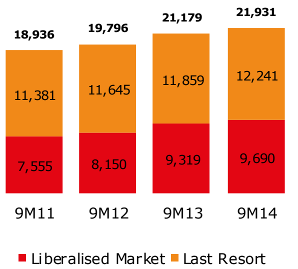
	Unit	9M14	9M13	9M12	9M11
ELECTRICITY SUPPLIED	**GWh**	**53,868**	**54,158**	**57,160**	**60,494**
Portugal	GWh	18,694	20,239	22,009	25,333
Liberalised Market	GWh	11,476	9,516	7,189	6,843
Last Resort supply	GWh	7,218	10,723	14,820	18,490
Spain	GWh	13,243	12,740	15,355	16,225
Liberalised Market	GWh	12,855	12,289	14,804	15,588
Last Resort supply	GWh	388	451	551	637
Brazil [1]	GWh	21,931	21,179	19,796	18,936
Liberalised Market	GWh	9,690	9,319	8,150	7,555
Last Resort supply	GWh	12,241	11,859	11,645	11,381
Electricity Supplied - Green Tariff	**GWh**	**12,310**	**11,978**	**10,854**	**10,439**
Portugal	GWh	7	8	8	10
Spain	GWh	4,967	4,923	3,643	3,797
USA	GWh	7,336	7,047	7,204	6,632
Electricity Supplied - Special Needs	**GWh**	**1,290.4**	**1.2**	**0.9**	**0.8**
Electricity Supplied - Social Tariff	**GWh**	**303,503**	**247,307**	**367**	**435**
Portugal	GWh	61	85	115	115
Spain	GWh	91	90	89	94
Brazil	GWh	303,351	247,132	162	225
ELECTRICITY CUSTOMERS	**#**	**9,704,040**	**9,666,612**	**######**	**9,909,581**
Portugal	#	5,630,567	5,757,102	5,912,075	6,082,643
Liberalised Market	#	2,727,261	1,666,243	547,590	292,646
Last Resort supply	#	2,903,306	4,090,859	5,364,485	5,789,997
Spain	#	949,559	886,715	1,020,605	1,018,902
Liberalised Market	#	699,999	625,445	731,499	695,243
Last Resort supply	#	249,560	261,270	289,106	323,659
Brazil [1]	#	3,123,914	3,022,795	2,903,746	2,808,036
Liberalised Market	#	567	319	233	121
Last Resort supply	#	3,123,347	3,022,476	2,903,513	2,807,915
Electricity Customers - Green Tariff	**#**	**682,921**	**585,985**	**519,191**	**348,884**
Portugal	#	4,270	4,804	4,627	5,334
Spain	#	678,651	581,181	514,564	343,550
Electricity Customers - Special Needs	**#**	**763**	**822**	**842**	**863**
Portugal	#	398	497	589	561
Brazil	#	365	325	253	302
Electricity Customers - Social Tariff	**#**	**316,256**	**329,125**	**260,935**	**392,988**
Portugal	#	33,872	57,273	72,766	76,905
Spain	#	63,200	61,219	60,766	60,973
Brazil	#	219,184	210,633	127,403	255,110
GAS SUPPLIED	**GWh**	**26,656**	**25,679**	**26,214**	**26,868**
Portugal	GWh	3,186	4,812	5,515	6,246
Liberalised Market	GWh	2,695	4,053	4,525	5,203
Regulated Market	GWh	491	758	990	1,043
Spain	GWh	23,470	20,867	20,699	20,622
Liberalised Market	GWh	23,265	20,602	20,389	20,287
Last Resort supply	GWh	205	265	310	335
GAS CUSTOMERS	**#**	**1,276,205**	**1,144,753**	**1,064,097**	**1,060,287**
Portugal	#	449,749	355,069	300,361	264,302
Liberalised Market	#	346,246	186,204	29,237	708
Regulated Market	#	103,503	168,865	271,124	263,594
Spain	#	826,456	789,684	763,736	795,985
Liberalised Market	#	756,182	715,313	673,171	679,842
Last Resort supply	#	70,274	74,371	90,565	116,143

[1] Includes "Comercializadora" and regulated customers from Distribution.

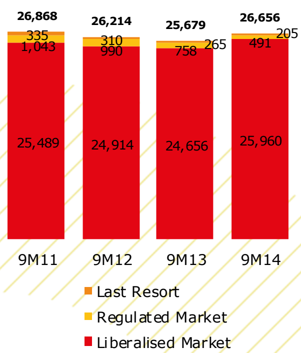
ELECTRICITY SUPPLIED IN IBERIA (GWh)



ELECTRICITY SUPPLIED IN BRAZIL (GWh)



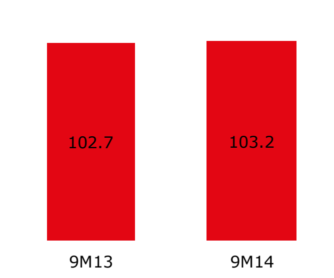
GAS SUPPLIED IN IBERIA (GWh)



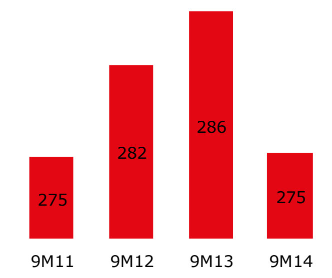
SUSTAINABILITY INDICATORS (1/4)

	Unit	9M14	9M13		
SUSTAINABILITY INDEX [1]		103.2	102.7		
Revenues from ISO 14001 certified installations [2]	%	50.9	32.6		
Specific consumption of water [4]	m^3/MWh	29.3	27.0		
Specific production of waste [4]	g/MWh	5.6	6.0		
Investment and expenses in biodiversity preservation	%EBITDA	0.28	0.44		
Generation from renewable sources/Total generation [3]	%	73.9	70.8		
Pay ratio by gender (Male/Female)	x	1.01	0.99		
Training hours/Working hours	%	2.0	1.5		
Severity rate	Tg	12.7	12.6		
ECONOMIC INDICATORS		**9M14**	**9M13**	**9M12**	**9M11**
GVA per employee [4]	€	275,053	286,476	282,213	274,672
Economic value generated [4]	€000	12,829,300	12,831,622	12,889,920	12,014,299
Economic value distributed [4]	€000	11,360,938	11,453,187	11,453,176	10,596,027
Economic Value Retained [4]	€000	1,468,362	1,378,435	1,436,745	1,418,272
Fines and penalties [4]	€000	4,937	5,125	44	60
Support from Public Authorities [5]	€000	124,708	32,326	87,945	n.a.
Billing of energy services [6]	€000	36,802	37,878	32,625	32,398

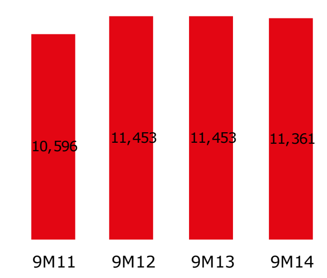
SUSTAINABILITY INDEX
BASE 100 (2010 - 2012)



GVA PER EMPLOYEE
(€ '000)



ECONOMIC VALUE
DISTRIBUTED (€M)



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

[2] The figure for 2014 integrates the revenues of EDP Comercial, certificated in July according to ISO 14001:2004

[3] Does not include nuclear

[4] 9M13 figures were restated so as to reflect IFRS10 and IFRS 11 implementation from Jan-14 onwards

[5] The figure f or 2013 was revised according wit h Global Reporting Initiative: ext ended t he scope beyond t he operat ing subsidies

[6] The figures for 2013-2012 have been revised due to a correction of energy services revenues in Brazil.

Direct impacts (some)
- 10,980,245 Customers
- 100,028 GWh energy distributed
- 80,525 GWh energy supplied

Indirect impacts (some)
- Micro-generation, grids and energy storage and electric vehicles
- First projects of solar photovoltaic

Economic value generated (*)
€12,829.3M

Direct impacts (some)
- 11,908 Employees
- € 348M costs with employees
- ~€1,090M invested
- €12,633M "Market cap"

Indirect impacts (some)
- Participation in External Forum for Equality in Labour and Employment
- 808,648 beneficiaries of voluntary social investment (~ €8M)

Economic value distributed(*)
€11,360.9M

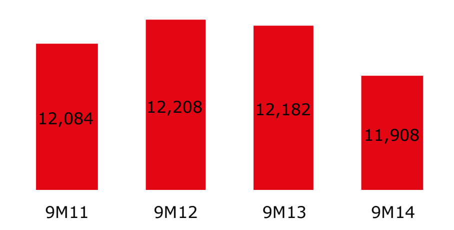
Economic value accumulated(*)
€1,468.4M

(*) Economic Value Generated (EVG): Turnover + other operating income + gains/losses with the sale of financial assets + gains/losses from associated companies + financial income;
Economic Value Distributed (EVD): COGS + operating costs + other operating costs + current tax + financial costs + dividend payment;
Economic Value Accumulated (EVA): EVG – EVD.

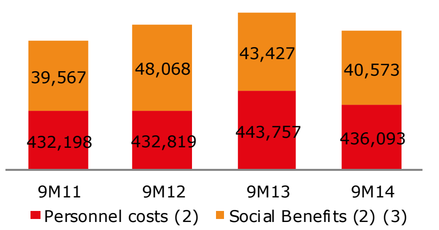
SUSTAINABILITY INDICATORS (2/4)

SOCIAL INDICATORS	Unit	9M14	9M13	9M12	9M11
Employees					
Employees [1]	#	11,908	12,182	12,208	12,084
Portugal	#	6,836	6,943	7,188	7,232
Spain	#	1,897	1,941	1,983	2,005
Brazil	#	2,698	2,832	2,608	2,450
USA	#	301	303	290	282
Rest of Europe	#	176	163	139	115
Female employees	#	2,734	2,752	2,677	2,632
Portugal	#	1,456	1,463	1,455	1,431
Spain	#	484	484	486	469
Brazil	#	637	651	586	588
USA	#	97	100	103	107
Rest of Europe	#	60	54	47	37
Staff turnover	%	4.6	4.6	4.6	4.4
Average age of employees	years	45.7	46.0	46	45.7
Absenteeism	%	3.5	2.9	3.1	3.4
Personnel costs [2]	€000	436,093	443,757	432,819	432,198
Social Benefits [2] [3]	€000	40,573	43,427	48,068	39,567
Human Capital Return On Investment [3] [4]	€	23.5	23.1	23.7	22.3
Training					
Total training hours	hours	308,615	240,658	323,806	314,877
Total training rate	h/p	26	20	27	26
Employees trained	%	85	55	78	70
Total training costs	€000	4,344	3,383	4,227	4,560
Work productivity	€/h	104	222	221	205
Prevention and safety					
On-duty accidents	#	26	31	24	31
On-duty death accidents	#	0	3	1	1
PSE On-duty death accidents	#	10	6	10	2
EDP severity index	Tg	127	126	122	178
EDP frequency index	Tf	1.67	1.96	1.55	1.92
PSE frequency index	Tf	4.84	5.00	5.51	4.67
EDP+ PSE frequency index	Tf	3.85	4.03	4.18	3.80
Total lost days due to accidents	#	1,989	1,986	1,890	2,873
Social Contributions (LBG Model)					
Volunteer contributions/EBITDA	%	0.29	0.56	0.37	0.49

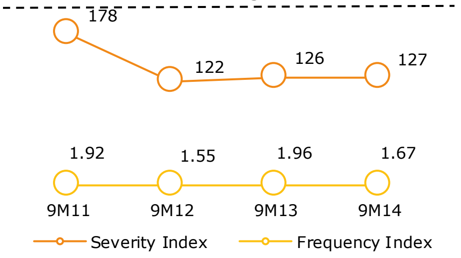
NUMBER OF EMPLOYEES



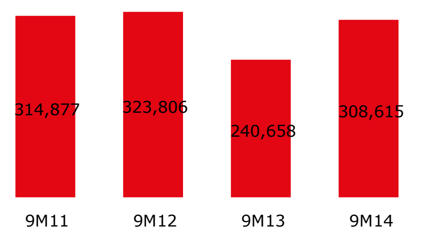
COSTS AND BENEFITS WITH EMPLOYEES (2) (€ '000)



EDP SEVERITY AND FREQUENCY INDEXES



TRAINING VOLUME (h)



[1] The 2011 figure was revised due to changes in "headcount" methodology, so as to include Executive Governing Bodies.

[2] 9M13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

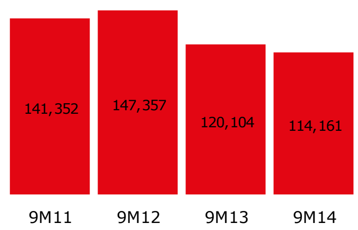
[3] In September, 2011, financial costs from pension funds were reclassified. In 2014, Social benefits figure excludes the Past service cost related with plan ammendments resulting from the new Collective Labour Agreement (see note 35), which result in a decrease of liabilities in the amount of 129.020 thousands of Euros.

[4] HC ROI= (Total Turnover- (Operating costs- Personnel costs and Employee Benefits))/Personnel costs and Employee Benefits

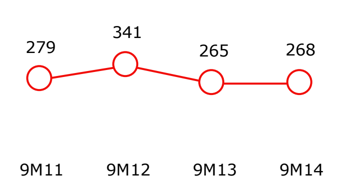
SUSTAINABILITY INDICATORS (3/4)

ENVIRONMENTAL INDICATORS (1/2)	Unit	9M14	9M13	9M12	9M11
Primary energy consumption [4]	**TJ**	**114,161**	**120,104**	**147,357**	**141,352**
Total for generation, transportation and distribution [4]	TJ	113,979	119,945	147,182	141,100
Coal [4]	TJ	94,935	94,107	107,405	75,888
Fuel-oil	TJ	312	335	510	522
Natural gas [1]	TJ	8,681	14,925	29,150	51,119
Diesel	TJ	141	73	113	63
Forestry waste	TJ	0	2,418	2,394	3,762
Residual gases (steel plant gas, blast furnace gas, coke gas)	TJ	9,910	8,087	7,611	9,746
Vehicle fleet fuel	TJ	182	159	175	253
Electricity consumption					
Production consumption	MWh	1,893,040	2,085,625	1,919,743	1,465,266
Administrative services	MWh	27,739	28,505	27,687	26,239
Losses over network	%	9.5	10.2	9.0	7.2
Atmospheric emissions					
Total Emissions					
CO_2 [2][4]	kt	11,853	11,754	13,599	12,279
SO_2	kt	8.9	9.3	12.1	5.1
NO_x	kt	10.3	11.6	11.2	11.3
Particles	kt	0.4	0.4	0.5	0.5
Overall specific emissions [3][4]					
CO_2	g/kWh	268	265	341	279
SO_2	g/kWh	0.20	0.21	0.30	0.12
NO_x	g/kWh	0.23	0.26	0.28	0.26
Particles	g/kWh	0.01	0.01	0.01	0.01
Specific emissions from thermal power stations [3][4]					
CO_2	g/kWh	978	884	806	718
SO_2	g/kWh	0.74	0.30	0.72	0.30
NO_x	g/kWh	0.85	0.37	0.66	0.66
Particles	g/kWh	0.03	0.01	0.03	0.00
CO_2 avoided through the use of renewable energies	kt	24,532	21,871	13,412	14,984
CO_2 intensity	g/€	1,003	1,046	1,125	1,100
Direct emissions (scope 1)	kt CO_2 eq	12,080	12,666	13,630	12,309
Indirect emissions (scope 2)	kt CO_2 eq	1,338	1,305	1,144	842

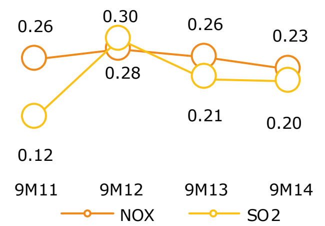
PRIMARY ENERGY CONSUMPTION (TJ)



CO_2 SPECIFIC EMISSIONS (g/kWh)



SPECIFIC EMISSIONS (g/kWh)



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

[2] Not including vehicle fleet.

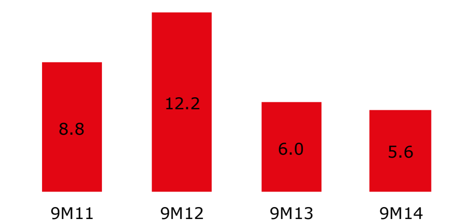
[3] Calculation based on the net generation, as stipulated in the Global Reporting Initiative.

[4] 9M13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

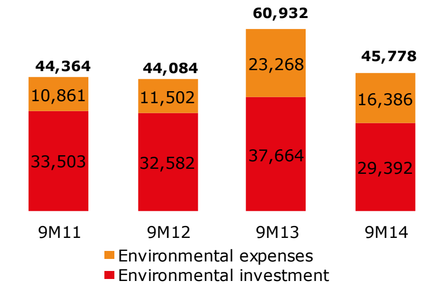
SUSTAINABILITY INDICATORS (4/4)

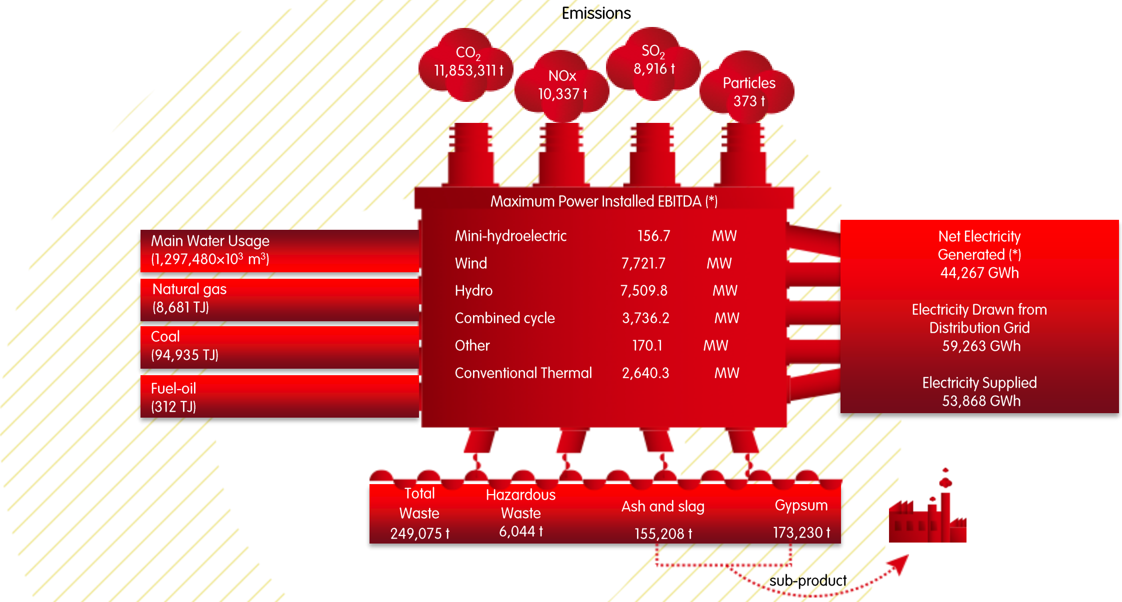
ENVIRONMENTAL INDICATORS (2/2)	Unit	9M14	9M13	9M12	9M11
Use of Water	$m^3 \times 10^3$	1,297,480	1,195,309	1,086,912	1,017,244
Refrigeration water	$m^3 \times 10^3$	1,292,588	1,190,199	1,080,760	1,011,744
Raw water	$m^3 \times 10^3$	4,699	4,870	5,977	5,244
Drinking water	$m^3 \times 10^3$	193	241	175	256
Waste					
Total waste	t	249,075	267,759	488,063	385,515
Total hazardous waste	t	6,044	5,690	4,043	20,884
Recovered waste	%	59	62	63	72
Sub-products	t	328,439	286,814	246,855	298,076
Environmental investment and expenses [1]					
Environmental Investment and expenses	€000	45,778	60,932	44,084	44,364
Environmental management expenses	€000	6,107	7,515	8,102	n.a.
Environmental remediation expenses	€000	10,279	15,753	3,400	n.a.
Environmental prevention expenses	€000	29,392	37,664	32,582	33,503
Environmental Income	€000	2,541	3,013	2,796	4,491
Environmental investment/total investment	%	1.8	0.6	1.6	2.5
Environmental fines and penalties	€000	56	109	211	2
Environmental Certification (ISO 14001)					
No. of certified production facilities	#	258	244	166	108
Net maximum of certified installed capacity	%	80	75	72	70
No. of certified substations	#	175	154	128	43
Installed capacity of certified substations	%	33	30	24	7
Certified gas distribution	%	100	100	100	100

WASTE PER GENERATED ELECTRICITY UNIT (g/kWh)



ENVIRONMENTAL INVESTMENT AND EXPENSES (€ '000)[1]





(*) Not include nuclear and includes heat generation: 770 GWh.

[1] 9M13 figures are restated to consider implementation of IFRS 10 and 11 from Jan-14 onwards.

02

Financial Statements and notes

EDP GROUP'S BUSINESS EVOLUTION

In the third quarter of 2014, the **EDP Group's net profit attributable to EDP shareholders** reached EUR 786 million, compared with EUR 792 million in the nine months of 2013.

Consolidated EBITDA fell by 3% year-on-year, to EUR 2,715 million in the nine months of 2014, penalised by the severe drought in Brazil, adverse regulatory changes in Iberia, namely at EDP Renováveis level, and unfavourable forex impact (-EUR 50 million). Additionally, EBITDA performance reflected: (i) in the nine months of 2013, capital gains stemming from the sale of gas transmission assets in Spain (EUR 56 million) and from the sale of some real estate in Brazil (EUR 19 million); (ii) in the nine months of 2014, impact from the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects and the fair value revaluation effect of the retained interest (50%) in the amount of 131 million and from the new Collective Labour Agreement signed in Portugal (EUR 129 million).

Excluding the aforementioned impacts, **EBITDA from Iberian operations (excluding EDP Renováveis) rose by 2% year-on-year**, driven by: (i) particularly strong hydro production; (ii) successful management of the strong volatility in energy markets in the period; and (iii) tight cost control.

The contribution from our international subsidiaries in the nine months of 2014 was lower year-on-year, mainly due to adverse forex and regulatory impacts. **EDP Brasil's EBITDA fell 29% year-on-year** being adversely impacted by: (i) net impact from higher negative tariff deviations in the distribution business; (ii) -EUR 42 million of forex impact; and (iii) higher electricity sourcing costs in the wake of adverse hydro context. **EDP Renováveis' EBITDA decreased 6% year-on-year**, reflecting: the negative impact of new remuneration scheme in Spain combined with low average market price in the nine months of 2014; adverse forex impact (-EUR 9 million); and EUR 14 million gain in the first quarter of 2013 from the restructuring of a PPA contract in the US which compensated the new capacity commissioned.

EDP Group operating costs (supplies and services, personnel costs and costs with social benefits) fell by 13% year-on-year, to EUR 991 million in the nine months of 2014. Excluding the impact from the new Collective Labour Agreement, operating costs fell by 2% year-on-year (-EUR 24 million) driven by: (i) 1% year-on-year fall in Iberia, on the successful execution of our corporate efficiency program OPEX III and 2% cut in workforce (mainly prompted by early retirements in Portugal); (ii) tight cost control; and (iii) by BRL depreciation versus Euro. **Other net operating costs stood at EUR 172 million in the nine months of 2014**, -EUR 48 million year-on-year, impacted by the capital gains on the disposal of the aforementioned equity stakes and real estate (EUR 75 million in the nine months of 2013; EUR 131 million in the nine months of 2014). Generation taxes in Spain and in Portugal totalled EUR 97 million in the nine months of 2014 (versus EUR 81 million in the nine months of 2013).

