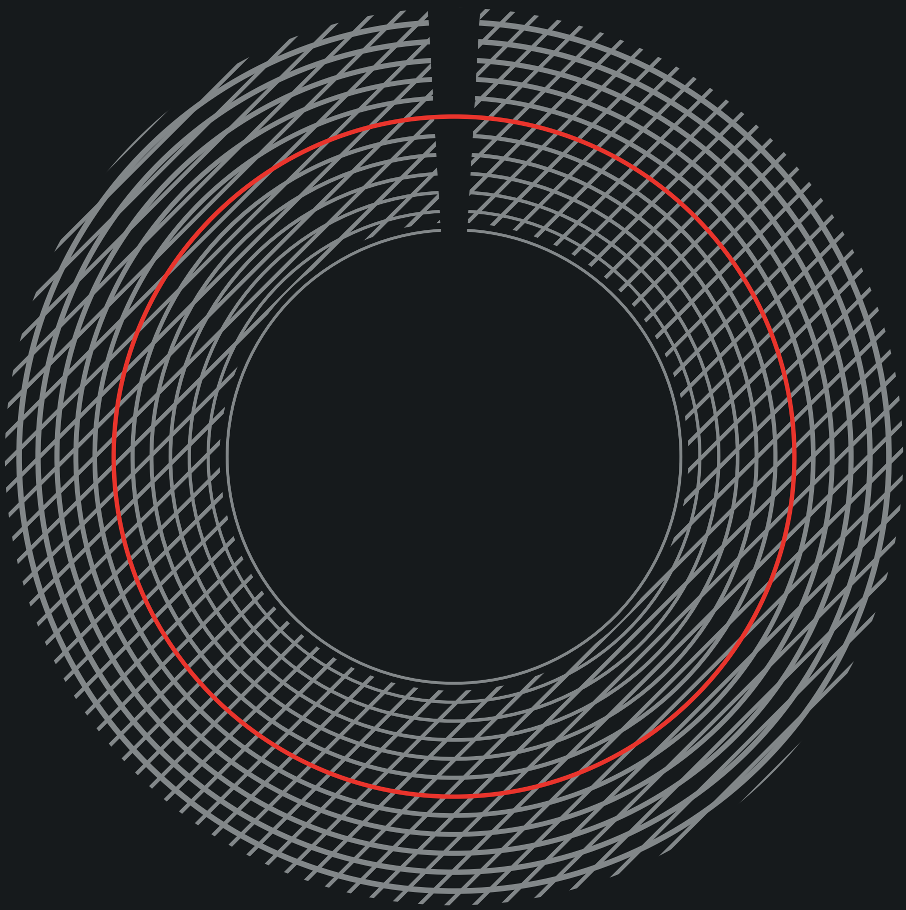
NEVERENDING ENERGY