EBIT was 2% lower year-on-year in the nine months of 2014, to EUR 1,680 million, mainly driven by EBITDA. **Net amortisations and impairments decreased 4% year-on-year to EUR 1,014 million in the nine months of 2014**, mostly reflecting: (i) extension of the useful life of our CCTGs (from 25 to 35 years) and of some of our coal plants in Spain; ii) lower impairments at some of our special regime facilities in Spain accounted in 2013; iii) impairment at hydro project in Portugal (Alvito) accounted in the second quarter of 2014 amounting to EUR 27 million; iv) an accelerated depreciation of some distribution assets in Brazil in the nine months of 2013 (EUR 22 million) and v) forex impact mostly due to EUR/BRL evolution (-EUR 10 million).

Financial results totaled -EUR 453 million in the nine months of 2014, reflecting a 40 basis points year-on-year increase in the average cost of debt, to 4.7% in the nine months of 2014. **Share of net profit in joint ventures and associates totalled EUR 25 million in the nine months of 2014** mainly driven by the participation in ENEOP in Portugal (EUR 9 million in the nine months of 2014), our stake in CEM in Macau (EUR 11 million in the nine months of 2014) and our stake in Porto do Pecém I (EUR 3 million in the nine months of 2014 helped by reimbursements of unavailability penalties).

Income taxes totalled EUR 276 million in the nine months of 2014, with an effective tax rate of 22%. Additionally, and according to the terms defined in Portugal's 2014 State Budget, EDP contributed with EUR 46 million in the nine months of 2014 to the extraordinary tax on the energy sector in Portugal. Despite the execution of the asset rotation strategy in EDP Renováveis, **non-controlling interests** declined by 4% year-on-year, to EUR 143 million in the nine months of 2014, driven by lower net profit at the level of EDP Brasil and EDP Renováveis. **Overall, net profit attributable to EDP shareholders declined by 1% year-on-year, to EUR 786 million in the nine months of 2014.**

Consolidated capex totalled EUR 1,090 million in the nine months of 2014, 3% lower year-on-year. Expansion capex totalled EUR 655 million in the nine months of 2014, driven by the ongoing construction of new hydro and wind capacity. Maintenance capex rose by 3% to EUR 434 million in the nine months of 2014.

Net debt rose from EUR 17.1 billion in December 2013 to EUR 17.5 billion in September 2014.

CONDENSED FINANCIAL STATEMENTS
30 September 2014

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EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the nine-month period ended 30 September 2014 and 2013

Thousands of Euros	Notes	2014	2013*
Revenues from energy sales and services and other	6	11,823,232	11,914,953
Cost of energy sales and other	6	-7,944,496	-7,751,238
		3,878,736	4,163,715
Other income	7	316,975	265,369
Supplies and services	8	-643,177	-656,339
Personnel costs and employee benefits	9	-347,646	-487,184
Other expenses	10	-489,453	-485,493
		-1,163,301	-1,363,647
		2,715,435	2,800,068
Provisions	11	-21,385	-40,046
Amortisation and impairment	12	-1,014,371	-1,053,786
		1,679,679	1,706,236
Financial income	13	664,372	673,377
Financial expenses	13	-1,117,819	-1,159,664
Share of net profit in joint ventures and associates		24,755	-16,167
Profit before income tax and CESE		1,250,987	1,203,782
Income tax expense	14	-275,506	-262,702
Extraordinary contribution to the energy sector (CESE)	15	-45,943	-
		-321,449	-262,702
Net profit for the period		**929,538**	**941,080**
Attributable to:			
Equity holders of EDP		**786,076**	**792,345**
Non-controlling Interests	32	**143,462**	**148,735**
Net profit for the period		**929,538**	**941,080**
Earnings per share (Basic and Diluted) - Euros	29	0.22	0.22

***** Restated for IFRS 10 and 11 purposes

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Condensed Consolidated Statement of Comprehensive Income as at for the nine-month period ended 30 September 2014 and 2013

Thousands of Euros	2014 Equity holders of EDP	2014 Non-controlling Interests	2013* Equity holders of EDP	2013* Non-controlling Interests
Net profit for the period	786,076	143,462	792,345	148,735
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-111,699	-6,587	13,169	-6,687
Tax effect from the actuarial gains / (losses)	29,594	2,240	-1,929	2,274
	-82,105	-4,347	11,240	-4,413
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	46,626	100,882	-107,658	-171,901
Fair value reserve (cash flow hedge)	-3,267	-8,027	34,151	6,368
Tax effect from the fair value reserve (cash flow hedge)	70	2,010	-9,801	-1,795
Fair value reserve (available for sale investments)	13,125	-667	10,139	153
Tax effect from the fair value reserve (available for sale investments)	-3,430	227	-886	-52
Share of other comprehensive income of associates, net of taxes	-8,364	-4,629	13,404	9,573
	44,760	89,796	-60,651	-157,654
Other comprehensive income for the period (net of income tax)	-37,345	85,449	-49,411	-162,067
Total comprehensive income for the period	748,731	228,911	742,934	-13,332

* Restated for IFRS 10 and 11 purposes

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Condensed Consolidated Statement of Financial Position
as at 30 September 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013*
Assets			
Property, plant and equipment	16	20,076,618	19,454,099
Intangible assets	17	5,907,371	6,017,802
Goodwill	18	3,307,016	3,253,144
Investments in joint ventures and associates	20	813,395	645,421
Available for sale investments	21	270,092	212,483
Deferred tax assets	22	225,235	320,590
Trade receivables	24	105,107	98,994
Debtors and other assets from commercial activities	25	3,286,814	3,188,179
Other debtors and other assets	26	677,972	552,032
Collateral deposits associated to financial debt	34	394,792	420,081
Total Non-Current Assets		35,064,412	34,162,825
Inventories	23	239,035	264,788
Trade receivables	24	1,751,309	2,181,903
Debtors and other assets from commercial activities	25	1,607,824	1,820,900
Other debtors and other assets	26	294,973	306,579
Current tax assets	27	311,614	433,052
Financial assets at fair value through profit or loss		8,393	4,217
Collateral deposits associated to financial debt	34	38,933	18,729
Cash and cash equivalents	28	2,050,421	2,156,707
Assets held for sale	41	1,318	715,837
Total Current Assets		6,303,820	7,902,712
Total Assets		41,368,232	42,065,537
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-69,225	-85,573
Share premium	29	503,923	503,923
Reserves and retained earnings	31	3,663,964	3,365,777
Consolidated net profit attributable to equity holders of EDP		786,076	1,005,091
Total Equity attributable to equity holders of EDP		8,541,276	8,445,756
Non-controlling Interests	32	3,199,260	3,082,146
Total Equity		11,740,536	11,527,902
Liabilities			
Financial debt	34	16,516,383	15,600,723
Employee benefits	35	1,673,771	1,751,066
Provisions	36	365,060	354,233
Deferred tax liabilities	22	748,976	759,092
Institutional partnerships in USA wind farms	37	1,551,428	1,508,495
Trade and other payables from commercial activities	38	1,277,475	1,251,192
Other liabilities and other payables	39	402,433	326,570
Total Non-Current Liabilities		22,535,526	21,551,371
Financial debt	34	3,587,705	4,158,086
Employee benefits	35	180,286	183,469
Provisions	36	22,233	27,437
Hydrological correction account	33	9,746	35,641
Trade and other payables from commercial activities	38	2,602,147	3,219,936
Other liabilities and other payables	39	232,635	209,651
Current tax liabilities	40	457,418	574,080
Liabilities held for sale	41	-	577,964
Total Current Liabilities		7,092,170	8,986,264
Total Liabilities		29,627,696	30,537,635
Total Equity and Liabilities		41,368,232	42,065,537

***** Restated for IFRS 10 and 11 purposes

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal

Condensed Consolidated Income Statement
for the three-month period from 1 July to 30 September 2014 and 2013

Thousands of Euros	2014	2013*
Revenues from energy sales and services and other	3,803,809	3,732,251
Cost of energy sales and other	-2,623,855	-2,458,953
	1,179,954	1,273,298
Other income	62,034	74,856
Supplies and services	-220,770	-215,012
Personnel costs and employee benefits	-147,075	-151,957
Other expenses	-160,855	-153,852
	-466,666	-445,965
	713,288	827,333
Provisions	-3,610	-3,196
Amortisation and impairment	-333,838	-368,249
	375,840	455,888
Financial income	173,229	155,118
Financial expenses	-381,417	-324,229
Share of net profit in joint ventures and associates	16,622	-1,307
Profit before income tax and CESE	184,274	285,470
Income tax expense	-33,138	-54,572
Extraordinary contribution to the energy sector (CESE)	-15,314	-
	-48,452	-54,572
Net profit for the period	135,822	230,898
Attributable to:		
Equity holders of EDP	**112,913**	**189,126**
Non-controlling Interests	**22,909**	**41,772**
Net profit for the period	**135,822**	**230,898**
Earnings per share (Basic and Diluted) - Euros	0.03	0.05

* Restated for IFRS 10 and 11 purposes

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17.713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTO

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

EDP - Energias de Portugal

Condensed Consolidated Statement of Comprehensive Income
for the three-month period from 1 July to 30 September 2014 and 2013

	2014		2013*	
Thousands of Euros	Equity holders of EDP	Non-controlling Interests	Equity holders of EDP	Non-controlling Interests
Net profit for the period	112,913	22,909	189,126	41,772
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-1,410	-1,350	321	312
Tax effect from the actuarial gains / (losses)	480	459	-110	-106
	-930	-891	211	206
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-29,275	-18,947	-44,580	-77,650
Fair value reserve (cash flow hedge)	-16,659	-2,721	7,584	-129
Tax effect from the fair value reserve (cash flow hedge)	4,226	545	-2,343	-4
Fair value reserve (available for sale investments)	-6,989	31	1,518	925
Tax effect from the fair value reserve (available for sale investments)	1,863	-10	-570	-315
Share of other comprehensive income of associates, net of taxes	-234	1,913	4,758	3,353
	-47,068	-19,189	-33,633	-73,820
Other comprehensive income for the period (net of income tax)	-47,998	-20,080	-33,422	-73,614
Total comprehensive income for the period	64,915	2,829	155,704	-31,842

* Restated for IFRS 10 and 11 purposes

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated Statement of Changes in Equity as at 30 September 2014 and 31 December 2013

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2012	**11,431,668**	**3,656,538**	**503,923**	**578,435**	**3,575,072**	**-86,118**	**43,942**	**24,268**	**-103,706**	**8,192,354**	**3,239,314**
Comprehensive income:											
Net profit for the period	941,080	-	-	-	792,345	-	-	-	-	792,345	148,735
Changes in the fair value reserve (cash flow hedge) net of taxes	28,923	-	-	-	-	24,350	-	-	-	24,350	4,573
Changes in the fair value reserve (available for sale investments) net of taxes	9,354	-	-	-	-	-	9,253	-	-	9,253	101
Share of other comprehensive income of associates, net of taxes	22,977	-	-	-	-	5,366	-	8,038	-	13,404	9,573
Actuarial gains/(losses) net of taxes	6,827	-	-	-	11,240	-	-	-	-	11,240	-4,413
Exchange differences arising on consolidation	-279,559	-	-	-	-	-	-	-107,658	-	-107,658	-171,901
Total comprehensive income for the period	729,602	-	-	-	803,585	29,716	9,253	-99,620	-	742,934	-13,332
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-98,156	-	-	-	-	-	-	-	-	-	-98,156
Purchase and sale of treasury stock	8,817	-	-	-	-7,049	-	-	-	15,866	8,817	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	224,178	-	-	-	112,859	-	-	-	-	112,859	111,319
Changes resulting from acquisitions/sales and equity increases	-109,899	-	-	-	-4,685	-328	-	-	-	-5,013	-104,886
Other reserves arising on consolidation	22	-	-	-	14	-	-	-	-	14	8
Balance as at 30 September 2013*	**11,517,186**	**3,656,538**	**503,923**	**620,069**	**3,767,628**	**-56,730**	**53,195**	**-75,352**	**-86,352**	**8,382,919**	**3,134,267**
Comprehensive income:											
Net profit for the period	252,564	-	-	-	212,746	-	-	-	-	212,746	39,818
Changes in the fair value reserve (cash flow hedge) net of taxes	4,572	-	-	-	-	3,640	-	-	-	3,640	932
Changes in the fair value reserve (available for sale investments) net of taxes	18,549	-	-	-	-	-	19,740	-	-	19,740	-1,191
Share of other comprehensive income of associates, net of taxes	8,813	-	-	-	-	323	-	4,459	-	4,782	4,031
Actuarial gains/(losses) net of taxes	-107,201	-	-	-	-122,370	-	-	-	-	-122,370	15,169
Exchange differences arising on consolidation	-139,557	-	-	-	-	-	-	-57,221	-	-57,221	-82,336
Total comprehensive income for the period	37,740	-	-	-	90,376	3,963	19,740	-52,762	-	61,317	-23,577
Dividends attributable to non-controlling interests	-68,804	-	-	-	-	-	-	-	-	-	-68,804
Purchase and sale of treasury stock	159	-	-	-	-620	-	-	-	779	159	-
Sale without loss of control of EDPR Portugal	-381	-	-	-	-293	-	-	-	-	-293	-88
Sale without loss of control of Wheatfield	34,977	-	-	-	-805	-	-	-177	-	-982	35,959
Changes resulting from acquisitions/sales and equity increases	7,172	-	-	-	2,934	-249	-	-	-	2,685	4,487
Other reserves arising on consolidation	-147	-	-	-	-49	-	-	-	-	-49	-98
Balance as at 31 December 2013*	**11,527,902**	**3,656,538**	**503,923**	**620,069**	**3,859,171**	**-53,016**	**72,935**	**-128,291**	**-85,573**	**8,445,756**	**3,082,146**
Comprehensive income:											
Net profit for the period	929,538	-	-	-	786,076	-	-	-	-	786,076	143,462
Changes in the fair value reserve (cash flow hedge) net of taxes	-9,214	-	-	-	-	-3,197	-	-	-	-3,197	-6,017
Changes in the fair value reserve (available for sale investments) net of taxes	9,255	-	-	-	-	-	9,695	-	-	9,695	-440
Share of other comprehensive income of associates, net of taxes	-12,993	-	-	-	-	-2,021	-	-6,343	-	-8,364	-4,629
Actuarial gains/(losses) net of taxes	-86,452	-	-	-	-82,105	-	-	-	-	-82,105	-4,347
Exchange differences arising on consolidation	147,508	-	-	-	-	-	-	46,626	-	46,626	100,882
Total comprehensive income for the period	977,642	-	-	-	703,971	-5,218	9,695	40,283	-	748,731	228,911
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-	-	-	-
Dividends paid	-671,879	-	-	-	-671,879	-	-	-	-	-671,879	-
Dividends attributable to non-controlling interests	-112,813	-	-	-	-	-	-	-	-	-	-112,813
Purchase and sale of treasury stock	12,829	-	-	-	-2,203	-	-	-	15,032	12,829	-
Share-based payments	1,460	-	-	-	144	-	-	-	1,316	1,460	-
Sale without loss of control of french companies - EDPR Europe	28,256	-	-	-	2,954	1,627	-	-	-	4,581	23,675
Changes resulting from acquisitions/sales and equity increases	-22,852	-	-	-	-205	-	-	-	-	-205	-22,647
Other reserves arising on consolidation	-9	-	-	-	3	-	-	-	-	3	-12
Balance as at 30 September 2014	**11,740,536**	**3,656,538**	**503,923**	**659,613**	**3,852,412**	**-56,607**	**82,630**	**-88,008**	**-69,225**	**8,541,276**	**3,199,260**

* Restated for IFRS 10 and 11 purposes

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Condensed Consolidated and Company Statement of Cash Flows
for the nine-month period ended 30 September 2014 and 2013

	Group		Company	
Thousands of Euros	**Sep 2014**	**Set 2013***	**Sep 2014**	**Sep 2013**
Operating activities				
Cash receipts from customers	11,150,661	10,730,555	1,678,820	1,646,686
Proceeds from tariff adjustments sales	1,113,313	1,007,823	-	-
Payments to suppliers	-8,527,110	-8,193,612	-1,753,075	-1,564,901
Payments to personnel	-608,275	-603,622	-10,593	-10,127
Concession rents paid	-206,883	-204,403	-	-
Other receipts / (payments) relating to operating activities	-315,442	-191,483	-13,575	81,563
Net cash from operations	2,606,264	2,545,258	-98,423	153,221
Income tax received / (paid)	-165,510	-180,172	-11,789	-24,771
Net cash from operating activities	2,440,754	2,365,086	-110,212	128,450
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	133,508	256,113	-	-
Other financial assets and investments	971	1,049	-	161,580
Property, plant and equipment and intangible assets	4,437	21,369	259	345
Investment grants	21,687	1,620	-	-
Interest and similar income	76,700	49,729	277,516	277,114
Dividends	35,225	30,758	613,929	681,364
	272,528	360,638	891,704	1,120,403
Cash payments relating to:				
Acquisition of assets / subsidiaries	-5,894	-178,465	-	-
Other financial assets and investments	-50,646	-5,817	-249	-161,508
Changes in cash resulting from consolidation perimeter variations	39	-21,706	-	-
Property, plant and equipment and intangible assets	-1,335,198	-1,640,966	-28,194	-23,190
	-1,391,699	-1,846,954	-28,443	-184,698
Net cash from investing activities	-1,119,171	-1,486,316	863,261	935,705
Financing activities				
Receipts / (payments) relating to loans	-34,368	422,385	-544,628	-562,574
Interest and similar costs including hedge derivatives	-717,920	-599,895	-340,593	-230,723
Governmental grants received	-	91,292	-	-
Share capital increases / (decreases) by non-controlling interests	-22,788	-92,736	-	-
Receipts / (payments) relating to derivative financial instruments	56,847	-10,299	-484	10,475
Dividends paid to equity holders of EDP	-671,879	-670,932	-672,158	-671,212
Dividends paid to non-controlling interests	-58,834	-130,250	-	-
Treasury stock sold / (purchased)	12,829	8,817	14,289	10,703
Sale of assets / subsidiaries without loss of control	28,261	257,954	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-49,515	-31,347	-	-
Net cash from financing activities	-1,457,367	-755,011	-1,543,574	-1,443,331
Changes in cash and cash equivalents	-135,784	123,759	-790,525	-379,176
Effect of exchange rate fluctuations on cash held	29,498	-26,422	-263	189
Cash and cash equivalents at the beginning of the period	2,156,707	1,695,336	1,183,405	1,305,235
Cash and cash equivalents at the end of the period **	2,050,421	1,792,673	392,617	926,248

* Restated for IFRS 10 and 11 purposes
** See details of "Cash and cash equivalents" in note 28 of the Financial Statements.

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the nine-month period ended 30 September 2014 and 2013

Thousands of Euros	Notes	2014	2013
Revenues from energy sales and services and other	6	1,786,089	1,740,296
Cost of energy sales and other	6	-1,626,435	-1,589,887
		159,654	150,409
Other income		9,326	8,925
Supplies and services	8	-135,257	-128,560
Personnel costs and employee benefits	9	-12,147	-11,020
Other expenses	10	-14,366	-9,864
		-152,444	-140,519
		7,210	9,890
Provisions	11	-588	-2,741
Amortisation expense and impairment	12	-10,777	-11,656
		-4,155	-4,507
Financial income	13	1,427,075	1,386,259
Financial expenses	13	-844,289	-719,821
Profit before income tax		578,631	661,931
Income tax expense	14	12,992	-61,863
Net profit for the period		**591,623**	**600,068**

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Comprehensive Income as at for the nine-month period ended 30 September 2014 and 2013

Thousands of Euros	2014	2013
Net profit for the period	591,623	600,068
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	2,302	12,944
Tax effect from the fair value reserve (cash flow hedge)	-694	-3,760
Fair value reserve (available for sale investments)	8,079	2,812
Tax effect from the fair value reserve (available for sale investments)	-2,543	45
Other comprehensive income for the period (net of income tax)	7,144	12,041
Total comprehensive income for the period	598,767	612,109

LISBON, 30 OCTOBER 2014

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Condensed Company Statement of Financial Position
as at 30 September 2014 and 31 December 2013

Thousands of Euros	Notes	2014	2013
Assets			
Property, plant and equipment	16	219,103	198,603
Intangible assets		3	4
Investments in subsidiaries	19	10,086,403	10,086,403
Investments in joint ventures and associates	20	6,595	6,595
Available for sale investments	21	51,871	43,544
Investment property		26,821	27,419
Deferred tax assets	22	37,813	25,097
Debtors and other assets from commercial activities		831	3,142
Other debtors and other assets	26	6,978,591	6,445,501
Collateral deposits associated to financial debt	34	316,905	334,497
Total Non-Current Assets		17,724,936	17,170,805
Inventories		39	510
Trade receivables	24	167,534	183,478
Debtors and other assets from commercial activities	25	310,604	330,275
Other debtors and other assets	26	1,660,407	1,974,827
Current tax assets	27	124,745	132,053
Collateral deposits associated to financial debt	34	28,088	12,675
Cash and cash equivalents	28	392,617	1,183,405
Total Current Assets		2,684,034	3,817,223
Total Assets		20,408,970	20,988,028
Equity			
Share capital	29	3,656,538	3,656,538
Treasury stock	30	-63,130	-79,478
Share premium	29	503,923	503,923
Reserves and retained earnings	31	2,285,028	2,161,226
Net profit for the period		591,623	790,875
Total Equity		6,973,982	7,033,084
Liabilities			
Financial debt	34	7,192,405	7,290,125
Provisions	36	21,736	19,942
Trade and other payables from commercial activities		1,833	3,521
Other liabilities and other payables	39	2,694,550	2,450,942
Total Non-Current Liabilities		9,910,524	9,764,530
Financial debt	34	2,787,127	3,210,777
Provisions	36	812	2,208
Hydrological correction account	33	9,746	35,641
Trade and other payables from commercial activities	38	578,458	672,871
Other liabilities and other payables	39	139,855	248,938
Current tax liabilities	40	8,466	19,979
Total Current Liabilities		3,524,464	4,190,414
Total Liabilities		13,434,988	13,954,944
Total Equity and Liabilities		20,408,970	20,988,028

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
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THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Condensed Company Income Statement
for the three-month period from 1 July to 30 September 2014 and 2013

Thousands of Euros	2014	2013
Revenues from energy sales and services and other	668,776	627,634
Cost of energy sales and other	-612,152	-573,837
	56,624	53,797
Other income	2,900	3,052
Supplies and services	-45,958	-42,573
Personnel costs and employee benefits	-3,367	-2,529
Other expenses	-2,388	-752
	-48,813	-42,802
	7,811	10,995
Provisions	-580	34
Amortisation and impairment	-3,617	-3,905
	3,614	7,124
Financial income	328,077	181,006
Financial expenses	-277,574	-152,791
Profit before income tax	54,117	35,339
Income tax expense	4,486	1,320
Net profit for the period	58,603	36,659

LISBON, 30 OCTOBER 2014

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Condensed Company Statement of Comprehensive Income
for the three-month period from 1 July to 30 September 2014 and 2013

Thousands of Euros	2014	2013
Net profit for the period	58,603	36,659
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	-3,578	9,033
Tax effect from the fair value reserve (cash flow hedge)	1,137	-2,598
Fair value reserve (available for sale investments)	-151	299
Tax effect from the fair value reserve (available for sale investments)	47	-43
Other comprehensive income for the period (net of income tax)	-2,545	6,691
Total comprehensive income for the period	56,058	43,350

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THE EXECUTIVE BOARD OF DIRECTORS

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

EDP - Energias de Portugal, S.A.

Company Condensed Statement of Changes in Equity as at
30 September 2014 and 31 December 2013

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2012	**6,886,211**	**3,656,538**	**503,923**	**578,435**	**2,245,862**	**-11,131**	**10,195**	**-97,611**
Comprehensive income:								
Net profit for the period	600,068	-	-	-	600,068	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	9,184	-	-	-	-	9,184	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	2,857	-	-	-	-	-	2,857	-
Total comprehensive income for the period	612,109	-	-	-	600,068	9,184	2,857	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	8,817	-	-	-	-7,049	-	-	15,866
Share-based payments	1,886	-	-	-	398	-	-	1,488
Balance as at 30 September 2013	**6,837,811**	**3,656,538**	**503,923**	**620,069**	**2,126,433**	**-1,947**	**13,052**	**-80,257**
Comprehensive income:								
Net profit for the period	190,807	-	-	-	190,807	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	1,079	-	-	-	-	1,079	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	3,228	-	-	-	-	-	3,228	-
Total comprehensive income for the period	195,114	-	-	-	190,807	1,079	3,228	-
Purchase and sale of treasury stock	159	-	-	-	-620	-	-	779
Balance as at 31 December 2013	**7,033,084**	**3,656,538**	**503,923**	**620,069**	**2,316,620**	**-868**	**16,280**	**-79,478**
Comprehensive income:								
Net profit for the period	591,623	-	-	-	591,623	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	1,608	-	-	-	-	1,608	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	5,536	-	-	-	-	-	5,536	-
Total comprehensive income for the period	598,767	-	-	-	591,623	1,608	5,536	-
Transfer to legal reserve	-	-	-	39,544	-39,544	-	-	-
Dividends paid	-672,158	-	-	-	-672,158	-	-	-
Purchase and sale of treasury stock	12,829	-	-	-	-2,203	-	-	15,032
Share-based payments	1,460	-	-	-	144	-	-	1,316
Balance as at 30 September 2014	**6,973,982**	**3,656,538**	**503,923**	**659,613**	**2,194,482**	**740**	**21,816**	**-63,130**

LISBON, 30 OCTOBER 2014

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

NOTES TO THE CONDENSED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

1. ECONOMIC ACTIVITY OF EDP GROUP

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

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

The EDP Group operates essentially in the European (Portugal, Spain, France, Poland and Romania) and American (Brazil and the United States of America) energy sectors, whose scope and framework is adequately detailed in Note 1 of the Notes to Consolidated Financial Statements of 2013 with reference to the activities undertaken in 2013.

During the nine-month period ended 30 September 2014, we emphasize the following changes, with significant impact in the economic activity of the EDP Group:

Activity in the energy sector in Portugal

Electricity - Portugal

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

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

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

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

Generation

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

On 1 April 2014, the Order 4694/2014 was published, entered into force on the next business day after its publication, which lays down the general guidelines of the revisibility calculation provided by the Decree-Law 240/2004, of 27 December, concerning the participation of CMEC plants in the secondary regulation market band, as well as the principles of the prices formation earned by the secondary regulation band power plants participating in the services system market with reference to the Spanish' system services market.

Activity in the energy sector in Spain

Electricity - Spain

Vulnerable Consumers

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

Gas - Spain

The Royal Decree-Law 8/2014 of 4 July, approved urgent measures for growth, competitiveness and efficiency in the energy sector, in accordance with European directives. For the gas sector, the objective of this reform is to design an economical and stable system, minimizing costs to consumers and eliminating the structural tariff deficit.

The main measures are: i) creation of a National Energy Efficiency Fund, for which the gas and electricity suppliers companies and petroleum products traders will have to make mandatory contributions until 2020. This fund will also be provided with resources from EU funds (FEDER) and other resources allocated by the state budget; ii) definition of the mechanism of gas deficit recovery generated until 31 December 2014 for a period of 15 years and the deficit generated from 1 January 2015 for a period of 5 years; and iii) aligning remuneration of regulated activities with the demand trends. The parameters of the remuneration of the regasification, storage, transportation and distribution activities of natural gas will be determined by regulatory periods of 6 years, subject to adjustments every 3 years.

Activity in the energy sector in Brazil

Electricity - Brazil

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

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

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

These measures were implemented by Decree 8.221/2014, of 2 April 2014 related with the cover of the extra costs for 2014, with retroactive effects to February, which defines the financing method and the subsequent effect on electricity tariffs. This is a non-refundable contribution cost.

On 25 April 2014, CCEE signed contracts with some banks to finance 11.2 billions of Reais for the ACR-Account to cover the disbursements of the electricity distributors with exposure to the spot market and the energy power stations dispatch. The Energy Development Account - CDE will be incharge for the funds for the loan payment, present in the energy tariffs, and should be transferred to the consumers starting on February 2015, in the tariff increases dates for each distributors in the country. The loan payment will be made starting on November 2015. The ACR-Account resources obtained throught bank loans sold out in April 2014. During the third quarter of 2014, CCEE sign a new financing transaction with credit institutions in order to obtain the needed resources to pay the additional costs of the electricity distributors until November 2014. Therefore, the financial statements include the cost reimbursement related with the nine-month period ended 30 September 2014.

The existing energy auction, called Auction "A", held on 30 April 2014, for the purchase of electricity from existing generation projects secured the contracting of approximately 2,046 MW of hydroelectric and thermal power plants of natural gas and biomass. The power supply starts in 1 May 2014 until 31 December 2019. Auction "A", aimed to meet the immediate need for energy contracting by distribution due to involuntary exposure as well as reduce the impact on tariff adjustments.

Activity in the Renewable Energies Sector

Regulatory framework for the activities in Spain

The Spanish Government published in 20 June 2014, the Order IET/1045/2014, which includes the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Decree-Law 413/2014 of June 2014. The final legislation had no significant changes to the previous draft versions, which include the extension of wind farms scheme into operation in 2004, the increase of the remuneration per MW installed by 5%, and minor changes in methodology for the determination of the deviations from market prices.

The remuneration is now structured in order for a standard asset to receive a pre-tax return defined as the yield of the Spanish 10-year bonds plus 300 bps. The return is based on the assets' regulatory life (20 years for wind energy assets).

EDP Renováveis expects that this regulatory change will have a total annual negative impact of approximately 30 millions of Euros at EBITDA level (under an average windy year), when compared with the previous framework defined by Royal Decree-Law 2/2013.

Regulatory framework for the activities in Portugal

The Environment and Energy Ministry published, on 24 June, the Decree Law 94/2014 that allows the increase of installed capacity of wind farms up to 20%. The additional production generated from the capacity increase will have a fixed remuneration of 60 Euros/MWh, whilst the remaining production is remunerated at the previous tariff.

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying condensed consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its joint ventures and associated companies, for the nine-month period ended 30 September 2014 and condensed consolitated and company statement of financial position as at 30

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 30 October 2014. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

In accordance with Regulation (EC) 1606/2002 of the European Council and Parliament, of 19 July 2002, as transposed into Portuguese legislation through Decree-law 35/2005 of 17 February, the company's financial statements and the Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed by the European Union (EU). IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The EDP Group's consolidated and company condensed financial statements for the nine-month period ended 30 September 2014 were prepared in accordance with IFRS as adopted by the E.U. until 30 September 2014 and considering the International Financial Reporting Standard IAS 34 - Interim Financial Reporting. These financial statements do not include all the information required to be published on the annual financial statements, and should, therefore, be read together with the consolidated financial statements of the Group as of and for the year ended 31 December 2013.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 49.

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

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

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

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

Adoption of IFRS 10 and 11

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

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

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

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

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

Changes in line items of the Condensed Consolidated Income Statement

For accounting periods beginning on 1 January 2014, EDP group is presenting the following:

- "Revenues from energy sales and services and other", which combines the previous line items "Turnover" and "Revenue from assets assigned to concessions";

- "Cost of energy sales and other", which combines the previous line items "Cost of electricity", "Cost of gas", "Changes in inventories and cost of raw materials and consumables used" and "Expenditures with assets assigned to concessions";

- "Other operating income" and "Other operating expenses" as "Other income" and "Other expenses".

For comparison purposes, EDP Group changed these line items also for the comparative period.

b) Basis of consolidation

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

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

Controlled entities

Investments in subsidiaries where the EDP Group has control are fully consolidated from the date the Group assumes control over their financial and operating activities until the moment that control ceases to exist.

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

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

As from 1 January 2010, on a step acquisition process resulting in the acquisition of control the revaluation of any investee previously acquired is booked against the income statement when goodwill is calculated. On a partial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement, as well as any gain or loss resulting from the disposal.

Jointly controlled entities

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

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

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

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

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

Entities over which the Group has significant influence

Investments in associates are accounted for by the equity method from the date the Group acquires significant influence to the date it ceases. Associates are entities over which the Group has significant influence, but not control, over its financial and operating policies.

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

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

Hedging derivatives are recorded at fair value, being the gains and losses recognised in accordance with the hedge accounting model applied by the Group. Hedge relationship exist when:
(i) At the inception of the hedge there is formal documentation of the hedge;
(ii) The hedge is expected to be highly effective;
(iii) The effectiveness of the hedge can be reliably measured;
(iv) The hedge is revalued on an on-going basis and is considered to be highly effective throughout the reporting period;
(v) The forecast transaction being hedged must be highly probable and must be exposed to changes in cash flows that could ultimately affect profit or loss.

Fair value hedge

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

Cash flow hedge

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

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

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

Net investment hedge

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

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

Effectiveness

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

e) Other financial assets

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

Financial assets at fair value through profit or loss

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

Available-for-sale investments

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

Initial recognition, measurement and derecognition

Purchases and sales of: (i) financial assets at fair value through profit or loss, and (ii) available-for-sale investments, are recognised on the trade date, which is the date on which the Group commits to purchase or sell these financial assets.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, in which the transaction costs are recognised directly in the income statement.

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

Subsequent measurement

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

Available-for-sale investments are also subsequently carried out at fair value, however, gains and losses arising from changes in their fair value are recognised in fair value reserves until the financial assets are derecognised or impaired, being the cumulative gains or losses previously recognised in fair value reserves recognised in the income statement. Foreign exchange differences relating to these assets are also recognised in fair value reserves if arising from shares, and in the income statement if arising from debt instruments. Interest, calculated using the effective interest rate method, as well as dividends received are recognised in the income statement.

The fair value of listed investments in active markets is based on current bid price. The Group determines the fair value of unlisted securities through (i) valuation methodologies, such as the price of similar recent arm's length transactions and discounted cash flow techniques, and (ii) valuation assumptions based on market information.

Financial assets whose fair value cannot be reliably measured are stated at cost, being any impairment loss booked against the income statement.

Reclassifications between categories

The Group does not transfer financial instruments into or out of the fair value through profit or loss category at the moment of its initial recognition being the variations recognised in the income statement (fair value option).

Impairment

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

For the financial assets that present evidence of impairment, the respective recoverable amount is determined, and the impairment losses are recognised in the income statement.

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

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

For debt instruments, if in a subsequent period the amount of the impairment loss decreases, the previously recognised impairment loss is reversed in the income statement up to the amount of the acquisition cost, if the increase is objectively related to an event occurring after the impairment loss was recognised. For equity instruments, impairment losses can not be reversed and any subsequent event which determines a fair value increase is recognised in equity under fair value reserves.

f) Financial liabilities

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

g) Equity instruments

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

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

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

Preference shares issued by the Group are considered as an equity instrument when the there is no contractual obligation to redeem the shares and dividends are paid at the discretion of the Group. Preference shares issued by subsidiaries, classified as equity instruments and held by third parties, are recognised as non-controlling interests.

h) Property, plant and equipment

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

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

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

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

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

	Number of years
Buildings and other constructions	8 to 50
Plant and machinery:	
- Hydroelectric generation	32 to 75
- Thermoelectric generation	25 to 40
- Renewable generation	25
- Electricity distribution	10 to 40
- Other plant and machinery	5 to 10
Transport equipment	4 to 25
Office equipment and tools	4 to 10
Other property, plant and equipment	10 to 25

According to IFRS, the estimate of the useful life of assets should be reviewed whenever a change in the expected economic benefits occurs flowing from the assets as well as when the technical use planned for the assets differs from previous estimates. Changes occurring in the depreciation charge for the year are accounted prospectively.

Borrowing costs and other directly attributable costs

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

Government grants

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

Transfers of assets from customers

The International Financial Reporting Interpretations Committee (IFRIC) issued in November 2008, the interpretation IFRIC 18 - Transfers of Assets from Customers. This interpretation was approved by the European Commission on 27 November 2009, being applicable for periods beginning after 31 October 2009. For EDP Group, the first period after the approval of this interpretation is the year 2010.

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:

- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

The concession rights on distribution of electricity in Brazil and the concession rights related to the distribution of gas in Portugal, are recorded as intangible assets and amortised on a straight-line basis over the concessions period, not exceeding 30 and 40 years, respectively.

Concession rights to use the public hydric domain

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

The accounting policy related to intangible assets assigned to concessions is described in note 2aa), Group concession activities.

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

k) Investment property

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

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

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

l) Inventories

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

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

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

m) Accounts receivable

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

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

n) Employee benefits

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

Pensions

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

Defined benefit plans

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

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

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

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

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

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

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

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

Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

The Group offsets, as established in IAS 12, the deferred tax assets and liabilities if, and only if:
(i) the entity has a legally enforceable right to offset current tax assets against current tax liabilities; and
(ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in future periods in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Operating segments

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

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

x) Tariff adjustments

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

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

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

y) CO2 licences and greenhouse gas emissions

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

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

z) Statement of Cash Flow

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

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

aa) Group concession activities

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

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

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

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

Financial Asset Model

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

Intangible Asset Model

This model is applicable when the operator, within the concession, is remunerated on the basis of the level of use of the infrastructure (demand risk) and results in an intangible asset recognition.

Mixed Model

This model is applicable when the concession includes simultaneously guaranteed remuneration and remuneration based on the level of use of the infrastructure within the concession.

Under the terms of the concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of the assets assigned to concessions, thus the revenue and the expenditure with the acquisition of these assets have equal amounts (see note 6).

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

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

Grants received from customers related to assets within concessions are delivered to the Group on a definitive basis and, therefore, are not reimbursable. These grants are deducted from the value of the assets allocated to each concession.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN PREPARING THE FINANCIAL STATEMENTS

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

The main accounting estimates and judgements used in applying the accounting policies are discussed in this note in order to improve the understanding of how its application affects the Group's reported results and cdisclosures. A broader description of the accounting policies employed by the Group is disclosed in note 2 to these condensed consolidated financial statements.

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

Initial compensation was recognised when the PPAs terminated as an account receivable of 833,467 thousands of Euros, booked at its net present value, against deferred income. Part of the initial compensation is recognised as operating income each year against a reduction of the deferred initial compensation. According to the applicable legislation, securitization of this amount is possible. Compensation resulting from the revisable mechanism refers to the correction of the initial compensation for each year considering the actual conditions and is recognised as a loss or gain in the year to which it relates. Final compensation will be calculated in accordance with the terms defined by the legislation relating to the termination of the PPAs, after the end of the revisable mechanism period (10 years). Interest resulting from the discount rate used is booked in the period to which it relates, based on the respective implicit rate, against income for each period.

Contractual Stability Compensation - Revisable mechanism

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

Review of the useful life of the assets

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

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

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

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

Useful lives of generation assets - Hydro independent generator in Brazil

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

Tariff adjustments

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

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

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

In Spain, the Royal Decree Law 6/2009, published on 7 May 2009 established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013 access tariffs would be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_2 costs in markets prices, and which was to be in force until 2012; (iv) the creation of a social subsidy, which translates to a lower tariff for low income consumers and (v) the charge to electric companies of the costs with the management and treatment of radioactive waste from nuclear power plants and fuels consumed. However, Royal Decree Law 29/2012, endorsed on 28 December, abolished the regulatory requirement mentioned in paragraph (ii) above. The direct consequence of this suppression is that access tariffs will not be related to the sufficiency of the tariffs, so there may be temporary imbalances, to be recovered in a single annual fee in subsequent years.

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

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

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

Impairment of long term assets and Goodwill

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

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

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

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

Income taxes

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

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

In Portugal, the tax authorities are entitled to review the EDP, S.A. and its subsidiaries' determination of their annual taxable earnings for a period of four years. In case of tax losses carried forward, this period is twelve years for annual periods starting from 2014, five years for annual periods of 2013 and 2012, four years for annual periods of 2011 and 2010 and six years for previous annual periods. In Spain the period is four years and in Brazil it is five years. In the United States of America, in general, for the IRS (Internal Revenue Service) to issue additional income tax assessments for an entity is three years, from the date that the income tax return is filed by the taxpayer. As a result, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law. However, EDP Group and its subsidiaries believe that there will be no significant corrections to the income tax booked in the financial statements.

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

The EDP Group considers that there are legal, contractual or constructive obligations to dismantle and decommission of Property, plant and equipment assets allocated to electricity generation operations. The Group records provisions in accordance with existing obligations to cover the present value of the estimated cost to restore the locations and land where the electricity generation units are located. The calculation of the provisions is based on estimates of the present value of the future liabilities.

The use of different assumptions in the estimates and judgement from those referred could lead to different financial results than those considered.

Measurement criteria of the concession financial receivables under IFRIC 12

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

Regulatory changes occurred in Spain

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

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

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

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

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

The Spanish Government published in 20 June 2014, the Order IET/1045/2014, which includes the parameters to remunerate the renewable energy assets, under the new remuneration framework that was approved by the Decree-Law 413/2014 of June 2014, described on Note 1.

Entities included in the consolidation perimeter

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

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

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

4. FINANCIAL-RISK MANAGEMENT POLICIES

Financial risk management

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

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

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

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

Exchange-rate risk management

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

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

EDP Group is exposed to the exchange rate risk in US Dollars (USD), British Pounds (GBP), Japanese Yen (JPY), Swiss francs (CHF), Brazilian Reais (BRL), Romanian Leu (RON), Zloty (PLN) and Canadian Dollars (CAD). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to these assets.

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

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

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 30 September 2014 and 2013, would lead to an increase / (decrease) in the EDP Group results and / or equity as follows:

	Sep 2014			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	23,796	-29,085	-5,081	6,210
RON	498	-609	-	-
PLN	10,327	-12,622	-	-
	34,621	-42,316	-5,081	6,210

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

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

Interest rate risk management

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

In the floating rate financing context, the EDP Group engages interest rate derivative financial instruments to hedge the cash flows associated with future interest payments, which have the effect of converting floating interest rate loans into fixed interest rate loans.

Long-term loans engaged at fixed rates are, when appropriate, converted into floating rate loans through interest rate derivative financial instruments designed to reduce financial charges and to level them to market conditions. In addition to these operations, more structured collar operations are engaged, as necessary, to mitigate exposure of the debt cash flows to market rate fluctuations.

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 14 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 46% of the Group's liabilities are at fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 30 September 2014 and 2013 would lead to the following increases / (decreases) in equity and / or results of the EDP Group:

	Sep 2014			
	Profit or loss		Equity	
Thousands of Euros	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
Cash flow effect:				
Hedged debt	-18,421	18,421	-	-
Unhedged debt	-29,934	29,934	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	17,241	-18,013
Trading derivatives (accounting perspective)	-505	562	-	-
	-48,860	48,917	17,241	-18,013

	Sep 2013			
	Profit or loss		Equity	
Thousands of Euros	50 pb increase	50 pb decrease	50 pb increase	50 pb decrease
Cash flow effect:				
Hedged debt	-12,561	12,561	-	-
Unhedged debt	-37,978	37,978	-	-
Fair value effect:				
Cash flow hedging derivatives	-	-	23,818	-26,981
Trading derivatives (accounting perspective)	-1,913	558	-	-
	-52,452	51,097	23,818	-26,981

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

Counterparty credit risk management

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

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

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

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

Liquidity risk management

The EDP Group undertakes management of liquidity risk through the engagement and maintenance of credit lines and financing facilities with a firm underwriting commitment with national and international financial institutions allowing immediate access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the EDP Group's short-term financing sources to be diversified (see note 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 (OMIE and OMIP) as well as to third parties. The Group is exposed to energy market risks namely in its operations in the non-regulated market. Some electricity generating plants despite operating in the market, are subject to the CMEC legislation, and the changes in the operating margins are determined essentially by the difference between the prices in the market and the reference indexes defined in the contracts.

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (CO2) and fuel (coal, fuel and gas). The portfolio is managed through the engagement of operations with financial and physical settlement on the forward energy markets. The objective of the operations is to reduce volatility of the financial impact resulting from the managed positions and also to benefit from arbitration or positioning within the trading limits approved by the Executive Board of Directors. The financial instruments traded include swaps (electricity, fuel 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 a periodic review based on the evolution of the operations, in order to change the profile of the positions and adjust them to the established management objectives.

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

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

	P@R Distribution by risk factor	
Thousands of Euros	Sep 2014	Dec 2013
Risk factor		
Negotiation	1,000	2,000
Fuel	15,000	21,000
CO2	10,000	15,000
Electricity	26,000	21,000
Hydrological	63,000	36,000
Diversification effect	-59,000	-51,000
	56,000	44,000

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

	Sep 2014	Dec 2013
Credit risk rating (S&P)		
AAA to AA-	6.46%	14.51%
A+ to A-	33.22%	59.60%
BBB+ to BBB-	46.35%	10.31%
BB+ to B-	0.72%	0.82%
No rating assigned	13.25%	14.76%
	100.00%	100.00%

Brazil - Interest rate and exchange rate risk management

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

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

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

The summary of VaR on the operations of the Brazilian subsidiaries is as follows:

	VaR	
Thousands of Euros	Sep 2014	Dec 2013
Exchange rate risk	549	1,093
Interest rate risk	11,622	3,788
Covariation	-721	-1,340
	11,450	3,541

5. CONSOLIDATION PERIMETER

During the nine-month period ended 30 September 2014, the following changes occurred in the EDP Group consolidation perimeter:

Companies acquired:
- EDP Renewables Polska, S.P. ZO.O acquired 100% of the share capital of Radziejów Wind Farm Sp. ZO.O.;
- EDP Renewables Italia, S.R.L. acquired 100% of the share capital of Wincap, S.R.L.

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

  This transaction was treated as a disposal of non-controlling interests without loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 4,581 thousands of Euros, was booked against reserves under the corresponding accounting policy.
- EDP Renewables Europe, S.L. sold 7% of its interests of the following companies:
  - Les Eoliennes en Mer de Dieppe - Le Tréport, S.A.S.;
  - Les Eoliennes en Mer de Vendée, S.A.S.
- EDP Brasil sold 50% share interest in Energia Cachoeira Caldeirão, S.A. and in Companhia Energética do Jari - Ceja (that helds 100% of the share capital of ECE Participações, S.A.) by 135,534 thousands of Euros (corresponding to a sale price of 420,646 thousands of Reais deducted of transaction fees of 2,136 thousands of Reais), with a subsequent loss of the these share interests, which are booked under the equity method. This sale led to the loss of control of the companies, and to a gain of 131,457 thousands of Euros, which was booked in other income under the corresponding accounting policy (see note 7);
- EDP Cogeneración S.L. liquidated Renovamed, S.A;
- EDPR Renovables España, S.L. liquidated Sotromal, S.A. and Rasacal Cogeneración, S.A.

Companies merged:
- The following companies were merged into EDP Renewables Canada LP, Holdings Ltd.:
  - 8067241 BC, Ltd.;
  - 0867242 BC, Ltd.;
  - South Branch Wind Farm, Inc.
- EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. was merged into EDP Comercial - Comercialização de Energia, S.A.

Companies incorporated:
- Energia São Manoel S.A.;
- CHC Comercializador de Referencia, S.L.;
- EDPR Solar Ventures I;
- EDPR Wind Ventures XII *;
- Parc Eolien de Boqueho - Pouagat, S.A.S.;
- Parc Eolien de Francourville, S.A.S. (Company was incorporeted under the name of Parc Eolien de Preuseville, S.A.S. and was then renamed to Parc Eolien de Francourville, S.A.S.);
- 2014 Vento XII, L.L.C. *;
- 2014 Sol I, L.L.C.;
- Parc Eolien d'Escardes, S.A.S.

* EDP Group holds, through EDP Renováveis and its subsidiary EDPR NA, a set of subsidiaries in the United States legally established without share capital and that as at 30 September 2014 do not have any assets, liabilities, or any operating activity.

Other changes:

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

6. REVENUES FROM ENERGY SALES AND SERVICES AND OTHER

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

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Electricity and network access	10,116,853	10,276,723	1,497,061	1,457,506
Gas and network access	1,307,121	1,246,125	158,564	170,382
Sales of CO2 licences	14	398	24,880	11,915
Revenue from assets assigned to concessions	284,762	267,001	-	-
Other	114,482	124,706	105,584	100,493
	11,823,232	11,914,953	1,786,089	1,740,296

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

	Sep 2014					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	5,715,079	2,096,483	1,854,338	271,957	178,996	10,116,853
Gas and network access	193,329	1,113,792	-	-	-	1,307,121
Sales of CO2 licences	14	-	-	-	-	14
Revenue from assets assigned to concessions	206,027	-	78,735	-	-	284,762
Other	42,257	25,643	46,201	-	381	114,482
	6,156,706	3,235,918	1,979,274	271,957	179,377	11,823,232

	Sep 2013					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	5,870,919	2,205,395	1,791,808	262,317	146,284	10,276,723
Gas and network access	195,153	1,050,972	-	-	-	1,246,125
Sales of CO2 licences	398	-	-	-	-	398
Revenue from assets assigned to concessions	192,603	-	74,398	-	-	267,001
Other	58,407	31,892	33,946	16	445	124,706
	6,317,480	3,288,259	1,900,152	262,333	146,729	11,914,953

As at 30 September 2014, the caption Electricity and network access in Portugal, on a consolidated basis, includes a net revenue of 1,451,514 thousands of Euros (income in 30 September 2013: 1,388,596 thousands of Euros) regarding the tariff adjustments of the period (see notes 25 and 38), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 157,750 thousands of Euros (30 September 2013: 119,546 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

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

Cost of energy sales and other are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Cost of electricity	6,067,687	5,857,155	1,442,732	1,393,618
Cost of gas	967,392	937,177	-	-
Expenditure with assets assigned to concessions	284,762	267,001	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	285,033	305,888	-	-
Gas	199,893	234,318	158,564	174,014
Cost of consumables used	12,301	13,912	-	-
CO2 licences	62,456	79,268	25,134	22,241
Own work capitalised	-61,672	-53,914	-	-
Other	126,644	110,433	5	14
	624,655	689,905	183,703	196,269
	7,944,496	7,751,238	1,626,435	1,589,887

On a company basis, Cost of electricity includes costs of 732,252 thousands of Euros (30 September 2013: 739,248 thousands of Euros) with the purchase of energy under the agreement for management, purchase and resale of energy signed between EDP, S.A. and EDP Gestão da Produção de Energia, S.A.

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

	Group	
Thousands of Euros	Sep 2014	Sep 2013
Revenue from assets assigned to concessions	284,762	267,001
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-215,774	-199,865
Personnel costs capitalised (see note 9)	-61,022	-61,370
Capitalised borrowing costs (see note 13)	-7,966	-5,766
	-284,762	-267,001
	-	-

7. OTHER INCOME

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

	Group	
Thousands of Euros	Sep 2014	Sep 2013
Gains on fixed assets	4,688	21,347
Customers contributions	7,394	11,886
Income arising from institutional partnerships - EDPR NA	87,720	91,002
Estimation of the revised selling price of EDPR PT	5,002	-
Gains on disposals - assets of gas and electricity business	131,457	58,305
Other	80,714	82,829
	316,975	265,369

As at 30 September 2013, Gains on fixed assets include the effect from the sale of a land by Escelsa to Campo Participações Imobiliárias, S.A. generating a gain of 18,600 thousands of Euros (52,000 thousands of Reais).

Customers contributions include the effect of the application of IFRIC 18 in the electricity and gas distribution activities in Spain in the amount of 7,255 thousands of Euros (30 September 2013:11,305 thousands of Euros), as referred in accounting policy 2h).

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

Gains on disposals - assets of gas and electricity business is related with the gain on the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects in the amount of 131,457 thousands of Euros, which includes the fair value revaluation effect of the retained interest (50%) in the amount of 66,073 thousands of Euros (see note 41). In 2013, this caption was related with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros.

In 2007 and under the acquisition of EDPR North America, the power purchase agreements between this and its customers which were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 38). This liability is depreciated over the period of the agreements against Other income. As at 30 September 2014, the amortisation for the period amounts to 6,573 thousands of Euros (30 September 2013: 6,323 thousands of Euros).

In 2013, the caption Other also includes 13,894 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

8. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Consumables and communications	37,688	37,625	5,748	6,162
Rents and leases	77,239	86,243	29,794	34,919
Maintenance and repairs	224,578	227,866	18,520	13,461
Specialised works:				
- Commercial activity	127,647	115,772	3,655	3,033
- IT services, legal and advisory fees	56,984	59,539	15,387	13,609
- Other services	35,514	39,271	10,394	9,703
Provided personnel	-	-	38,401	34,918
Other supplies and services	83,527	90,023	13,358	12,755
	643,177	656,339	135,257	128,560

9. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Personnel costs				
Board of Directors remuneration	11,744	11,877	4,271	4,614
Employees' remuneration	360,742	370,738	1,791	1,289
Social charges on remuneration	91,168	91,940	926	379
Performance, assiduity and seniority bonus	58,392	57,583	3,940	3,646
Other costs	18,947	18,237	853	727
Own work capitalised:				
- Assigned to concessions (see note 6)	-61,022	-61,370	-	-
- Other	-43,878	-45,248	-	-
	436,093	443,757	11,781	10,655
Employee benefits				
Pension plans costs	20,353	19,904	207	208
Medical plans costs and other benefits	6,414	7,411	109	108
Past service cost (Curtailment / Plan amendments)	-129,020	-	-	-
Other	13,806	16,112	50	49
	-88,447	43,427	366	365
	347,646	487,184	12,147	11,020

Pension plans costs include 9,086 thousands of Euros (30 September 2013: 8,955 thousands of Euros) related to defined benefit plans (see note 35) and 11,267 thousands of Euros (30 September 2013: 10,949 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 6,414 thousands of Euros (30 September 2013: 7,411 thousands of Euros) related to the charge of the period. The Past service cost is related with plan ammendements resulting from the new Collective Labour Agreement (see note 35) which result in a decrease of liabilities in the amount of 129,020 thousands of Euros.

10. OTHER EXPENSES

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

	Group	
Thousands of Euros	Sep 2014	Sep 2013
Concession rents paid to local authorities and others	205,639	204,599
Direct and indirect taxes	182,491	162,670
Donations	23,685	14,782
Impairment losses:		
- Trade receivables	21,595	35,226
- Debtors	3,737	4,435
Other	52,306	63,781
	489,453	485,493

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

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

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

	Company	
Thousands of Euros	Sep 2014	Sep 2013
Direct and indirect taxes	718	742
Donations	12,081	7,668
Impairment losses:		
- Debtors	28	15
Other	1,539	1,439
	14,366	9,864

11. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Charge for the period	32,445	71,295	938	7,310
Write-back for the period	-11,060	-31,249	-350	-4,569
	21,385	40,046	588	2,741

Provisions for the period, at 30 September 2014, include a net increase in provisions for labor, legal and other contingencies in Brazil in the amount of 6.4 millions of Euros, as well as provisions for contractual, legal and other liabilities and charges in Spain of 9.6 millions of Euros and in Portugal of 5.3 millions of Euros, which are classified as probable contingencies.

12. AMORTISATION AND IMPAIRMENT

Amortisation and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Property, plant and equipment				
Buildings and other constructions	9,093	10,393	2,019	2,131
Plant and machinery	646,869	668,635	18	19
Other	46,566	49,388	8,139	9,498
Impairment loss	12,428	11,588	-	-
	714,956	740,004	10,176	11,648
Intangible assets				
Concession rights and impairment	62,347	63,247	-	-
Intangible assets assigned to concessions - IFRIC 12	240,312	268,648	-	-
Other intangibles	2,801	1,803	2	8
Impairment loss	13,926	-	-	-
	319,386	333,698	2	8
Investment property	-	-	599	-
	1,034,342	1,073,702	10,777	11,656
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-20,249	-19,916	-	-
Impairment of Goodwill	278	-	-	-
	1,014,371	1,053,786	10,777	11,656

During the first semester of 2014, EDP Produção booked an impairment of 26,666 thousands of Euros (12,740 thousands of Euros in Property, plant and equipment and 13,926 thousands of Euros in Intangible assets), regarding with Alvito hydroelectric plant, due to market conditions there is some economic viability uncertainty, on this project, in short term.

In 2013, Impairment losses of 6,647 thousands of Euros and 3,748 thousands of Euros were booked on plant and machinery related to wind generation assets in Spain and in the United States of America, respectively. These impairment losses resulted from regulatory changes in Spain, following the publication of Royal Decree-Law 2/2013, and from the write-off of assets under construction in United States of America (see note 16).

The decrease in the property, plant and equipment amortisations reflects the useful life extension, since 1 October 2013 of the combined cycle plants from 25 to 35 years, as well as some coal plants in Spain.

Under the ANEEL Resolution 367/09, during the third quarter of 2013, the distributors Bandeirante and Escelsa conducted a physical inventory of assets assigned to concessions. Based on the assessment performed, a loss (write-down) in the amount of 21,610 thousands of Euros (60,255 thousands of Reais) was booked, under the caption amortisation of intangible assets assigned to concessions - IFRIC 12 (see note 17).

The partially-funded property, plant and equipment is depreciated on the same basis and at the same rates as the Group's remaining assets, being the corresponding cost compensated through the amortisation of the amounts received (registered under Trade and other payables from commercial activities) on the same basis and at the same rates as the corresponding partially-funded assets.

13. FINANCIAL INCOME AND EXPENSES

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

	Group	
Thousands of Euros	**Sep 2014**	**Sep 2013**
Financial income		
Interest income from bank deposits and other applications	40,383	33,583
Interest income from loans to joint ventures and associates	21,174	16,079
Interest from derivative financial instruments	111,903	96,991
Derivative financial instruments	237,996	289,645
Other interest income	37,530	34,747
Foreign exchange gains	18,164	31,978
CMEC	35,563	38,471
Other financial income	161,659	131,883
	664,372	673,377
Financial expenses		
Interest expense on financial debt	720,892	640,921
Capitalised borrowing costs:		
- Assigned to concessions (see note 6)	-7,966	-5,766
- Other	-116,464	-90,071
Interest from derivative financial instruments	86,736	78,846
Derivative financial instruments	207,156	293,062
Other interest expense	20,598	25,747
Foreign exchange losses	41,311	30,220
CMEC	13,513	14,293
Unwinding of liabilities	70,212	79,664
Net interest on the net pensions plan liability (see note 35)	18,884	23,008
Net interest on the medical liabilities and other benefits (see note 35)	30,648	30,121
Other financial expenses	32,299	39,619
	1,117,819	1,159,664
Financial income / (expenses)	-453,447	-486,287

The caption Financial income - CMEC totalling 35,563 thousands of Euros includes 11,468 thousands of Euros related to interest on the initial CMEC (30 September 2013: 12.484 thousands of Euros) included in the annuity for 2014 and 24,095 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (30 September 2013: 25,987 thousands of Euros).

The caption Other financial income includes essentially 65,709 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (30 September 2013: 71,586 thousands of Euros), 3,592 thousands of Euros (30 September 2013: 6,165 thousands of Euros) related with interest income on tariff deficit in Spain and 66,688 thousands of Euros (30 September 2013: 40,275 thousands of Euros) related to gains, on sale of part of the electricity tariff deficit related to the over cost with the aquisition of electricity from Special Regime Generators in Portugal (see note 25).

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

Financial expenses - CMEC, in the amount of 13,513 thousands of Euros (30 September 2013: 14,293 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 38).

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

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

	Company	
Thousands of Euros	Sep 2014	Sep 2013
Financial income		
Interest income from loans to subsidiaries and related parties	381,789	362,318
Interest from derivative financial instruments	71,547	29,118
Derivative financial instruments	437,712	384,351
Income from equity investments	524,049	595,160
Other financial income	11,978	15,312
	1,427,075	1,386,259
Financial expenses		
Interest expense on financial debt	353,973	281,589
Interest from derivative financial instruments	67,139	19,927
Derivative financial instruments	394,238	393,283
Other financial expenses	28,939	25,022
	844,289	719,821
Financial income / (expenses)	582,786	666,438

14. INCOME TAX

EDP Group transfer pricing practices are in line with the guidelines, the rules and the best international practices across all geographies where the Group operates, in due compliance with the spirit and letter of the Law.

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

Tax losses generated in each fiscal year, which are also subject to inspection and adjustment, can be deducted to the taxable income assessed in the subsequent periods (12 years in Portugal, 18 in Spain, 20 years in the USA and Canada, 5 in Poland, 7 in Romania, 9 in the Netherlands and without an expiry date in Brazil, France, Italy, United Kingdom and Belgium). Moreover, in the Netherlands and United Kingdom the tax losses may be carried back to the previous tax year and in the USA and Canada to the 2 and 3 previous years, respectively. However, the deduction of tax losses in Portugal, Spain, Brazil, France, Italy and Poland may be limited to a percentage of the taxable income of each period. The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

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

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

- The Royal Decree-Law 20/2012, which was approved in July 2012, introduced a new set of temporary measures regarding the Spanish Corporate Income Tax legislation. The main measures are related to the change of the method for the calculation of the payments on account due by large-sized companies in the years 2012 and 2013 and to the amendment of the limits to the deductibility of tax losses carried forward for the years 2012 and 2013, that was later extended also to fiscal years 2014 and 2015 by the Law 16/2013, published on 29 October:
  (i) Companies whose last year turnover was between 20 and 60 millions of Euros, can only deduct tax losses up to 50% of the taxable income compared to the former limit of 75%; and
  (ii) Companies whose last year turnover exceeded 60 millions of Euros, can only deduct tax losses up to 25% of the taxable income compared to the former limit of 50%.

- Law 16/2012 was published on 28 December, introducing a set of tax measures aiming at the reduction of the public deficit and the expansion of the economic activity in Spain. The main measures with impact on the Group subsidiaries located in Spain were the following:
  (i) Limit of 70% of the deductibility for tax purposes of the amortisation and depreciation of intangible and tangible assets and investment properties, on the tax years of 2013 and 2014. Therefore, the amortisation and depreciation which is not deductible for tax purposes in 2013 and 2014, may be deducted on a straight basis over a 10-year period or over the remaining useful life of the corresponding assets from the tax year of 2015 onwards; and
  (ii) Possibility of companies revaluate their tangible assets and investment properties, based on pre defined coefficients. According to the law, the effect of the reevaluation was taxed in 2013 at a single rate of 5% over the net increase in the taxable asset value. The amortisation and depreciation expense of the above mentioned net increase (revaluation) was tax deductible for the revaluated assets remaining useful life.

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

- The Law 2/2014, published on 16 January 2014, which approved the Reform of the CIT, introducing a set of new tax measures. The main measures are related to the reduction of CIT rate, the increase of state surcharge and the extended of the period to carry forward tax losses:
(i) The CIT rate was reduced from 25% to 23% in 2014 to which is added at the municipal and state tax. Additionally was established a new tier of state surcharge over taxable income exceeding 35 millions of Euros at a rate of 7%. Whereas these tax rates were already substantially approved at the the balance sheet date, they had been considered in the calculation of deferred tax assets and liabilities as at 31 December 2013;
(ii) The period to carry forward tax losses was extended from 5 to 12 years (for tax losses generated on or after 1 January 2014). Additionally, the deduction cap was reduced from 75% to 70% of the taxable income of the year.

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

On 30 December 2011, the Administrative Court of Lisbon issued a favourable decision to EDP Group regarding the municipal surcharge of 2007, which resulted in the recognition of an income of 10 millions of Euros in 2011. On 24 April 2012, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2010 in the amount of 12.7 millions of Euros, which was recorded as an income in the second quarter of 2012. On 31 December 2012, the Administrative Court of Lisbon formally released a decision in favour of EDP regarding the 2008 municipal surcharge and autonomous taxation, which resulted in the recognition of an income of 7.5 millions of Euros in 2012. On 20 May 2013, an additional favourable decision was issued by the Administrative Court of Lisbon, regarding the municipal surcharge of 2009 paid in excess in the amount of 1.6 millions of Euros, which was recorded as an income in the second quarter of 2013. On 30 September 2014, the total amount of 2011 municipal surcharge paid in excess, for which EDP Group is still awaiting for a formal decision on the legal procedures, amounts to 11 millions of Euros.

Income tax expense is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Current tax	-146,224	-248,039	-16,906	-31,612
Deferred tax	-129,282	-14,663	29,898	-30,251
	-275,506	-262,702	12,992	-61,863

The reconciliation between the nominal and the effective income tax rate for the Group, as at 30 September 2014, is analysed as follows:

	Sep 2014		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	24.5%	1,250,987	306,492
Different tax rates (includes state surcharge)	5.5%	281,616	68,996
Tax losses and tax credits	-2.0%	-100,282	-24,569
Tax benefits	-4.4%	-225,278	-55,193
Non deductible provisions and amortisations for tax purposes	-0.2%	-12,437	-3,047
Financial investments in join ventures, associates and subsidiaries	-0.6%	-30,310	-7,426
Other adjustments and changes in estimates	-0.8%	-39,784	-9,747
Effective tax rate and total income tax	22.0%	1,124,512	275,506

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

	Sep 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,203,782	319,002
Different tax rates (includes state surcharge)	5.4%	245,743	65,122
Tax losses and tax credits	4.9%	222,275	58,903
Tax benefits	-2.0%	-89,725	-23,777
Non deductible provisions and amortisations for tax purposes	0.7%	30,253	8,017
Accounting revaluations	-13.8%	-626,762	-166,092
Other adjustments and changes in estimates	0.1%	5,762	1,527
Effective tax rate and total income tax	21.8%	991,328	262,702

The reconciliation between the nominal and the effective income tax rate for the Company, as at 30 September 2014, is analysed as follows:

	Sep 2014		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	31.5%	578,631	182,269
Tax losses and tax credits	-5.5%	-101,943	-32,112
Dividends	-28.4%	-520,854	-164,069
Other adjustments and changes in estimates	0.2%	2,921	920
Effective tax rate and total income tax	-2.2%	-41,245	-12,992

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

	Sep 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	29.0%	661,931	191,960
Tax losses and tax credits	5.5%	126,407	36,658
Dividends	-25.5%	-582,290	-168,864
Other adjustments and changes in estimates	0.3%	7,273	2,109
Effective tax rate and total income tax	9.3%	213,321	61,863

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

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

	Group		Company	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Profit before tax	1,250,987	1,203,782	578,631	661,931
Income tax	-275,506	-262,702	12,992	-61,863
Effective income tax rate	22.0%	21.8%	-2.2%	9.3%

15. EXTRAORDINARY CONTRIBUTION TO THE ENERGY SECTOR (CESE)

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

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

Therefore, the Group booked under the caption Current tax liabilities - Other taxes, with reference to 1 January 2014, the responsibility concerning to CESE for the year 2014, in the amount of 61,258 thousands of Euros (see note 40). Since this contribution regards the whole year 2014, the financial statements as at 30 September 2014 includes, under the caption Extraordinary contribution to the energy sector (CESE) of the income statement, the cost corresponding to the first nine months in the amount of 45,943 thousands of Euros. The cost related to remaining period of the year 2014 were deferred under the caption Sundry debtors and other operations from commercial activities – Current in the amount of 15,315 thousands of Euros (see note 25).

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

16. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Cost				
Land and natural resources	153,905	149,857	60,138	60,148
Buildings and other constructions	481,474	471,276	85,133	85,393
Plant and machinery:				
- Hydroelectric generation	8,577,610	8,458,713	254	254
- Thermoelectric generation	7,598,951	7,580,154	-	-
- Renewable generation	12,159,767	11,387,426	-	-
- Electricity distribution	1,429,560	1,410,664	-	-
- Gas distribution	1,179,271	1,151,465	-	-
- Other plant and machinery	131,981	128,557	913	182
Other	846,660	808,591	122,724	117,256
Assets under construction	3,208,552	2,789,402	70,397	45,402
	35,767,731	34,336,105	339,559	308,635
Accumulated depreciation and impairment losses				
Depreciation charge	-702,528	-964,844	-10,176	-15,570
Accumulated depreciation in previous years	-14,892,420	-13,825,406	-105,498	-89,680
Impairment losses	-12,428	-49,205	-	-4,782
Impairment losses in previous years	-83,737	-42,551	-4,782	-
	-15,691,113	-14,882,006	-120,456	-110,032
Carrying amount	20,076,618	19,454,099	219,103	198,603

The movements in Property, plant and equipment, for the Group, for the nine-month period ended 30 September 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 September
Cost							
Land and natural resources	149,857	855	-909	-	4,102	-	153,905
Buildings and other constructions	471,276	516	-6,179	1,187	14,535	139	481,474
Plant and machinery	30,116,979	7,659	-28,996	395,810	585,894	-206	31,077,140
Other	808,591	13,798	-8,835	29,937	3,617	-448	846,660
Assets under construction	2,789,402	795,220	-3,318	-428,252	53,582	1,918	3,208,552
	34,336,105	818,048	-48,237	-1,318	661,730	1,403	35,767,731

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 September
Accumulated depreciation and impairment losses							
Land and natural resources	4,032	-	-	-	-	-	4,032
Buildings and other constructions	153,937	9,093	-5,093	-	3,917	79	161,933
Plant and machinery	14,073,226	659,290	-27,616	-	127,403	323	14,832,626
Other	650,811	46,573	-7,410	-	2,505	43	692,522
	14,882,006	714,956	-40,119	-	133,825	445	15,691,113

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

Charge / Impairment losses includes 12,740 thousands of Euros on Alvito hydroelectric plant (see note 12).

Transfer from assets under construction into operation, refer mainly to wind and solar farms of EDP Renováveis that become operational in Poland, Italy, Romania, France and Canada. Additionally, this caption include the Brazil generation asset which was classified as held for sale (see note 41).

Perimeter Variations/Regularisations includes the impact of the aquisition of Wincap, S.R.L. (see note 5).

The movement in Exchange differences in the year results mainly from the appreciation of Brazilian Real (BRL) and of American Dollar (USD) against the Euro during the nine-month period ended at 30 September 2014.

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

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 September
Cost							
Land and natural resources	175,796	6,694	-648	1,271	-7,440	229	175,902
Buildings and other constructions	654,384	103	-1,214	1,685	-32,602	-124,704	497,652
Plant and machinery	30,722,609	14,737	-15,750	498,246	-317,355	-717,095	30,185,392
Other	809,611	8,220	-29,687	12,301	-1,752	-9,216	789,477
Assets under construction	2,784,191	871,394	-5,128	-513,503	-57,069	-329,595	2,750,290
	35,146,591	901,148	-52,427	-	-416,218	-1,180,381	34,398,713

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 30 September
Accumulated depreciation and impairment losses							
Buildings and other constructions	160,069	10,393	-426	-	-7,796	-401	161,839
Plant and machinery	13,461,264	680,223	-10,956	-	-59,785	-171,905	13,898,841
Other	619,918	49,388	-27,104	-	-1,234	-3,598	637,370
	14,241,251	740,004	-38,486	-	-68,815	-175,904	14,698,050

Charge / Impairment losses include 11,588 thousands of Euros, from which 10,395 thousands of Euros are related with wind generation assets in Spain and in United States of America (see note 12).

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

Perimeter Variations / Regularisations includes the impact of the adoption of IFRS 10 and 11, related with the opening balance, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 47).

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

The movements in Property, plant and equipment, for the Company, for the nine-month period ended 30 September 2014 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals/ Write-offs	Transfers	Regulari-sations	Balance at 30 September
Cost						
Land and natural resources	60,148	-	-10	-	-	60,138
Buildings and other constructions	85,393	-	-323	-	63	85,133
Other	117,692	5,794	-659	49	1,015	123,891
Assets under construction	45,402	25,044	-	-49	-	70,397
	308,635	30,838	-992	-	1,078	339,559

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Regulari-sations	Balance at 30 September
Accumulated depreciation and impairment losses						
Land and natural resources	4,032	-	-	-	-	4,032
Buildings and other constructions	22,445	2,019	-271	-	66	24,259
Other	83,555	8,157	-511	-	964	92,165
	110,032	10,176	-782	-	1,030	120,456

Additions include the investment in the new building of EDP Group in Lisbon in the amount of 20,470 thousands of Euros (30 September 2013: 10,224 thousands of Euros).

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

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

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

17. INTANGIBLE ASSETS

This caption is analysed as follows:

Thousands of Euros	Group	
	Sep 2014	Dec 2013
Cost		
Concession rights	15,289,059	15,006,697
CO2 licences	149,868	235,435
Other intangibles	191,621	158,218
Intangible assets in progress	606,477	580,193
	16,237,025	15,980,543
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-302,659	-433,697
Depreciation of other intangibles	-2,801	-2,450
Accumulated depreciation in previous years	-10,010,268	-9,526,594
Impairment losses	-13,926	-
	-10,329,654	-9,962,741
Carrying amount	5,907,371	6,017,802

The concession rights over the electricity distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network (Portgás), being amortised on a straight-line basis over the concession period, until 2047, as well as the concession of the public hydric domain for hydroelectric generation (EDP Produção and Hidroeléctrica do Guadiana), which currently does not exceed 45 years.

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

The movements in Intangible assets during the nine-month period ended 30 September 2014, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,079,171	1,969	-	-	21,070	-	1,102,210
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,418,998	315	-	-	-	-	1,419,313
CO2 licences	235,435	33,943	-119,509	-	-	-1	149,868
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,370,174	1,063	-42,745	191,153	109,537	-	12,629,182
- Intangible assets in progress	175,055	283,699	-2,981	-266,341	3,402	-	192,834
Other intangibles	158,218	24,673	-64	305	8,354	135	191,621
Other intangible in progress	405,138	8,870	-8	-305	925	-977	413,643
	15,980,543	354,532	-165,307	-75,188	143,288	-843	16,237,025

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
Accumulated depreciation and impairment losses							
Concession rights	801,081	62,347	-	-	6,217	-	869,645
Assigned to concessions (IFRIC 12)	9,129,664	240,312	-36,160	-	77,446	-	9,411,262
Other intangibles	31,996	16,727	-52	-	1,036	-960	48,747
	9,962,741	319,386	-36,212	-	84,699	-960	10,329,654

Additions of CO2 Licences include 14,703 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 19,240 thousands of Euros of licences purchased at market for own consumption. The disposals / write-off of CO2 licences correspond to the licences consumed during 2013 and delivered to regulatory authorities in the amount of 119,509 thousands of Euros.

Charge / Impairment losses includes 13,926 thousands of Euros on Alvito hydroelectric plant (see note 12).

Transfers include the net transfers of intangible assets assigned to concessions of 75,188 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 25).

The movements in Intangible assets during the nine-month period ended 30 September 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	6,730	-	-	-73,756	-	1,302,878
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	15,410	-	-	-	-	1,415,829
- Other concession rights	10,827	-	-	-	-	-10,827	-
CO2 licences	320,164	36,033	-145,013	-	-	-1,128	210,056
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	998	-47,752	154,700	-253,520	-	12,378,459
- Intangible assets in progress	160,408	266,003	-180	-218,140	-5,286	313	203,118
Other intangibles	101,616	24,174	-28	218	-2,067	-3,634	120,279
Other intangible in progress	390,630	22,595	-287	-218	-2,141	347	410,926
	16,416,355	371,943	-193,260	-63,440	-336,770	-14,929	16,179,899

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
Accumulated depreciation and impairment losses							
Concession rights	740,426	63,247	-	-	-13,544	-2,104	788,025
Assigned to concessions (IFRIC 12)	9,102,486	268,648	-41,689	-	-176,203	2,122	9,155,364
Other intangibles	31,581	1,803	-25	-	-646	-1,065	31,648
	9,874,493	333,698	-41,714	-	-190,393	-1,047	9,975,037

The net transfers of intangible assets under construction assigned to concessions in the amount of 63,440 thousands of Euros are related to the transfer to Debtors and other assets from commercial activities of the amount corresponding to the increase of financial assets related with IFRIC 12 .

The caption Hydric Portugal includes an increase of 15,352 thousands of Euros related to the power enhancement performed during the first nine months of 2013 in the Alqueva hydroelectric power plant.

Additions of CO2 Licences is related essentially to licences purchased in the market for own consumption. The disposals / write-off of CO2 licences correspond to the licences consumed during 2012 and delivered to regulatory authorities in the amount of 144,595 thousands of Euros.

Perimeter Variations / Regularisations includes the impact of the adoption of IFRS 10 and 11, related with the opening balance, therefore the movements for the period are net of the effects of the companies which changed the consolidation method (see note 47).

18. GOODWILL

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

Thousands of Euros	Group Sep 2014	Group Dec 2013
HC Energia Group	1,947,976	1,946,935
EDP Renováveis Group	1,264,879	1,212,787
EDP Brasil Group	53,643	52,904
Other	40,518	40,518
	3,307,016	3,253,144

The movements in Goodwill during the nine-month period ended 30 September 2014, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
HC Energia Group	1,946,935	1,041	-	-	-	-	1,947,976
EDP Renováveis Group	1,212,787	823	-2,587	-278	54,134	-	1,264,879
EDP Brasil Group	52,904	-	-	-	739	-	53,643
Other	40,518	-	-	-	-	-	40,518
	3,253,144	1,864	-2,587	-278	54,873	-	3,307,016

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

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 30 September
HC Energia Group	1,919,526	17,702	-	-	-	-	1,937,228
EDP Renováveis Group	1,301,218	2,336	-19,173	-	-14,363	-42,226	1,227,792
EDP Brasil Group	55,564	-	-	-	-1,733	-	53,831
Other	42,149	-	-	-	-	-504	41,645
	3,318,457	20,038	-19,173	-	-16,096	-42,730	3,260,496

HC Energia Group

During the nine-month period ended 30 September 2013, the goodwill from Hidrocantabrico Group increased by 17,702 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank (ex-Cajastur), through the put option held by this entity over 3.13% of the share capital of HC Energia. In December 2013, this put option held by Liberbank was partially exercised in 3%, remaining present the 0.13% of the share capital of HC Energia, to be exercised until 31 December 2017.

During the nine-month period ended 30 September 2014, the revaluation of the liability relating to the anticipated acquisition of non-controlling interest from Liberbank, through the put option held over 0.13% of the share capital of HC Energia, led to an increased of 1,041 thousands of Euros, as described under accounting policies - note 2b).

EDP Renováveis Group

The decrease in goodwill movement in EDPR EU Group in the nine-month period ended 30 September 2014 is related with the cancellation of the sucess fee associated to a project in EDPR France.

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

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

19. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

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

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

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Interests in joint ventures	621,900	462,859	6,595	6,595
Interests in associates	191,495	182,562	-	-
	813,395	645,421	6,595	6,595

As at 30 September 2014, for the Group, Interests in joint ventures include goodwill of 42,730 thousands of Euros (31 December 2013: 42,730 thousands of Euros) and Interests in associates include goodwill of 46,580 thousands of Euros (31 December 2013: 44,603 thousands of Euros).

The following table resumes the companies' financial information of joint ventures included in the Group consolidated accounts, as at 30 September 2014:

Thousands of Euros	Porto do Pecém	Companhia Energ. Do Jari	ECE Participações	Energia Cachoeira Caldeirão	São Manoel
Companies' financial information of joint ventures					
Non-Current Assets	1,248,498	269,079	375,891	179,459	79,641
Current Assets	217,424	177	22,548	72,190	142,032
Cash and cash equivalents	11,972	97	2,569	70,700	141,684
Total Equity	386,375	140,647	153,750	-1,189	-405
Long term Financial debt	614,120	113,096	222,730	-	175,618
Non-Current Liabilities	798,011	115,578	225,405	3,116	210,158
Short term Financial debt	57,958	13,018	6,929	231,813	-
Current Liabilities	281,536	13,031	19,284	249,722	11,920
Revenues	273,865	-	5,950	-	-
Fixed and intangible assets amortisations	-33,277	-6	-180	-	-
Other financial expenses	-69,841	-9,432	-821	-1,025	-3,375
Income tax expense	-363	-343	-1,184	373	207
Net profit for the period	6,402	-6,949	-759	-356	-402
Amounts proportionally attributed to EDP Group					
Net assets	193,187	59,430	76,875	-	-
Goodwill	-	-	-	-	-
Dividends paid	-	-	-	-	-

Thousands of Euros	Flat Rock Windpower II	Flat Rock Windpower	Compañía Eólica Aragonesa	EDP Produção Bioeléctrica	CIDE HC Energía	Others
Companies' financial information of joint ventures						
Non-Current Assets	113,060	283,657	161,832	130,300	1,846	82,117
Current Assets	1,452	7,296	16,237	13,537	44,667	27,762
Cash and cash equivalents	1,129	5,626	14,018	6,358	-	17,970
Total Equity	112,355	283,637	130,785	16,446	1,831	30,953
Long term Financial debt	-	-	-	76,820	-	50,208
Non-Current Liabilities	1,157	3,007	32,544	91,389	185	59,961
Short term Financial debt	-	-	-	10,148	-	7,032
Current Liabilities	1,000	4,310	14,739	36,003	44,498	18,964
Revenues	6,771	24,185	9,697	36,852	175,424	18,506
Fixed and intangible assets amortisations	-4,536	-13,366	-6,278	-6,704	-17	-5,118
Other financial expenses	-42	-108	-11	-1,491	-458	-1,307
Income tax expense	-	-	459	-1,246	-1,732	313
Net profit for the period	-430	2,817	-1,071	2,854	4,041	-3,390
Amounts proportionally attributed to EDP Group						
Net assets	56,177	141,818	65,392	8,223	911	19,887
Goodwill	-	-	39,558	-	-	3,172
Dividends paid	2,612	10,134	2,500	-	-	-

The commitments relating to short and medium-long term financial debt, future lease payments under operating leases and other purchase obligations of joint ventures included in the Group consolidated accounts under the equity method are disclosed, as at 30 September 2014, as follows:

	Sep 2014				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (inc. falling due interest)	1,097,735	204,990	285,670	184,787	422,288
Operating lease commitments	12,989	710	1,354	1,410	9,515
Purchase obligations	617,472	253,115	133,276	29,208	201,873
	1,728,196	458,815	420,300	215,405	633,676

21. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Banco Comercial Português, S.A.	112,532	65,790	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	49,902	41,828	49,902	41,828
Tejo Energia, S.A.	21,500	21,500	-	-
Zephyr Fund (Energia RE portfolio)	56,112	53,751	-	-
Others	30,046	29,614	1,969	1,716
	270,092	212,483	51,871	43,544

As at 30 September 2014, the financial investment held in Banco Comercial Português, S.A., increased by 1,769 thousands of Euros being the increase booked against fair value reserves (see note 31). During the third quarter of 2014, regarding BCP share capital increase, EDP Group subscribed 691,898,425 shares of BCP at 0.065 Euros per share in a total investment of 44,973 thousands of Euros. After this operation, the Group holds 1,087,268,954 shares, maintaining its actual share of 2.01%.

During the nine-month period ended 30 September 2014, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 8,074 thousands of Euros being the increase booked against fair value reserves (see note 31).

The Zephyr Fund represents the participation units in a fund of stocks and bonds held by Energia RE, as a result of its reinsurance activity. During the nine-month period ended 30 September 2014, this investment increased by 2,361 thousands of Euros being the increase booked against fair value reserves (see note 31).

Under IFRS 13 (note 46), available for sale investments are classified into three levels of fair value: level 1 includes essentially financial investment held in Banco Comercial Português, S.A. and REN - Redes Energéticas Nacionais, SGPS, S.A. since they are indexed to market price; level 2 includes the fund of stocks and bonds held by Energia RE ; and level 3 covers all other available for sale investments. These include mainly Tejo Energia, S.A., whose fair value in the amount of 21.5 millions of Euros, was calculated according to Dividend Discount Model methodology, based on the discount rate of 7.1%. The sensitivity analysis considering an increase or decrease of 100 basis points in the discount rate determined a fair value of 20.2 millions of Euros and 22.8 millions of Euros, respectively.

Available-for-sale investments are booked at fair value being the changes since the date of acquisition net of impairment losses recorded against fair value reserves (see note 31). The fair value reserve attributable to the Group as at 30 September 2014 and 31 December 2013 is analysed as follows:

Thousands of Euros	Sep 2014	Dec 2013
Banco Comercial Português, S.A.	43,358	41,589
REN - Redes Energéticas Nacionais, SGPS, S.A.	24,082	16,008
Tejo Energia, S.A.	15,145	15,145
Zephyr Fund (Energia RE portfolio)	5,742	3,381
Others	5,417	4,496
	93,744	80,619

22. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Balance as at 1 January	320,590	340,816	-759,092	-852,054
Tariff adjustment for the period	-9,429	15,912	-6,644	-110,490
Provisions	-18,271	-27,651	-	-
Property, plant and equipment, intangible assets and accounting revaluations	-44,677	180,360	-56,338	-25,852
Deferred tax over CMECs in the period	-	-	36,742	16,154
Tax losses and tax credits	57,051	-2,170	-	-
Financial and available-for-sale investments	-5,184	1,377	5,305	-3,762
Other temporary differences	5,829	-55,996	-49,623	-62,318
Netting of deferred tax assets and liabilities	-80,674	-117,801	80,674	117,801
Balance as at 30 September	225,235	334,847	-748,976	-920,521

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

	Net deferred tax assets		Net deferred tax liabilities	
Thousands of Euros	Sep 2014	Sep 2013	Sep 2014	Sep 2013
Balance as at 1 January	25,097	69,799	-	-
Tax losses and tax credits	16,639	-21,799	-	-
Financial and available-for-sale investments	-4,750	2,056	-	-
Fair value of derivative financial instruments	-6,770	-8,642	6,683	5,396
Other temporary differences	898	87	16	-25,635
Netting of deferred tax assets and liabilities	6,699	-20,239	-6,699	20,239
Balance as at 30 September	37,813	21,262	-	-

23. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2014	Dec 2013
Merchandise	41,147	65,743
Finished, intermediate products and sub-products	13,498	8,152
Raw and subsidiary materials and consumables (coal and other fuels)	80,084	92,302
Nuclear fuel	19,145	18,491
Others	85,161	80,100
	239,035	264,788

The caption Others include CO_2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 18,809 thousands of Euros (31 December 2013: 16,745 thousands of Euros).

24. TRADE RECEIVABLES

Trade receivables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Spain	9,044	-	-	-
- Brazil	8,352	9,447	-	-
Public Sector:				
- Portugal	116,708	121,227	-	-
- Brazil	7,675	9,948	-	-
	141,779	140,622	-	-
Impairment losses	-36,672	-41,628	-	-
	105,107	98,994	-	-
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	961,655	1,293,916	177,485	193,432
- Spain	439,768	555,161	-	-
- Brazil	486,058	373,056	-	-
- U.S.A.	25,757	39,590	-	-
- Other	33,275	78,007	-	-
Public Sector:				
- Portugal	84,374	102,903	-	-
- Brazil	22,810	22,433	-	-
- Spain	31,166	30,438	-	-
	2,084,863	2,495,504	177,485	193,432
Impairment losses	-333,554	-313,601	-9,951	-9,954
	1,751,309	2,181,903	167,534	183,478
	1,856,416	2,280,897	167,534	183,478

Trade receivables - Non-Current in Spain is related with the establishment of the pool limits adjustments in EDPR EU, as a result of the publication of Royal Decree-Law 413/2014 and order IET/1045/2014 (see note 1).

25. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group	
Thousands of Euros	Sep 2014	Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	179,955	188,314
Amounts receivable from tariff adjustments - Electricity - Portugal	1,449,716	1,237,623
Amounts receivable relating to CMEC	710,240	898,500
Amounts receivable from concessions - IFRIC 12	852,424	768,963
Sundry debtors and other operations	97,810	98,089
	3,290,145	3,191,489
Impairment losses on debtors	-3,331	-3,310
	3,286,814	3,188,179

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

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Amounts receivable from tariff expenses - Electricity - Spain	1,050	75,803	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	914,003	1,056,572	-	-
Receivables relating to other goods and services	72,040	46,622	2,979	7,394
Amounts receivable relating to CMEC	158,575	167,982	-	-
Accrued income relating to energy sales and purchase activity	142,182	169,984	246,818	265,778
Sundry debtors and other operations	342,446	322,589	61,785	58,053
	1,630,296	1,839,552	311,582	331,225
Impairment losses on debtors	-22,472	-18,652	-978	-950
	1,607,824	1,820,900	310,604	330,275

The Amounts receivable from tariff expenses - Electricity - Spain correspond essentially to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 30 September 2014, according to the applicable legal framework (see note 3). Given the provisions of the electric sector Law of 27 December 2013, the cumulative amount as at 30 September 2014 does not include any estimation of the receivable deficit related to the nine-month period ending on that date.

The caption Amounts receivable relating to CMEC totalize 868,815 thousands of Euros, and includes 710,240 thousands of Euros as non-current and 158,575 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 617,384 thousands of Euros as non-current and 40,629 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2014. The remaining 92,856 thousands of Euros as non-current and 117,946 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2013 and 2014.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 852,424 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa)). The variation in the period includes mainly the effect of the appreciation of Brazilian Real against Euro in the amount of 13,866 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 75,188 thousands of Euros (see note 17).

The caption Sundry debtors and other operations - Current includes the amount of 15,315 thousands of Euros, related with the Energetic Sector Contribution, approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget Law for 2014). The contribution is due by EDP companies that operate in the production, distribution and commercialization of electricity and in the distribution and commercialization of natural gas and it is calculated on the value of the companies' assets as provided under the law and the deferred amount will be recognized in results during the year 2014.

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2013	668,965	980,225
Receipts through the electric energy tariff	-476,569	-
Partial securitisations of 2012 over costs for the special regime generators	-713,642	-
Tariff adjustment of 2012	1,351	-
Tariff adjustment for the period	667,767	885,347
Transfer to / from tariff adjustment payable	-10,397	-842
Interest income	67,089	4,497
Transfer from Non-Current to Current	800,011	-800,011
Balance as at 30 September 2013	1,004,575	1,069,216
Receipts through the electric energy tariff	-127,497	-
Partial securitisations of 2012 over costs for the special regime generators	-149,588	-
Tariff adjustment of 2012	-2,747	-
Tariff adjustment for the period	293,826	339,121
Transfer to / from tariff adjustment payable	2,893	-
Interest income	17,609	-
Securitisation adjustment of 2011 CMEC	-153,213	-
Transfer from Non-Current to Current	170,714	-170,714
Balance as at 31 December 2013	1,056,572	1,237,623
Receipts through the electric energy tariff	-679,333	-
Partial securitisations of 2013 and 2014 over costs for the special regime generators	-1,032,857	-
Tariff adjustment of 2013	18,522	6,174
Tariff adjustment for the period	554,479	1,134,736
Transfer to / from tariff adjustment payable	2,094	-
Interest income	60,773	4,936
Transfer from Non-Current to Current	933,753	-933,753
Balance as at 30 September 2014	914,003	1,449,716

During the first semester of 2014, EDP – Serviço Universal, S.A. (EDP SU), sold, in three independent operations, the rights to receive part of the electricity adjustment related to the 2014 and 2013 overcost with the acquisition of electricity activity from special regime generators, in the amount of 1,032,857 thousands of Euros (832,857 thousands of Euros in 2013 and 200,000 thousands of Euros in 2014). In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 1,113,313 thousands of Euros and generated gains net of transaction costs of 66,688 thousands of Euros (see note 13). From the three transactions, two of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 363,613 thousands of Euros and the other was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 750,000 thousands of Euros (see note 51).

During the year 2013, EDP – Serviço Universal, S.A. (EDP SU), sold, in four independent operations, the rights to receive part of the electricity adjustment related to the 2012 overcost with the acquisition of electricity activity from special regime generators, in the amount of 863,230 thousands of Euros. In these assets' sales operations, EDP SU sold without recourse the rights to receive the referred amounts and interests. The total sale price amounted to 918,100 thousands of Euros and generated gains net of transaction costs, as at 31 December 2013, of 49,572 thousands of Euros. From the four transactions, three of them were direct sales of assets to BCP and Banco Santander Totta, in the total amount of 468,100 thousands of Euros and the other was a securitization transaction carried out by Tagus - Sociedade de Titularização de Créditos, S.A. through the issuance of senior notes in the amount of 450,000 thousands of Euros.

On 19 December 2013, EDP Distribuição - Energia, S.A., the concessionaire and operator entity of the National Distribution Grid of electric energy, sold without recourse the right to recover the correction portion of the compensation mechanism to maintain the contractual balance (CMEC), referring to 2011 in the amount of 153,213 thousands of Euros, in accordance with the terms of Decree-Law n.º 256/2012 of 29 November. The operation consisted in a direct sale of the asset to BCP in the amount of 154,598 thousands of Euros, generating a gain of 885 thousands of Euros net of transaction expenses.

26. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,651,280	6,382,524
Loans to related parties	392,319	361,789	5,431	90
Guarantees rendered to third parties	62,859	61,505	5	5
Derivative financial instruments	156,540	62,812	321,875	62,882
Sundry debtors and other operations	66,254	65,926	-	-
	677,972	552,032	6,978,591	6,445,501
Debtors and other assets - Current				
Loans to subsidiaries	-	-	1,074,358	445,877
Dividends attributed by subsidiaries	-	-	-	89,880
Loans to related parties	100,789	54,270	9,488	17,148
Receivables from the State and concessors	46,997	44,820	-	-
Derivative financial instruments	91,121	143,695	115,886	116,848
Subsidiary Companies	-	-	457,367	1,302,940
Guarantees rendered to third parties	6,924	6,341	-	-
Sundry debtors and other operations	49,142	57,453	3,308	2,134
	294,973	306,579	1,660,407	1,974,827
	972,945	858,611	8,638,998	8,420,328

Loans to subsidiaries - Non-Current and Current, for the Company, mainly includes 4,330,493 thousands of Euros (31 December 2013: 4,042,803 thousands of Euros) of loans to EDP - Gestão da Produção de Energia, S.A. and 2,884,875 thousands of Euros (31 December 2013: 2,341,424 thousands of Euros) of loans to EDP Distribuição de Energia, S.A. (see note 45).

Subsidiary Companies, for the Company, mainly includes amounts to be received through EDP Group's financial system of 370,598 thousands of Euros (31 December 2013: 1,220,963 thousands of Euros)

27. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Income tax	162,783	196,594	98,679	120,503
Value added tax (VAT)	126,969	214,581	22,811	7,942
Turnover tax (Brazil)	4,933	4,409	-	-
Other taxes	16,929	17,468	3,255	3,608
	311,614	433,052	124,745	132,053

On EDP Group, the caption Other taxes includes the amount of 6,725 thousands of Euros (31 December 2013: 8,132 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Cash	220	84	13	-
Bank deposits				
Current deposits	435,151	473,923	12,767	12,286
Term deposits	896,466	1,337,703	324,837	891,119
Other deposits	650,084	306,057	-	-
	1,981,701	2,117,683	337,604	903,405
Operations pending cash settlement				
Current deposits	10,000	-	55,000	280,000
Other short term investments	58,500	38,940	-	-
	2,050,421	2,156,707	392,617	1,183,405

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

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the terms of Group accounting policy is booked as financial debt at the trade date of each emission. This caption includes: (i) 45,000 thousands of Euros, issued on 30 September 2014, acquired by EDP Finance B.V., and which settlement date occured on 2 October 2014; and (ii) 10,000 thousands of Euros, issued on 29 September 2014 and which settlement date occured on 1 October 2014.

29. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

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

Share capital and Share premium are analysed as follows:

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

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

	Group		Company	
	Sep 2014	**Sep 2013**	**Sep 2014**	**Sep 2013**
Net profit attributable to the equity holders of EDP (in Euros)	786,075,671	792,344,917	591,623,180	600,068,288
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	786,075,671	792,344,917		
Weighted average number of ordinary shares outstanding	3,631,888,726	3,626,894,992	3,633,401,726	3,628,407,992
Weighted average number of diluted ordinary shares outstanding	3,631,955,700	3,627,230,798	3,633,468,700	3,628,743,798
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.22		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.22	0.22		
Basic earnings per share from continuing operations (in Euros)	0.22	0.22		
Diluted earnings per share from continuing operations (in Euros)	0.22	0.22		

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

The average number of shares was determined as follows:

	Group		Company	
	Sep 2014	**Sep 2013**	**Sep 2014**	**Sep 2013**
Ordinary shares issued at the beginning of the period	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the period	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-24,648,989	-29,642,723	-23,135,989	-28,129,723
Average number of shares during the period	3,631,888,726	3,626,894,992	3,633,401,726	3,628,407,992
Effect of stock options	66,974	335,806	66,974	335,806
Diluted average number of shares during the period	3,631,955,700	3,627,230,798	3,633,468,700	3,628,743,798

30. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Book value of EDP, S.A. treasury stock (thousands of Euros)	69,225	85,573	63,130	79,478
Number of shares	23,258,399	27,597,268	21,745,399	26,084,268
Market value per share (in Euros)	3.455	2.670	3.455	2.670
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	80,358	73,685	75,130	69,645

Operations performed from 1 January to 30 September 2014:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	810,001	-
Average purchase price (in Euros)	3.274	-
Total purchase value (thousands of Euros)	2,652	-
Volume sold (number of shares)	-5,148,870	-
Selling price average (in Euros)	3.284	-
Total sale value (thousands of Euros)	16,909	-
Final position (number of shares)	21,745,399	1,513,000
Highest market price (in Euros)	3.748	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	3.321	-

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	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Legal reserve	659,613	620,069	659,613	620,069
Fair value reserve (cash flow hedge)	-77,312	-74,003	1,177	-1,125
Tax effect of fair value reserve (cash flow hedge)	20,705	20,987	-437	257
Fair value reserve (available for sale investments)	93,744	80,619	19,727	11,648
Tax effect of fair value reserve (available for sale investments)	-11,114	-7,684	2,089	4,632
Exchange differences arising on consolidation	-88,008	-128,291	-	-
Treasury stock reserve (EDP, S.A.)	63,130	79,478	63,130	79,478
Other reserves and retained earnings	3,003,206	2,774,602	1,539,729	1,446,267
	3,663,964	3,365,777	2,285,028	2,161,226

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

	Group	
Thousands of Euros	Increases	Decreases
Balance as at 1 January 2013	494,463	-449,113
Changes in fair value	11,616	-3,547
Transfer of impairment to profit or loss	-	2,070
Balance as at 30 September 2013	506,079	-450,590
Changes in fair value	30,193	-6,114
Transfer of impairment to profit or loss	-	1,051
Balance as at 31 December 2013	536,272	-455,653
Changes in fair value	13,881	-1,152
Transfer of impairment to profit or loss	-	396
Balance as at 30 September 2014	550,153	-456,409

Changes in fair value reserve attributable to the EDP Group during the period ended 30 September 2014 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	1,769	-
Zephyr Fund (Energia RE portfolio)	2,361	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	8,074	-
Others	1,677	-1,152
	13,881	-1,152

Exchange differences on consolidation

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

		Exchange rates at Sep 2014		Exchange rates at Dec 2013		Exchange rates at Sep 2013	
Currency		**Closing rates**	**Average exchange rate**	**Closing rates**	**Average exchange rate**	**Closing rates**	**Average exchange rate**
Dollar	USD	1.258	1.355	1.379	1.328	1.351	1.317
Brazilian Real	BRL	3.082	3.104	3.258	2.868	3.041	2.793
Macao Pataca	MOP	10.067	10.822	11.014	10.609	10.786	10.522
Canadian Dollar	CAD	1.406	1.482	1.467	1.368	1.391	1.348
Zloty	PLN	4.178	4.175	4.154	4.197	4.229	4.201
Romanian Leu	RON	4.410	4.447	4.471	4.419	4.462	4.409
Pound Sterling	GBP	0.777	0.812	0.834	0.849	0.836	0.852
Rand	ZAR	14.261	14.536	14.566	12.827	13.599	12.495

Treasury stock reserve (EDP, S.A.)

In accordance with the article 324.º of "Código das Sociedades Comerciais", EDP, S.A., has created an unavailable reserve with an amount equal to the book value amount of treasury stock held.

Dividends

On 12 May 2014, the Shareholders General Meeting of EDP, S.A. approved the dividends distribution to shareholders of the net profit for the year 2013 in the amount of 676,459 thousands of Euros, corresponding to a dividend of 0.185 Euros per share (including the treasury stock dividend owned by EDP, S.A. in the amount of 4,301 thousands of Euros). This distribution occurred on 29 May 2014.

32. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2014	Dec 2013
Non-controlling interests in income statement	143,462	188,553
Non-controlling interests in equity and reserves	3,055,798	2,893,593
	3,199,260	3,082,146

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

	Group	
Thousands of Euros	Sep 2014	Dec 2013
EDP Renováveis Group	1,691,390	1,662,735
EDP Brasil Group	1,375,980	1,289,891
Other	131,890	129,520
	3,199,260	3,082,146

During the nine-month period ended 30 September 2014, EDP Group generated profits of 143,462 thousands of Euros attributable to non-controlling interests (31 December 2013: 188,553 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 52,185 thousands of Euros, a decrease of 40,840 thousands of Euros related to dividends, a positive variation of 23,567 thousands of Euros resulting from exchange differences, attributable and negative variations resulting from share capital decreases of 22,545 thousands of Euros. In the first semeter of 2014, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in a wind farm portfolio located in France to Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, and, as a result, the Group recognised non-controlling interests of 23,675 thousands of Euros and an positive impact in reserves attributable to EDP Group of 4,581 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 85,933 thousands of Euros of profits attributable to non-controlling interests, a decrease of 68,855 thousands of Euros related to dividends attributable and positive variation of 72,191 thousands of Euros resulting from exchange differences.

33. HYDROLOGICAL ACCOUNT

The movements in the Hydrological account are analysed as follows:

Thousands of Euros	Group and Company Sep 2014	Group and Company Sep 2013
Balance at the beginning of the period	35,641	56,476
Amounts received / (paid) during the period	-26,730	-17,124
Financial charges	835	1,569
Balance at the end of the period	9,746	40,921

34. FINANCIAL DEBT

This caption is analysed as follows:

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	995,738	1,050,369	995,738	1,050,369
- EDP Finance B.V.	3,360,337	3,404,831	-	-
- EDP Brasil Group	127,428	182,135	-	-
- EDP Renováveis Group	826,426	696,759	-	-
- EDP Produção	94,302	96,470	-	-
- Others	26,827	29,685	-	-
	5,431,058	5,460,249	995,738	1,050,369
Non-convertible bond loans:				
- EDP, S.A.	450,000	689,011	5,800,000	6,039,011
- EDP Finance B.V.	9,629,145	8,743,467	-	-
- EDP Brasil Group	469,450	422,982	-	-
- EDP Renováveis Group	-	29,102	-	-
	10,548,595	9,884,562	5,800,000	6,039,011
Commercial paper:				
- EDP, S.A.	396,667	196,993	396,667	196,993
	396,667	196,993	396,667	196,993
Other loans:				
- Investco preference shares	16,265	15,127	-	-
- EDP Brasil Group	15,986	19,284	-	-
- EDP Renováveis Group	10,540	11,363	-	-
- Others	751	1,586	-	-
	43,542	47,360	-	-
	16,419,862	15,589,164	7,192,405	7,286,373
Accrued interest	-	14,257	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	96,521	-2,698	-	3,752
Total Debt and borrowings	16,516,383	15,600,723	7,192,405	7,290,125
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-316,905	-334,497	-316,905	-334,497
Other collateral deposits	-77,887	-85,584	-	-
Total Collateral Deposits	-394,792	-420,081	-316,905	-334,497
	16,121,591	15,180,642	6,875,500	6,955,628

Thousands of Euros	Group Sep 2014	Group Dec 2013	Company Sep 2014	Company Dec 2013
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	60,469	46,827	60,469	46,827
- EDP Finance B.V.	149,903	1,636,171	-	-
- EDP Brasil Group	182,423	114,453	-	-
- EDP Renováveis Group	103,515	88,041	-	-
- Others	9,224	18,668	-	-
	505,534	1,904,160	60,469	46,827
Non-convertible bond loans:				
- EDP, S.A.	445,871	200,000	445,871	200,000
- EDP Finance B.V.	1,777,253	1,376,628	-	-
- EDP Brasil Group	228,703	187,489	-	-
- EDP Renováveis Group	30,800	-	-	-
	2,482,627	1,764,117	445,871	200,000
Commercial paper:				
- EDP, S.A.	187,500	106,500	2,194,100	2,881,000
- EDP Renováveis Group	-	6,139	-	-
- HC Energia Group	103,712	1,000	-	-
	291,212	113,639	2,194,100	2,881,000
Other loans	17,660	19,905	-	-
	3,297,033	3,801,821	2,700,440	3,127,827
Accrued interest	277,513	344,683	84,846	82,950
Other liabilities:				
- Fair value of the issued debt hedged risk	13,159	11,582	1,841	-
Total Debt and borrowings	3,587,705	4,158,086	2,787,127	3,210,777
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-28,088	-12,675	-28,088	-12,675
Other collateral deposits	-10,845	-6,054	-	-
Total Collateral Deposits	-38,933	-18,729	-28,088	-12,675
	3,548,772	4,139,357	2,759,039	3,198,102

(*) Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit which amount at 30 September 2014 is 334,993 thousands of Euros (316,905 thousands of Euros non-current and 28,088 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 88,732 thousands of Euros (77,887 thousands of Euros non-current and 10,845 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

The Group has project finance loans with the usual guarantees for such loans, namely pledgsd or promissory pledges over shares, bank accounts and assets relating to the projects. As at 30 September 2014 and 31 December 2013 these loans amounted to 1,018,533 thousands of Euros and 939,826 thousands of Euros, respectively (see note 43).

EDP Group has short-term credit facilities of 199,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available, as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 30 September 2014. EDP Group has a medium term Revolving Credit Facility (RCF) of 3,150,000 thousands of EUR for liquidity management needs in USD and EUR, with a firm underwriting commitment and five years of maturity, which as at 30 September 2014 is totally available.

Commercial Paper non-current refers to a Commercial Paper programs with a firm underwriting commitment for a period up to one year in the amounts of 250,000 thousands of Dollars and 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 2,014 thousands of Euros.

The nominal value of Bond loans issued with external counterparts and outstanding, as at 30 September 2014, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions/ Redemption	Thousands of Euros Group	Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May/08	Variable rate (iii)	n.a.	May/18	300,000	300,000
EDP, S.A.	Dec/11	Fixed rate EUR 6%	n.a.	Dec/14	200,000	200,000
EDP, S.A.	May/12	Fixed rate EUR 6%	n.a.	May/15	250,000	250,000
EDP, S.A.	Oct/13	Variable rate (iii)	n.a.	Oct/18	150,000	150,000
					900,000	900,000
Issued under the Euro Medium Term Notes program						
EDP Finance B.V. (i)	Aug/02	Fixed rate GBP 6.625%	Fair Value	Aug/17	320,000	-
EDP Finance B.V.	Dec/02	Fixed rate EUR (iii)	n.a.	Dec/22	93,357	-
EDP Finance B.V.	Jun/05	Fixed rate EUR 3.75%	n.a.	Jun/15	500,000	-
EDP Finance B.V. (i)	Jun/05	Fixed rate EUR 4.125%	n.a.	Jun/20	300,000	-
EDP Finance B.V.	Jun/06	Fixed rate EUR 4.625%	n.a.	Jun/16	500,000	-
EDP Finance B.V.	Nov/07	Fixed rate USD 6.00%	Net Investment	Feb/18	794,723	-
EDP Finance B.V. (i)	Nov/08	Fixed rate GBP 8.625%	Fair Value	Jan/24	410,314	-
EDP Finance B.V.	Nov/08	Zero coupon EUR (iii)	n.a.	Nov/23	160,000	-
EDP Finance B.V. (i)	Jun/09	Fixed rate JPY (iii)	n.a.	Jun/19	83,104	-
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	794,723	-
EDP Finance B.V.	Feb/10	Variable Rate USD (iii)	Net Investment	Feb/15	79,472	-
EDP Finance B.V. (i)	Mar/10	Fixed Rate EUR 3.25%	Fair Value	Mar/15	1,000,000	-
EDP Finance B.V.	Feb/11	Fixed Rate EUR 5.875%	n.a.	Feb/16	750,000	-
EDP Finance B.V.	Sep/12	Fixed Rate EUR 5.75%	n.a.	Sep/17	750,000	-
EDP Finance B.V. (i)	Nov/12	Fixed Rate CHF 4.00%	Fair Value	Nov/18	103,922	-
EDP Finance B.V. (i)	Sep/13	Fixed Rate EUR 4.875%	Fair Value	Sep/20	750,000	-
EDP Finance B.V. (i)	Nov/13	Fixed Rate EUR 4.125%	Fair Value	Jan/21	600,000	-
EDP Finance B.V.	Dec/13	Variable rate (iii)	n.a.	Dec/14	200,000	-
EDP Finance B.V.	Jan/14	Fixed Rate USD 5.25%	Net Investment	Jan/21	596,042	-
EDP Finance B.V. (i)	Apr/14	Fixed Rate EUR 2.625%	Fair Value	Apr/19	650,000	-
EDP Finance B.V.	Jun/14	Variable rate (iii)	Net Investment	Jun/19	79,472	-
EDP Finance B.V. (i)	Sep/14	Fixed Rate EUR 2.625%	Fair Value	Jan/22	1,000,000	-
					11,515,129	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Bandeirante	Jul/10	CDI + 1.50%	n.a.	Jun/16	101,230	-
Energest	Apr/12	CDI + 0.98%	n.a.	Apr/17	38,934	-
Energias do Brasil	Apr/13	CDI + 0.55%	n.a.	Apr/16	162,227	-
Lajeado Energia	Nov/13	CDI + 1.20%	n.a.	Nov/19	146,004	-
Energias do Brasil	Feb/14	CDI + 0.72%	n.a.	Aug/15	97,336	-
Bandeirante	Apr/14	CDI + 1.39%	n.a.	Apr/19	97,336	-
Escelsa	Aug/14	CDI + 1.50%	n.a.	Aug/20	57,363	-
					700,430	-
Issued by the EDP Renováveis Brasil in the Brazilian domestic market						
Central Eólica Baixa do Feijão	Aug/13	CDI + 1.1%	n.a.	Feb/15	11,356	-
Central Eólica Baixa do Feijão	Oct/13	CDI + 1.1%	n.a.	Feb/15	19,467	-
					30,823	-
					13,146,382	900,000

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

Financial Debt by maturity, is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Bank loans				
Up to 1 year	563,258	1,960,659	61,449	48,681
From 1 to 5 years	4,594,094	4,645,418	686,398	686,399
More than 5 years	836,964	828,305	309,340	363,970
	5,994,316	7,434,382	1,057,187	1,099,050
Bond loans				
Up to 1 year	2,714,538	2,063,882	529,446	279,440
From 1 to 5 years	5,862,442	6,795,551	4,950,000	5,192,763
More than 5 years	4,782,674	3,087,095	850,000	850,000
	13,359,654	11,946,528	6,329,446	6,322,203
Commercial paper				
Up to 1 year	292,030	113,639	2,196,232	2,882,656
From 1 to 5 years	396,667	196,993	396,667	196,993
	688,697	310,632	2,592,899	3,079,649
Other loans				
Up to 1 year	17,879	19,906	-	-
From 1 to 5 years	24,949	29,123	-	-
More than 5 years	18,593	18,238	-	-
	61,421	67,267	-	-
	20,104,088	19,758,809	9,979,532	10,500,902

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

	Sep 2014		Dec 2013	
Thousands of Euros	Carrying amount	Market value	Carrying amount	Market value
Debt and borrowings - Non-Current	16,516,383	17,681,899	15,600,723	16,501,692
Debt and borrowings - Current	3,587,705	3,360,307	4,158,086	3,868,207
	20,104,088	21,042,206	19,758,809	20,369,899

In accordance with accounting policies - note 2 d) and f), the financial liabilities risks hedged by derivative financial instruments that comply with hedge accounting requirements of IAS 39, are stated at fair value. The liabilities which the Group has considered as at fair value through profit or loss (fair value option) are also stated at fair value. The remaining financial liabilities are booked at amortised cost.

As at 30 September 2014, scheduled repayments of Group's debt and borrowings including interest accrued are as follows:

Thousands of Euros	2014	2015	2016	2017	2018	Following years	Total
Debt and borrowings - Non-current	-	306,728	3,490,231	2,862,624	2,626,630	7,230,170	16,516,383
Debt and borrowings - Current	1,128,620	2,459,085	-	-	-	-	3,587,705
	1,128,620	2,765,813	3,490,231	2,862,624	2,626,630	7,230,170	20,104,088

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

35. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group	
Thousands of Euros	Sep 2014	Dec 2013
Provisions for social liabilities and benefits	894,032	960,356
Provisions for medical liabilities and other benefits	960,025	974,179
	1,854,057	1,934,535

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2014	Dec 2013
Non-Current	1,673,771	1,751,066
Current	180,286	183,469
	1,854,057	1,934,535

As at 30 September 2014, Provisions for social liabilities and benefits include 890,380 thousands of Euros relating to retirement pension defined benefit plans (31 December 2013: 955,199 thousands of Euros) and 3,652 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2013: 5,157 thousands of Euros).

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

	Group	
Thousands of Euros	Sep 2014	Sep 2013
Balance at the beginning of the period	960,356	939,399
Charge for the period	27,970	31,963
Past service cost (Curtailment / Plan amendments)	-35,592	-
Actuarial (gains)/losses	52,073	-15,339
Charge-off	-110,740	-105,579
Transfers, reclassifications and exchange differences	-35	-9,508
Balance at the end of the period	894,032	840,936

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

	Sep 2014			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	8,609	798	-321	9,086
Past service cost (Curtailment / Plan amendments)	-35,592	-	-	-35,592
Operational component (see note 9)	-26,983	798	-321	-26,506
Net interest on the net pensions plan liability	16,980	1,829	75	18,884
Financial component (see note 13)	16,980	1,829	75	18,884
	-10,003	2,627	-246	-7,622

	Sep 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	8,327	462	166	8,955
Operational component (see note 9)	8,327	462	166	8,955
Net interest on the net pensions plan liability	17,181	2,079	3,748	23,008
Financial component (see note 13)	17,181	2,079	3,748	23,008
	25,508	2,541	3,914	31,963

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

	Group	
Thousands of Euros	Sep 2014	Sep 2013
Balance at the beginning of the period	974,179	994,026
Charge for the period	37,062	37,532
Past service cost (Curtailment / Plan amendments)	-93,428	-
Actuarial (gains)/losses	66,213	8,857
Charge-off	-33,575	-31,437
Transfers, reclassifications and exchange differences	9,574	-12,210
Balance at the end of the period	960,025	996,768

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

	Sep 2014			Sep 2013		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Current service cost	5,778	636	6,414	6,445	966	7,411
Past service cost (Curtailment / / Plan amendments)	-93,428	-	-93,428	-	-	-
Operational component (see note 9)	-87,650	636	-87,014	6,445	966	7,411
Net interest on the medical liabilities and other benefits	17,321	13,327	30,648	20,526	9,595	30,121
Financial component (see note 13)	17,321	13,327	30,648	20,526	9,595	30,121
	-70,329	13,963	-56,366	26,971	10,561	37,532

As at 30 September 2014, the current service cost and net interest cost recognised were based on the estimated cost for the period determined actuarially on 30 June 2014.

Portugal

On 16 July of 2014, EDP Group formalised and concluded the signature of the new agreement that had been intensely negotiated since September 2012 with the several unions representing its employees, namely the new Collective Labour Agreement (ACT 2014), that covers the 23 companies over which it exercises control, based in Portugal. This agreement covers approximately 6,700 employees of EDP Group in Portugal.

On 30 June 2014, the relevant aspects of the New ACT 2014 were already concluded and agreed, including among others, the following main changes in comparison with the previous collective agreement in force, with impact in the future liabilities:

i) Co-payment in the acquisition moment of 22,5% for the drugs not supportted by the SNS (National Healtcare Service) and 24% in the specialist medical consultations;
ii) 24 % of the costs not included in the first bullet through a monthly payment ("mútua");
iii) Possibility of access to early retirement if the employee has 61 years old and 37 years of service (was 60/36 years).

Given the new ACT and the market rates changes, the Group has prepared actuarial studies as at 30 June 2014, which were made by an independent external entity.

The changes in the post-employment benefits described above are in accordance with IAS 19, a plan amendment which determines a decrease in the present value of future liabilities. These changes were measured and recognised in the income statement in the amount of 129,020 thousands of Euros.

Except for the change of the age to access early retirement above mentioned and the decrease of discount rate from 3% to 2.5%, the remaining actuarial assumptions were kept unchanged compared to the actuarial study as at 31 December 2013.

36. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Provision for legal and labour matters and other contingencies	65,655	62,415	-	-
Provision for customer guarantees under current operations	3,471	12,679	-	-
Provisions for dismantling and decommissioning	174,031	164,141	-	-
Provision for other liabilities and charges	144,136	142,435	22,548	22,150
	387,293	381,670	22,548	22,150

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Non-Current	365,060	354,233	21,736	19,942
Current	22,233	27,437	812	2,208
	387,293	381,670	22,548	22,150

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

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

i) Requests for the refund of tariff increases paid by industrial consumers of the Brazilian subsidiaries Bandeirante and Escelsa in the amount of 11,971 thousands of Euros (31 December 2013: 11,790 thousands of Euros). These requests result from the application of Administrative Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

ii) Bandeirante is involved in several legal actions of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 7,810 thousands of Euros (31 December 2013: 6,609 thousands of Euros);

iii) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 30 September 2014, the estimated liability amounts to 5,000 thousands of Euros, corresponding to the initial amount updated to current prices. This process is in a foreclosure stage and an appeal was filled by EDP Produção;

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

As at 30 September 2014, Provision for dismantling and decommissioning includes the following situations:

I) The Group holds a provision of 20,156 thousands of Euros (31 December 2013: 19,188 thousands of Euros) to cover the cost of dismantling the Trillo Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. Enresa has the responsibility of decommissioning nuclear power plants, as well as of treating and accommodating radioactive waste, within three years after the conclusion of the operational activity of nuclear power plants;

ii) Provisions for dismantling of wind farms of 69,696 thousands of Euros (31 December 2013: 62,461 thousands of Euros) to cover the costs of returning the sites to their original state, of which 41,202 thousands of Euros refer to the wind farms of the EDPR NA Group, 27,336 thousands of Euros to the wind farms of the EDPR EU Group, 894 thousands of Euros to the wind farms of the EDPR Brasil Group and 264 thousands of Euros to the wind farms of the EDPR Canada Group;

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 30 Setember 2014, the provision which amounts to 60,054 thousands of Euros (31 December 2013: 59,219 thousands of Euros) and 24,126 thousands of Euros (31 December 2013: 23,275 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted against an increase in property, plant and equipment) and are depreciated on a straight line basis over the average useful life of the assets.

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

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 30 September 2014, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 33,492 thousands of Euros (31 December 2013: 27,769 thousands of Euros), on the alleged existence of reflex effects of the Administrative Order 38/86 and 45/86 of the extinguished DNAEE, in the electricity tariff charged between 1986 and 2000. EDP Group classifies the risk of loss of this lawsuit as possible, considering that customer complaint has no legal basis, in accordance with existing jurisprudence with regard to such complaints;

ii) Investco is involved in a legal action of a civil nature mostly related with indemnity claims resulting from the filling of the hydroelectric reservoir, in the amount of 32,984 thousands of Euros (31 December 2013: 27,035 thousands of Euros);

iii) Escelsa is involved in several legal action of a labour nature mostly related with overtime payment, life-threatening and reintegration in the amount of 14,292 thousands of Euros (31 December 2013: 14,582 thousands of Euros).

iv) There is a public civil action filed against Bandeirante and Escelsa by ADIC – Associação de Defesa dos Interesses Colectivos, claiming a compensation arising from a tariff readjustment on part A from 43 concessionaires. The estimated value attributable to Bandeirante and Escelsa amounts to 31,070 thousands of Euros (31 December 2013: 25,644 thousands of Euros).

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 30 September 2014, the amount of this tax contingency totals 242,6 millions of Euros (31 December 2013: 235.2 millions of Euros).

Considering the analysis made, the technical advice received and a favourable binding opinion obtained from the tax authorities in relation to the nature of the transaction occurred in the year of the assessment, the EDP Group considers as remote the risk associated with this matter. Under this analysis, the capital loss is tax deductible for income tax purposes as established in article 75 number 2 of the Corporate Income Tax Code ("Código do IRC") based on the wording of the law in force at that date (actual article 81).

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

Additionally, Bandeirante through the Union of Power Industry of the State of São Paulo - SindiEnergia, filed two claims against the Department of Finance of the State of São Paulo, seeking the suspension of the effects of Decrees 55,421/2010 and 55,867/2010. Both claims obtained a favourable decision which was confirmed by the Court of Justice of the State of São Paulo. These decisions are still subject of appeal to higher courts. The estimated value at 30 September 2014 amounts to 66,890 thousands of Euros (31 December 2013: 51,124 thousands of Euros).

37. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

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

Thousands of Euros	Group Sep 2014	Group Dec 2013
Deferred income related to benefits provided	698,611	672,154
Liabilities arising from institutional partnerships in USA wind farms	852,817	836,341
	1,551,428	1,508,495

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

38. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

Thousands of Euros	Group Sep 2014	Group Dec 2013
Government grants for investment in fixed assets	602,605	567,559
Amounts payable for tariff adjustments - Electricity - Portugal	37,527	-
Energy sales contracts - EDPR NA	32,104	35,750
Deferred income - CMEC	283,836	351,822
Amounts payable for concessions	239,657	226,569
Other creditors and sundry operations	81,746	69,492
	1,277,475	1,251,192

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

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Suppliers	982,297	1,239,323	270,670	323,313
Accrued costs related with supplies	387,760	421,488	247,053	287,104
Property, plant and equipment suppliers and accruals	244,726	457,116	4,309	1,589
Holiday pay, bonus and other charges with employees	148,745	143,961	13,385	11,882
CO2 emission licences	71,785	109,233	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	274,966	285,274	-	-
Deferred income - CMEC	49,159	56,461	-	-
Other creditors and sundry operations	442,709	507,080	43,041	48,983
	2,602,147	3,219,936	578,458	672,871

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2013	144,994	842
Payment through the electricity tariff	-103,522	-
Tariff adjustment of the period	123,388	41,130
Interest expense	1,765	841
Transfer to / from tariff adjustment to receive	-10,397	-842
Balance as at 30 September 2013	156,228	41,971
Payment through the electricity tariff	-34,507	-
Tariff adjustment of 2012	2,203	-
Tariff adjustment of the period	156,741	-41,130
Interest expense	875	-
Transfer to / from tariff adjustment to receive	3,734	-841
Balance as at 31 December 2013	285,274	-
Payment through the electricity tariff	-214,138	-
Tariff adjustment of the period	200,455	37,246
Interest expense	1,281	281
Transfer to / from tariff adjustment to receive	2,094	-
Balance as at 30 September 2014	274,966	37,527

The caption CO2 emission licenses includes the CO2 consumptions made during 2014 in Portugal and Spain, in the amount of 30,328 thousands of Euros and 41,457 thousands of Euros, respectively. The decrease relates to the delivery in 2014 of the 2013 licences consumptions, which are returned to regulatory authorities until April of the year following to its consumptions.

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

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

Deferred income - CMEC current and non-current in the amount of 332,995 thousands of Euros (31 December 2013: 408,283 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2014 and including unwinding (see note 13).

Amounts payable for concessions refer to the non-current amounts payable includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 156,418 thousands of Euros (31 December 2013: 150,116 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 81,142 thousands of Euros (31 December 2013: 77,238 thousands of Euros).

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

39. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	180,807	168,325	-	-
Put options over non-controlling interest liabilities	5,805	8,138	-	-
Derivative financial instruments	164,025	115,773	72,009	-
Payables - Group companies	-	-	2,615,915	2,439,880
Amounts payable for acquisitions and success fees	12,597	14,720	-	-
Other creditors and sundry operations	39,199	19,614	6,626	11,062
	402,433	326,570	2,694,550	2,450,942
Other liabilities and other payables - Current				
Loans from non-controlling interests	94,505	91,424	-	-
Dividends attributed to related companies	88,579	36,145	-	-
Derivative financial instruments	24,182	53,683	44,716	80,128
Payables - Group companies	-	-	77,469	131,407
Put options over non-controlling interest liabilities	3,571	-	-	-
Amounts payable for acquisitions and success fees	13,662	16,863	-	-
Other creditors and sundry operations	8,136	11,536	17,670	37,403
	232,635	209,651	139,855	248,938
	635,068	536,221	2,834,405	2,699,880

The caption Loans from non-controlling interests Current and Non-Current includes the EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 September 2014 this loan amounts to 96,379 thousands of Euros, from which 10,367 thousands of Euros as current and 86,012 thousands of Euros as non-current (see note 45).

The caption Put options over non-controlling interest liabilities - Non-Current, includes the remaining 0,13% of the original written put option of Liberbank (ex-Cajastur) over EDP of HC Energia share capital in the amount of 5,681 thousands of Euros (31 December 2013: 4,641 thousands of Euros).

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

The caption Payables - Group companies Non-Current on a company basis, of 2,615,915 thousands of Euros (31 December 2013: 2,439,880 thousands of Euros), corresponds to the financing obtained through EDP Finance BV and granted to EDP - Energias de Portugal - Sociedade Anónima, Sucursal en España, following EDPR NA's acquisition and for the financing of the investment plan of EDP Renováveis Group (see note 45).

The caption Payables - Group companies Current on a company basis of 77,469 thousands of Euros (31 December 2013: 131,407 thousands of Euros) corresponds to debt financing obtained by EDP S.A. Sucursal in Spain through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively (see note 45).

40. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Income tax	89,023	156,591	7,746	18,728
Withholding tax	32,688	56,536	302	337
Value added tax (VAT)	83,558	161,657	286	857
Turnover tax (Brazil)	43,502	39,066	-	-
Social tax (Brazil)	11,267	15,904	-	-
Other taxes	197,380	144,326	132	57
	457,418	574,080	8,466	19,979

As at 30 Setember 2014, for the Group, the caption Other taxes includes essentially taxes regarding HC Energia Group (include NG Energia) of 96,154 thousands of Euros (31 December 2013: 103,969 thousands of Euros) and EDP Brasil Group of 5,213 thousands of Euros (31 December 2013: 9,199 thousands of Euros). Additionally, includes the amount of 61,258 thousands of Euros, related with the Energetic Sector Contribution, approved by article 228.º of the Law n.º 83-C/2013, 31 December (State Budget Law for 2014). The contribution is due by EDP companies that operate in the production, distribution and commercialization of electricity and in the distribution and commercialization of natural gas and it is calculated on the value of the companies' assets as provided under the Law.

41. ASSETS AND LIABILITIES HELD FOR SALE

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

This caption is analysed as follows:

	Group	
Thousands of Euros	Sep 2014	Dec 2013
Assets held for sale		
Assets of the business of electricity generation - Jari e Cachoeira	-	715,837
Assets of the business of electricity generation - Enerpeixe	1,318	-
	1,318	715,837
Liabilities held for sale		
Liabilities of the business of electricity generation - Jari e Cachoeira	-	-577,964
	-	-577,964
	1,318	137,873

On 6 December 2013, EDP Energias do Brasil comunicated to the market the establishement of a partnership with CWE Investment Corporation (CWEI) and CWEI Brasil Participações (CWEI Brasil), subsidiaries controlled by China Three Gorges (CTG), for joint energy projects in Brazil. In the context of this partnership, was concluded on 27 June 2014, the sale of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects. The total amount of the transaction, paid by CWEI to EDP Brasil was 420,646 thousands of Reais, 420,204 thousands of Reais on the sale of 50% stake in Jari hydro power plant project and 442 thousands of Reais on the sale of 50% stake in Cachoeira Caldeirão hydro power plant project, generating a gain in the amount of 407,994 thousands of Reais (131,457 thousands of Euros) as referred in note 7.

Under IFRS 10, with this sale, EDP Group lost control over these subsidiaries beginning to control them jointly with CWEI Brasil. Under IFRS 11, the new arrangement configures a joint venture therefore EDP Brasil started to valuate these financial interests at the equity method.

As at 30 September 2014, the amount of 4,061 thousands of Reais (1,318 thousands of Euros) corresponds to a property that during the construction of the Enerpeixe Peixe Angical power plant was considered unusable. As a result of the ANEEL Order No. 3,817/14 published on 22 September 2014, with the authorization for a future disposal of these property, these asset was reclassified to assets and liabilities held for sale. This reclassification was made only for presentation purposes, without changing the measurement criteria of these assets and liabilities, as it is expected that the fair value less costs to sell will be higher than the book value of their assets and liabilities, in accordance with IFRS 5.

42. DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair value of the derivative financial instruments portfolio as at 30 September 2014 and 31 December 2013 is analysed as follows:

	Group		Company	
Thousands of Euros	Sep 2014	Dec 2013	Sep 2014	Dec 2013
Derivatives held for trading	-3,360	11,994	52,692	15,601
Fair value hedge	134,826	60,652	266,058	82,772
Cash flow hedge	-65,664	-50,813	2,286	1,229
Net Investment hedge	-6,348	15,218	-	-
	59,454	37,051	321,036	99,602

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

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

During the nine-month period ended 30 September 2014 and the year 2013 the following market inputs were considered for the fair value calculation:

Instrument	Market input
Cross-curr. int. rate swaps	Fair value indexed to the following interest rates: Euribor 3M, Euribor 6M, Daily CDI and Wibor 3M; and exchange rates: EUR/CHF, EUR/GBP, EUR/BRL, EUR/PLN and EUR/USD.
Interest rate swaps	Fair value indexed to the following interest rates: Euribor 1M, Euribor 3M, Euribor 6M, Wibor 3M, Wibor 6M, Libor 3M and Libor 6M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/GBP, CAD/DKK, CAD/USD, USD/JPY and EUR/CAD.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Fuel, Henry Hub, Coal, Fuel, Freights, CER and CO2.
OMIP futures	Fair value indexed to the quotes from electricity markets.

43. COMMITMENTS

Financial, operating and real guarantees granted by the EDP Group, not included in the statement of financial position as at 30 September 2014 and 31 December 2013, are analysed as follows:

	Group		Company	
Thousands of Euros	**Sep 2014**	**Dec 2013**	**Sep 2014**	**Dec 2013**
Financial guarantees				
EDP, S.A.	180,738	241,196	180,738	241,196
HC Energia Group	4,005	4,005	-	-
EDP Brasil Group	1,169,533	1,061,209	-	-
Other	3,576	6,022	-	-
	1,357,852	1,312,432	180,738	241,196
Operating guarantees				
EDP, S.A.	511,078	599,502	511,078	599,502
HC Energia Group	266,363	338,059	-	-
EDP Brasil Group	372,342	375,682	-	-
EDP Renováveis Group	1,203,442	867,846	-	-
Other	7,491	9,224	-	-
	2,360,716	2,190,313	511,078	599,502
Total	3,718,568	3,502,745	691,816	840,698
Real guarantees	7,252	21,693	-	-

The financial guarantees contracted include, at 30 September 2014 and 31 December 2013, 472,891 thousands of Euros and 926,759 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt.

These guarantees also include guarantees provided by Brazilian subsidiaries of EDP Group to EDP Brazil associates, which are booked under IFRS 11 according to the equity method. At 30 September 2014 and 31 December 2013 these guarantees amounts to 869,200 thousands of Euros and 338,187 thousands of Euros, respectively.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 30 September 2014 and 31 December 2013, 329,392 thousands of Euros and 299,470 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Operating guarantees contracted include, as at 30 September 2014 and 31 December 2013, 139,747 thousands of Euros and 303,182 thousands of Euros, respectively, which refer to corporate guarantees provided by EDP Renewables relating to EDPR Renováveis Group commercial commitments already reflected in the balance sheet.

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

Regarding the information disclosed above:

i) The Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 30 September 2014 and 31 December 2013 these loans amounted to 1,018,533 thousands of Euros and 939,826 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 34);

ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 30 September 2014 and 31 December 2013, EDPR's obligations under the tax equity agreements, in the amount of 802,112 thousands of Euros and 803,006 thousands of Euros, are reflected under the Institutional Partnerships in USA wind farms;

iii) EDP has constituted an escrow deposit in the amount of 344,993 thousands of Euros (316,905 thousands of Euros non-current and 28,088 thousands of Euros current), as presented in note 34, associated with several loans contracted with the EIB. This escrow deposit may be reduced by the repayment of these loans.

The commitments relating to short and medium-long term financial debt, finance lease commitments and other long term commitments (included in the consolidated statement of financial position) and purchase obligations and future lease payments under operating leases (not included in the consolidated statement of financial position) are disclosed, as at 30 September 2014 and 31 December 2013, by maturity, as follows:

	Sep 2014				
	Capital outstanding by maturity				
Thousands of Euros	Total	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years
Short and long term financial debt (including falling due interest)	23,450,964	4,192,152	7,917,580	5,102,977	6,238,255
Finance lease commitments	7,296	3,184	3,742	370	-
Operating lease commitments	797,296	33,852	64,705	62,578	636,161
Purchase obligations	25,375,316	3,709,866	6,016,823	3,621,187	12,027,440
Other long term commitments	2,114,709	145,302	509,834	464,702	994,871
	51,745,581	8,084,356	14,512,684	9,251,814	19,896,727

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

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

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

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

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

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

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

As at 30 September 2014, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Liberbank (Ex-Cajastur) over EDP for 0.13% of the share capital of HC Energia, this option can be exercised until 31 December 2017;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Liberbank for "Quinze Mines" share capital (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Liberbank for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus or (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- EDP holds, through its subsidiary EDP - Gestão da Produção de Energia, S.A., a call option of 2.67% of the share capital of Greenvouga and their supplementary capital on Martifer Renewables, S.A. exercisable at any time. Moreover, Martifer Renewables, S.A., holds a put option of 2.67% of the share capital of Greenvouga and their supplementary capital on EDP - Gestão da Produção de Energia, S.A., that can only be exercised within one year from the date of issuance of the license of Ribeiradio-Ermida hydroelectric plants. The option can be exercised until 1 February 2015. The stock price and the price of supplementary capital, in the event of exercise of the options listed, corresponds to their nominal value plus an equity component possible in the amount of 1,750 thousands of Euros;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 40% of the share capital of J&Z Wind Farms SP. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised between 3 and 5 years after the start of construction works of the first park;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option of the remaining 35% of the share capital of Molen Wind II, S.P. ZO.O., whose exercise price corresponds to 90% of the market value of this participation. This option can be exercised up to 2 years after the maturity of the financial debt for the wind farm construction.

44. SHARE BASED PAYMENTS

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

Until April 2014, EDP Group had a stock option plan for the President of the Board of Directors, Chief Executive Officer and Executive Members for the 2003/2005 period in which the options granted could be exercised up to 1/3 in each of the following three years following the grant date. Options not exercised expired eight years after being granted (April 2014). The exercise price of the options was calculated based on the market price of the company's shares at the grant date. The options maximum term was eight years. The options were granted by the EDP Group's Remunerations Committee and could only be exercised after two years of service.

During the first semester of 2014, were exercised the remaining options of the last Plan for Members of the Board of Directors and Management of the Group subsidiaries.

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 30 September 2013	150,690	2.21
Options exercised	-	
Options granted	-	
Options expired	-	
Balance as at 31 December 2013	150,690	2.21
Options exercised	150,690	
Options granted	-	
Options expired	-	
Balance as at 30 September 2014	-	-

During the nine-month period ended 30 September 2014 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

In first nine-months of 2014, EDP Group granted treasury stocks to employees (416,929 shares) totalling 1,460 thousands of Euros.

45. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 30 September 2014 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Capital Group Companies, Inc.	370,584,953	10.13%	10.13%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
Senfora, SARL	148,431,999	4.06%	4.06%
Grupo Millennium BCP e Fundo de Pensões	89,167,974	2.44%	2.44%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Norges Bank	76,488,229	2.09%	2.09%
José de Mello - SGPS, S.A.	73,293,356	2.00%	2.00%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	23,258,399	0.64%	-
Remaining shareholders	1,588,487,796	43.45%	-
	3,656,537,715	**100.00%**	

This breakdown should be read together with note 48 – Relevant or subsequent events, where is disclosed the changes occurred in the shareholder structure after 30 September 2014.

Balances and transactions with companies of China Three Gorges Group

In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of 49% equity shareholding in EDP Renováveis Portugal, S.A., as a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to Group of 112,566 thousands of Euros. Following the conclusion of the sale, CTG holds a loan over EDPR Group in the amount of 111 millions of Euros. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 30 September 2014, this loan amounts to 96,379 thousands of Euros (see note 39).

On 27 June 2014, EDP Energias do Brasil concluded the sale to China Three Gorges of 50% of the stake held in Jari (CEJA) and Cachoeira Caldeirão hydro power plant projects, with the consequent loss of control. The total amount of the transaction, paid by CWEI, subsidiary controlled by CTG, to EDP Brasil was 420,646 thousands of Reais, generating a gain in the amount of 131,457 thousands of Euros (407,994 thousands of Reais), recognised in the income statement, as referred in note 7.

Balances and transactions with subsidiaries, joint ventures and associates

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

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

Credits

	September 2014			
Thousands of Euros	Intra-Group Financial Mov.	Loans and Interests receivable	Other Credits	Total
Balwerk	13,534	206,962	82	220,578
EDP Comercial	38,611	45,275	177,710	261,596
EDP Distribuição	125,381	2,884,875	14,478	3,024,734
EDP Gás - SGPS	19,201	110,672	3,174	133,047
EDP Produção	208,633	4,330,493	156,475	4,695,601
EDP Imobiliária e Participações	395	119,897	464	120,756
EDP Renováveis	-	-	271,308	271,308
Others	29,086	44,896	260,402	334,384
	434,841	7,743,070	884,093	9,062,004

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

Debits

Thousands of Euros	September 2014 Intra-Group Financial Mov.	Loans and Interests payable	Other Debits	Total
EDP Finance BV	-	10,005,670	58,241	10,063,911
EDP Produção	-	-	334,567	334,567
Pebble Hydro	-	78,639	656	79,295
Others	64,243	28,397	120,920	213,560
	64,243	10,112,706	514,384	10,691,333

The amount of 10,005,670 thousands of Euros includes three intragroup bonds issuence by EDP Finance BV to EDP SA as at 30 September 2014, in the total amount of 5,411,408 thousands of Euros, at medium-long term (4 to 7 years).

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

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

Expenses

Thousands of Euros	September 2014 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	288,400	73,057	361,457
EDP Produção	303	-	807,667	807,970
Naturgas Comercializadora	-	-	39,126	39,126
Others	122	1,672	109,909	111,703
	425	290,072	1,029,759	1,320,256

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

Income

	September 2014			
Thousands of Euros	Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	772	409	643,096	644,277
EDP Distribuição	9,050	124,469	184,348	317,867
EDP Produção	2,621	223,544	408,459	634,624
EDP Renováveis	-	-	220,031	220,031
Others	3,252	17,672	360,243	381,167
	15,695	366,094	1,816,177	2,197,966

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

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

Assets and Liabilities

	September 2014		
Thousands of Euros	Assets	Liabilities	Net Value
Associates	419,916	365	419,551
Joint Ventures	152,911	19,662	133,249
	572,827	20,027	552,800

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

Transactions

	September 2014			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	6,187	16,463	-825	-2
Joint Ventures	115,425	4,711	-49,753	-1
	121,612	21,174	-50,578	-3

	September 2013			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	12,402	12,465	-1,397	-
Joint Ventures	150,133	3,607	-55,628	-2
	162,535	16,072	-57,025	-2

46. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial assets and liabilities as at 30 September 2014 and 31 December 2013 is analysed as follows:

	Group Sep 2014			Group Dec 2013		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	270,092	270,092	-	212,483	212,483	-
Trade receivables	1,856,416	1,856,416	-	2,280,897	2,280,897	-
Debtors / other assets from commercial activities	4,894,638	4,894,638	-	5,009,079	5,009,079	-
Other debtors and other assets	725,284	725,284	-	652,104	652,104	-
Derivative financial instruments	247,661	247,661	-	206,507	206,507	-
Financial assets at fair value through profit or loss	8,393	8,393	-	4,217	4,217	-
Collateral deposits / financial debt	433,725	433,725	-	438,810	438,810	-
Cash and cash equivalents	2,050,421	2,050,421	-	2,156,707	2,156,707	-
	10,486,630	10,486,630	-	10,960,804	10,960,804	-
Financial liabilities						
Financial debt	20,104,088	21,042,206	938,118	19,758,809	20,369,899	611,090
Suppliers and accruals	1,227,023	1,227,023	-	1,696,439	1,696,439	-
Institutional partnerships in USA wind farms	1,551,428	1,551,428	-	1,508,495	1,508,495	-
Trade / other payables from commercial activities	2,049,994	2,049,994	-	2,207,130	2,207,130	-
Other liabilities and other payables	446,861	446,861	-	366,765	366,765	-
Derivative financial instruments	188,207	188,207	-	169,456	169,456	-
	25,567,601	26,505,719	938,118	25,707,094	26,318,184	611,090

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

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

According to IFRS 13 requirements, EDP Group established the way it obtains the fair value of its financial assets and liabilities. The levels used are defined as follows:

- Level 1 – Fair value based on the available listed price (not adjusted) in the identified markets for assets and liabilities;
- Level 2 – Fair value based in market inputs not included in Level 1, but observable in the market for the asset or liability, either directly or indirectly;
- Level 3 – Fair value of the assets and liabilities calculated with inputs that are not based on observable market information.

	30 September 2014			31 December 2013		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	164,148	56,112	49,832	111,003	53,751	47,729
Derivative financial instruments	-	247,661	-	-	206,507	-
Financial assets at fair value through profit or loss	8,393	-	-	4,217	-	-
	172,541	303,773	49,832	115,220	260,258	47,729
Financial liabilities						
Derivative financial instruments	-	188,207	-	-	169,456	-
	-	188,207	-	-	169,456	-

As at 30 September 2014 and 2013, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

	Available for sale investments	
Thousands of Euros	Sep 2014	Sep 2013
Balance at beginning of period	47,729	57,682
Change in fair value	1,617	-670
Acquisitions	1,056	722
Disposals	-2	-166
Impairment	-92	-440
Transfers and other changes	-476	-675
Balance at the end of the period	49,832	56,453

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

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

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

The impacts of the adoption of these standards as at 30 September and 31 December 2013 are presented as follows:

Condensed Consolidated Income Statement

Thousands of Euros	Sep 2013	IFRS 10 and 11 impacts	Sep 2013 restated
Revenues from energy sales and services and other	12,079,202	-164,249	11,914,953
Cost of energy sales and other	-7,863,405	112,167	-7,751,238
	4,215,797	-52,082	4,163,715
Other income	265,785	-416	265,369
Supplies and services	-672,093	15,754	-656,339
Personnel costs and employee benefits	-491,436	4,252	-487,184
Other expenses	-519,048	33,555	-485,493
	-1,416,792	53,145	-1,363,647
	2,799,005	1,063	2,800,068
Provisions	-40,045	-1	-40,046
Amortisation and impairment	-1,085,662	31,876	-1,053,786
	1,673,298	32,938	1,706,236
Financial income	680,688	-7,311	673,377
Financial expenses	-1,195,613	35,949	-1,159,664
Share of net profit in joint ventures and associates	24,563	-40,730	-16,167
Profit before income tax	1,182,936	20,846	1,203,782
Income tax expense	-241,927	-20,775	-262,702
Net profit for the period	941,009	71	941,080
Attributable to:			
Equity holders of EDP	**792,345**	**-**	**792,345**
Non-controlling Interests	**148,664**	**71**	**148,735**
Net profit for the period	**941,009**	**71**	**941,080**
Earnings per share (Basic and Diluted) - Euros	0.22	-	0.22

Condensed Consolidated Statement of Comprehensive Income

Thousands of Euros	Sep 2013 Equity holders of EDP	Sep 2013 Non-controlling Interests	IFRS 10 and 11 impacts Equity holders of EDP	IFRS 10 and 11 impacts Non-controlling Interests	Sep 2013 Restated Equity holders of EDP	Sep 2013 Restated Non-controlling Interests
Net profit for the period	792,345	148,664	-	71	792,345	148,735
Items that will never be reclassified to profit or loss						
Actuarial gains / (losses)	13,169	-6,687	-	-	13,169	-6,687
Tax effect from the actuarial gains / (losses)	-1,929	2,274	-	-	-1,929	2,274
	11,240	-4,413	-	-	11,240	-4,413
Items that are or may be reclassified to profit or loss						
Exchange differences arising on consolidation	-99,535	-165,049	-8,123	-6,852	-107,658	-171,901
Fair value reserve (cash flow hedge)	37,117	8,952	-2,966	-2,584	34,151	6,368
Tax effect from the fair value reserve (cash flow hedge)	-10,794	-2,670	993	875	-9,801	-1,795
Fair value reserve (available for sale investments)	10,139	153	-	-	10,139	153
Tax effect from the fair value reserve (available for sale investments)	-886	-52	-	-	-886	-52
Share of other comprehensive income of associates, net of taxes	3,308	1,012	10,096	8,561	13,404	9,573
	-60,651	-157,654	-	-	-60,651	-157,654
Other comprehensive income for the period, net of income tax	-49,411	-162,067	-	-	-49,411	-162,067
Total comprehensive income for the period	742,934	-13,403	-	71	742,934	-13,332

Condensed Consolidated Statement of Financial Position

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

Condensed Consolidated and Company Statement of Cash Flows

Thousands of Euros	Sep 2013	IFRS 10 and 11 impacts	Sep 2013 restated
Operating activities			
Cash receipts from customers	10,940,333	-209,778	10,730,555
Proceeds from tariff adjustments securitization	1,007,823	-	1,007,823
Payments to suppliers	-8,331,082	137,470	-8,193,612
Payments to personnel	-607,816	4,194	-603,622
Concession rents paid	-204,528	125	-204,403
Other receipts / (payments) relating to operating activities	-214,502	23,019	-191,483
Net cash from operations	2,590,228	-44,970	2,545,258
Income tax received / (paid)	-180,172	-	-180,172
Net cash from operating activities	2,410,056	-44,970	2,365,086
Investing activities			
Cash receipts relating to:			
Sale of assets / subsidiaries with loss of control	256,113	-	256,113
Other financial assets and investments	1,049	-	1,049
Property, plant and equipment and intangible assets	21,369	-	21,369
Investment grants	1,620	-	1,620
Interest and similar income	48,191	1,538	49,729
Dividends	19,070	11,688	30,758
	347,412	13,226	360,638
Cash payments relating to:			
Acquisition of assets / subsidiaries	-144,258	-34,207	-178,465
Other financial assets and investments	-5,817	-	-5,817
Changes in cash resulting from consolidation perimeter variations	48	-21,754	-21,706
Property, plant and equipment and intangible assets	-1,680,588	39,622	-1,640,966
	-1,830,615	-16,339	-1,846,954
Net cash from investing activities	-1,483,203	-3,113	-1,486,316
Financing activities			
Receipts / (payments) relating to loans	399,211	23,174	422,385
Interest and similar costs including hedge derivatives	-622,916	23,021	-599,895
Governmental grants received	91,292	-	91,292
Share capital increases / (decreases) by non-controlling interests	-92,736	-	-92,736
Receipts / (payments) relating to derivative financial instruments	20,664	-30,963	-10,299
Dividends paid to equity holders of EDP	-670,932	-	-670,932
Dividends paid to non-controlling interests	-130,250	-	-130,250
Treasury stock sold / (purchased)	8,817	-	8,817
Sale of assets / subsidiaries without loss of control	257,954	-	257,954
Receipts / (payments) from wind activity institutional partnerships - USA	-31,347	-	-31,347
Net cash from financing activities	-770,243	15,232	-755,011
Changes in cash and cash equivalents	156,610	-32,851	123,759
Effect of exchange rate fluctuations on cash held	-27,088	666	-26,422
Cash and cash equivalents at the beginning of the period	1,695,336	-	1,695,336
Cash and cash equivalents at the end of the period	1,824,858	-32,185	1,792,673

48. RELEVANT OR SUBSEQUENT EVENTS

EDPR executes a new asset rotation transaction in France

On 1 October, EDP Renováveis, S.A. (EDPR), a subsidiary 77.5% controlled by EDP, has reached an agreement with a fund led by EFG Hermes, which also includes investments from the Gulf Cooperation Council Countries (GCC), to sell a 49% equity shareholding and outstanding shareholders loans in an operating wind farm portfolio with 270 net MW. The portfolio is located in France and comprises 33 operating wind farms with 5 years of average life, which currently benefit from a feed-in tariff regime.

Based on the transaction price, the enterprise value for 100% of the assets amounts to 1.3 millions of Euros/MW. If included all the cash-flows generated since the projects' inception, the total implied asset value of the portfolio sums to 1.9 millions of Euros/MW.

Completion of the transaction is subject to regulatory approval and other customary closing conditions. Considering the 160 millions of Euros of proceeds of this asset rotation transaction, EDPR has already reached a total of 1,038 millions of Euros by selling minority stakes in US and European assets, including the sale to CTG and asset rotation transactions with institutional investors since 2012.

Norges Bank decreases its ownership interest in the share capital of EDP

On 13 October, Norges Bank notified EDP regarding the decrease of a qualifying holding of 2.01% to 1.97% of the EDP share capital. The change of the participation was due to a market transaction, as a result of the disposal of 1,768,882 shares (0.05% of EDP's share capital) on 7 October 2014.

As a result, Norges Bank currently holds 71,867,559 shares, representing 1.97% of EDP's share capital and 1.97% of the respective voting rights.

ERSE announces its proposal for tariffs in 2015 and parameters for 2015-2017

On 15 October, the Portuguese Electricity Regulator (ERSE) announced its proposal for electricity tariffs in 2015 and the parameters for the regulatory period 2015-2017, which includes a 3.3% increase for final normal low voltage (NLV) electricity tariffs in Portugal mainland, applicable to all residential consumers out of the Social Tariff.

For 2015, ERSE proposed regulated gross profit for EDP's regulated activities (excluding previous year adjustments) of: (1) 1,194 millions of Euros for electricity distribution (operated by our subsidiary EDP Distribuição); and (2) 61 millions of Euros for last resort electricity supply (operated by our subsidiary EDP Serviço Universal).

These regulated revenues are based on a preliminary 6.75% rate of return (RoR) which was defined for the 2015-2017 regulatory period and will be definitively set for year t according to the daily average of the 10 year Portuguese government bond yield between October of year t-1 and September of year t – this mechanism foresees a floor and a cap of 6.0% and 9.5%, respectively. Note that the preliminary RoR of 6.75% reflects an underlying average of 3.6% for the 10 year Portuguese government bond yield and that each 2.5% change in Portuguese government bond yield implies a 1% change in the RoR.

Additionally, in terms of electricity demand evolution, the regulator is forecasting a 0.5% YoY increase for 2014 and a 0.8% YoY increase for 2015.

According to ERSE's proposal, Portuguese electricity system's regulatory receivables are expected to stay flat over 2015, due to: (a) a 391 millions of Euros increase of Portuguese electricity system medium to long-term debt; and (b) 380 millions of Euros of previous year adjustments of regulated activities' allowed revenues to be recovered by regulated companies through 2015 tariffs.

According to electricity regulation rules in Portugal, the Tariffs Advisory Board, which includes representatives from regulated companies and consumers, shall issue its nonbinding opinion until 15 November. Following that, ERSE will approve the final tariffs and parameters until 15 December 2014.

ANEEL approves a 22.34% tariff increase at EDP Bandeirante's annual tariff readjustment process

On 21 October, the Brazilian electricity regulator, ANEEL, approved a 22.34% annual tariff readjustment index for EDP Bandeirante, for the period from 23 October 2014 to 22 October 2015.

Capital Group notifies qualified shareholding in EDP

On 20 October 2014, Capital World Growth and Income Fund (WGI) notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it holds a qualifying shareholding of 74,416,508 ordinary shares of EDP, which corresponds to 2.04% of EDP's share capital and 2.04% of the respective voting rights.

The significant shareholding resulted from the acquisition, on 17 October 2014, of 1,983,482 shares which corresponds to 0.05% of EDP's voting rights.

The Capital World Growth and Income Fund has granted proxy voting authority to Capital Research and Management Company (CMRC), its investment adviser. CMRC is "a U.S.-based investment adviser that manages the American Funds family of mutual funds". The Capital Group Companies, Inc. is the parent company of Capital Research and Management Company (CRMC).

EDP's press release submitted on behalf of CRMC dated 13 March 2014 included WGI's holdings on that date.

EDP Renováveis established new institutional partnership structure for 99 MW in the US

On 29 October, EDP Renováveis, S.A. (EDPR), through its fully owned subsidiary EDP Renewables North America LLC, has secured a 109 millions of Dollars commitment of institutional equity financing from an affiliate of MUFG Union Bank N.A. (MUFG Union Bank), in exchange for an interest in the 99 MW Rising Tree North wind project, located in the State of California. The project will sell its output through two 20-year Power Purchase Agreements (PPA).

Under the agreement, MUFG Union Bank will invest its funds close to the project's start of operations, which is scheduled for the fourth quarter of 2014.

The institutional partnership structure established with MUFG Union Bank enables an efficient utilization of the fiscal benefits generated by the project improving the project's economics.

With this agreement, EDPR reaches a total of 332 millions of Dollars of institutional partnership structures in 2014 and has completed the financing of its 2014 projects in the US.

49. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

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

• IFRS 10 - Consolidated Financial Statements;

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

• IFRS 11 - Joint Arrangements

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

• IFRS 12 - Disclosure of Interests in Other Entities

The disclosures resulted from the adoption of this standard applicable to the interim financial statements were made in the notes 5 and 20.

• IAS 27 (Amended) - Separate Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

• IFRS 9 - Financial Instruments;
• IFRS 10 (Amended) and IAS 28 (Amended) - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
• IFRS 11 (Amended) - Accounting for Acquisitions of Interests in Joint Operations;
• IFRS 14 - Regulatory Deferral Accounts;
• IFRS 15 - Revenue from Contracts with Customers;
• IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions;
• IAS 16 (Amended) and IAS 38 (Amended) - Clarification of Acceptable Methods of Depreciation and Amortisation;
• IAS 27 (Amended) - Equity Method in Separate Financial Statements;
• IFRIC 21 - Levies;
• Annual Improvement Project (2010-2012);
• Annual Improvement Project (2011-2013);
• Annual Improvement Project (2012-2014).

50. EDP BRANCH IN SPAIN

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

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

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

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

The condensed statement of financial position of the Branch as at 30 September 2014 and 31 December 2013 is analysed as follows:

	EDP Branch	
Thousands of Euros	Sep 2014	Dec 2013
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,087,871	2,087,871
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
Deferred tax assets	26,119	9,481
Other debtors and others assets	202,645	63,467
Total Non-Current Assets	6,021,073	5,865,257
Trade receivables	8,682	9,168
Debtors and other assets	152,673	197,514
Tax receivable	65,724	92,169
Cash and cash equivalents	1,371	1,407
Total Current Assets	228,450	300,258
Total Assets	6,249,523	6,165,515
Equity	3,514,238	3,529,730
Trade and other payables	2,615,914	2,439,880
Provisions	4,805	3,518
Total Non-Current Liabilities	2,620,719	2,443,398
Trade and other payables	114,212	191,461
Tax payable	354	926
Total Current Liabilities	114,566	192,387
Total Liabilities	2,735,285	2,635,785
Total Equity and Liabilities	6,249,523	6,165,515

51. TRANSFERS OF FINANCIAL ASSETS - TARIFF ADJUSTMENTS

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

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

• In March 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus - Sociedade de Titularização de créditos, S.A. (Tagus), the right to receive the non-regular tariff adjustments (tariff deficit) related to 2007 and 2008 of 1,225,376 thousands of Euros. With the sale of those rights, EDP Group received 1,204,422 thousands of Euros, generating a loss of 22,969 thousands of Euros (including financial expenses incurred);

• In December 2009, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to receive the non-regular tariff adjustments (tariff deficit) related to the estimated special regime overcost related to 2009 of 447,469 thousands of Euros. The transaction totalised 434,720 thousands of Euros, net of expenses, and generated a loss of 12,749 thousands of Euros;

• In May 2013, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to to receive part of the electricity adjustment related to the 2012 overcost of the acquisition of electricity activity from special regime production, in the amount of 422,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, generating a gain of 22,510 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 3,152 thousands of Euros, as at 30 September 2014;

• In April 2014, EDP - Serviço Universal, S.A. sold without recourse to Tagus, the right to to receive part of the electricity adjustment related to the 2013 overcost of the acquisition of electricity activity from special regime production, in the amount of 694,857 thousands of Euros. The transaction was performed by the amount of 750,000 thousands of Euros, net of expenses, generating a gain of 49,822 thousands of Euros, net of expenses. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 473 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 5.588 thousands of Euros, both maturing in 2018. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 5,227 thousands of Euros, as at 30 September 2014.

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

52. OPERATING SEGMENTS REPORT

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

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

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

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

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

The segments defined by the Group are the following:

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

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

• EDP - Gestão da Produção de Energia, S.A. (CMEC and SRP generation);
• Fisigen - Empresa de Cogeração, S.A.;
• Pebble Hydro - Consultoria, Investimentos e Serviços, Lda.

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

• EDP - Gestão da Produção de Energia, S.A. (liberalised generation);
• Empresa Hidroeléctrica do Guadiana, S.A.;
• Hidroeléctrica Del Cantábrico, S.L.;
• Central Térmica Ciclo Combinado Grupo 4, S.A.;
• EDP Comercial - Comercialização de Energia, S.A.;
• Hidrocantábrico Energia, S.A.U.;
• Naturgás Comercializadora, S.A.;
• EDP Gás.Com - Comércio de Gás Natural, S.A.;
• Greenvouga - Sociedade Gestora do Aproveitamento Hidroeléctrico do Ribeiradio-Ermida, S.A;
• EDP Energía Gás S.L.

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

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

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

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

Segment Definition

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

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

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

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

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

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

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

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

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

In the last quarter of 2013, the EDP Group changed the information disclosed by Operating Segment, according to the mentioned above criteria. To be comparable, the information as of 30 September 2013 has been restated.

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

53. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

ANNEX I

EDP Group Operating Segment Report
30 September 2014

Thousands of Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Revenues from energy sales and services and other	843,385	6,516,985	4,493,551	854,719	1,960,656	14,669,296
Gross Profit	587,717	678,178	1,302,821	842,129	469,088	3,879,933
Other income	7,430	16,208	48,706	108,903	136,637	317,884
Supplies and services	-48,930	-142,587	-289,240	-184,451	-108,789	-773,997
Personnel costs and employee benefits	-23,079	-43,486	-30,150	-50,307	-90,245	-237,267
Other expenses	-11,226	-140,665	-216,044	-68,537	-32,917	-469,389
Gross Operating Profit	511,912	367,648	816,093	647,737	373,774	2,717,164
Provisions	-7,549	-1,866	-936	-	-6,452	-16,803
Amortisation and impairment	-116,517	-176,033	-252,073	-335,637	-85,573	-965,833
Operating Profit	387,846	189,749	563,084	312,100	281,749	1,734,528
Share of net profit in joint ventures and associates	806	2,019	112	7,525	4,477	14,939
Assets	4,011,569	7,442,125	9,217,072	12,014,420	3,086,628	35,771,814
Liabilities	825,459	1,253,297	2,420,076	768,539	704,581	5,971,952
Operating Investment	19,775	410,659	245,711	277,986	92,815	1,046,946

Reconciliation of information between Operating Segments and Financial Statements for September 2014

Thousands of Euros	
Total Revenues from energy sales and services and other of Reported Segments	**14,669,296**
Revenues from energy sales and services and other from Other Segments	371,316
Adjustments and Inter-segments eliminations	-3,217,380
Total Revenues from energy sales and services and other of EDP Group	**11,823,232**
Total Gross Profit of Reported Segments	**3,879,933**
Gross Profit from Other Segments	347,041
Adjustments and Inter-segments eliminations	-348,238
Total Gross Profit of EDP Group	**3,878,736**
Total Gross Operating Profit of Reported Segments	**2,717,164**
Gross Operating Profit from Other Segments	2,297
Adjustments and Inter-segments eliminations	-4,026
Total Gross Operating Profit of EDP Group	**2,715,435**
Total Operating Profit of Reported Segments	**1,734,528**
Operating Profit from Other Segments	-17,844
Adjustments and Inter-segments eliminations	-37,005
Total Operating Profit of EDP Group	**1,679,679**
Total Assets of Reported Segments	**35,771,814**
Assets Not Allocated	5,406,617
Financial Assets	3,577,344
Taxes Assets	536,849
Other Assets	1,292,424
Assets from Other Segments	832,252
Inter-segments assets eliminations	-642,451
Total Assets of EDP Group	**41,368,232**
Total Liabilities of Reported Segments	**5,971,952**
Liabilities Not Allocated	23,881,224
Financial Liabilities	20,104,088
Institutional partnership in USA wind farms	1,551,428
Taxes Liabilities	1,206,394
Other payables	1,009,568
Hydrological correction account	9,746
Liabilities from Other Segments	1,049,300
Inter-segments Liabilities eliminations	-1,274,780
Total Liabilities of EDP Group	**29,627,696**
Total Operating Investment of Reported Segments	**1,046,946**
Operating Investment from Other Segments	42,912
Total Operating Investment of EDP Group	**1,089,858**

	Total of Reported Segments	**Other Segments**	**Adjustments and Inter-segments eliminations**	**Total of EDP Group**
Other income	**317,884**	30,674	-31,583	**316,975**
Supplies and services	**-773,997**	-224,879	355,699	**-643,177**
Personnel costs and employee benefits	**-237,267**	-125,898	15,519	**-347,646**
Other expenses	**-469,389**	-24,641	4,577	**-489,453**
Provisions	**-16,803**	-4,571	-11	**-21,385**
Amortisation and impairment	**-965,833**	-19,546	-28,992	**-1,014,371**
Share of net profit in joint ventures and associates	**14,939**	10,522	-706	**24,755**

EDP Group Operating Segment Report
30 September 2013*

Thousands of Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Revenues from energy sales and services and other	981,222	5,983,757	4,791,052	892,281	1,882,911	14,531,223
Gross Profit	645,959	535,438	1,335,697	880,423	750,346	4,147,863
Other income	8,715	6,574	95,683	121,364	38,615	270,951
Supplies and services	-52,116	-119,828	-310,822	-185,108	-122,623	-790,497
Personnel costs and employee benefits	-46,790	-52,614	-125,994	-52,988	-93,133	-371,519
Other expenses	-18,019	-106,156	-222,403	-77,807	-45,525	-469,910
Gross Operating Profit	537,749	263,414	772,161	685,884	527,680	2,786,888
Provisions	-1,337	-17,711	4,625	-254	-17,738	-32,415
Amortisation and impairment	-124,697	-178,023	-250,526	-333,712	-118,256	-1,005,214
Operating Profit	411,715	67,680	526,260	351,918	391,686	1,749,259
Share of net profit in joint ventures and associates	1,147	4,867	107	13,398	-46,115	-26,596
Assets	4,746,221	7,361,342	9,283,904	11,613,424	2,807,322	35,812,213
Liabilities	927,061	1,374,856	2,937,279	858,569	599,401	6,697,166
Operating Investment	36,516	404,192	246,214	142,320	269,105	1,098,347

* Restated for IFRS 10 and 11 purposes

Reconciliation of information between Operating Segments and Financial Statements for September 2013*

Thousands of Euros	
Total Revenues from energy sales and services and other of Reported Segments	**14,531,223**
Revenues from energy sales and services and other from Other Segments	367,708
Adjustments and Inter-segments eliminations	-2,983,978
Total Revenues from energy sales and services and other of EDP Group	**11,914,953**
Total Gross Profit of Reported Segments	**4,147,863**
Gross Profit from Other Segments	349,187
Adjustments and Inter-segments eliminations	-333,335
Total Gross Profit of EDP Group	**4,163,715**
Total Gross Operating Profit of Reported Segments	**2,786,888**
Gross Operating Profit from Other Segments	6,040
Adjustments and Inter-segments eliminations	7,140
Total Gross Operating Profit of EDP Group	**2,800,068**
Total Operating Profit of Reported Segments	**1,749,259**
Operating Profit from Other Segments	-22,680
Adjustments and Inter-segments eliminations	-20,343
Total Operating Profit of EDP Group	**1,706,236**
Total Assets of Reported Segments	**35,812,213**
Assets Not Allocated	6,081,151
Financial Assets	4,173,474
Taxes Assets	753,642
Other Assets	1,154,035
Assets from Other Segments	889,218
Inter-segments assets eliminations	-717,045
Total Assets of EDP Group	**42,065,537**
Total Liabilities of Reported Segments	**6,697,166**
Liabilities Not Allocated	24,126,951
Financial Liabilities	20,336,773
Institutional partnership in USA wind farms	1,508,495
Taxes Liabilities	1,333,172
Other payables	912,870
Hydrological correction account	35,641
Liabilities from Other Segments	889,361
Inter-segments Liabilities eliminations	-1,175,843
Total Liabilities of EDP Group	**30,537,635**
Total Operating Investment of Reported Segments	**1,098,347**
Operating Investment from Other Segments	27,539
Total Operating Investment of EDP Group	**1,125,886**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other income	**270,951**	32,153	-37,735	**265,369**
Supplies and services	**-790,497**	-221,600	355,758	**-656,339**
Personnel costs and employee benefits	**-371,519**	-134,581	18,916	**-487,184**
Other expenses	**-469,910**	-19,119	3,536	**-485,493**
Provisions	**-32,415**	-8,133	502	**-40,046**
Amortisation and impairment	**-1,005,214**	-20,587	-27,985	**-1,053,786**
Share of net profit in joint ventures and associates	**-26,596**	13,114	-2,685	**-16,167**

* Restated for IFRS 10 and 11 purposes

03

Annexes

THE EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (Chairman)

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

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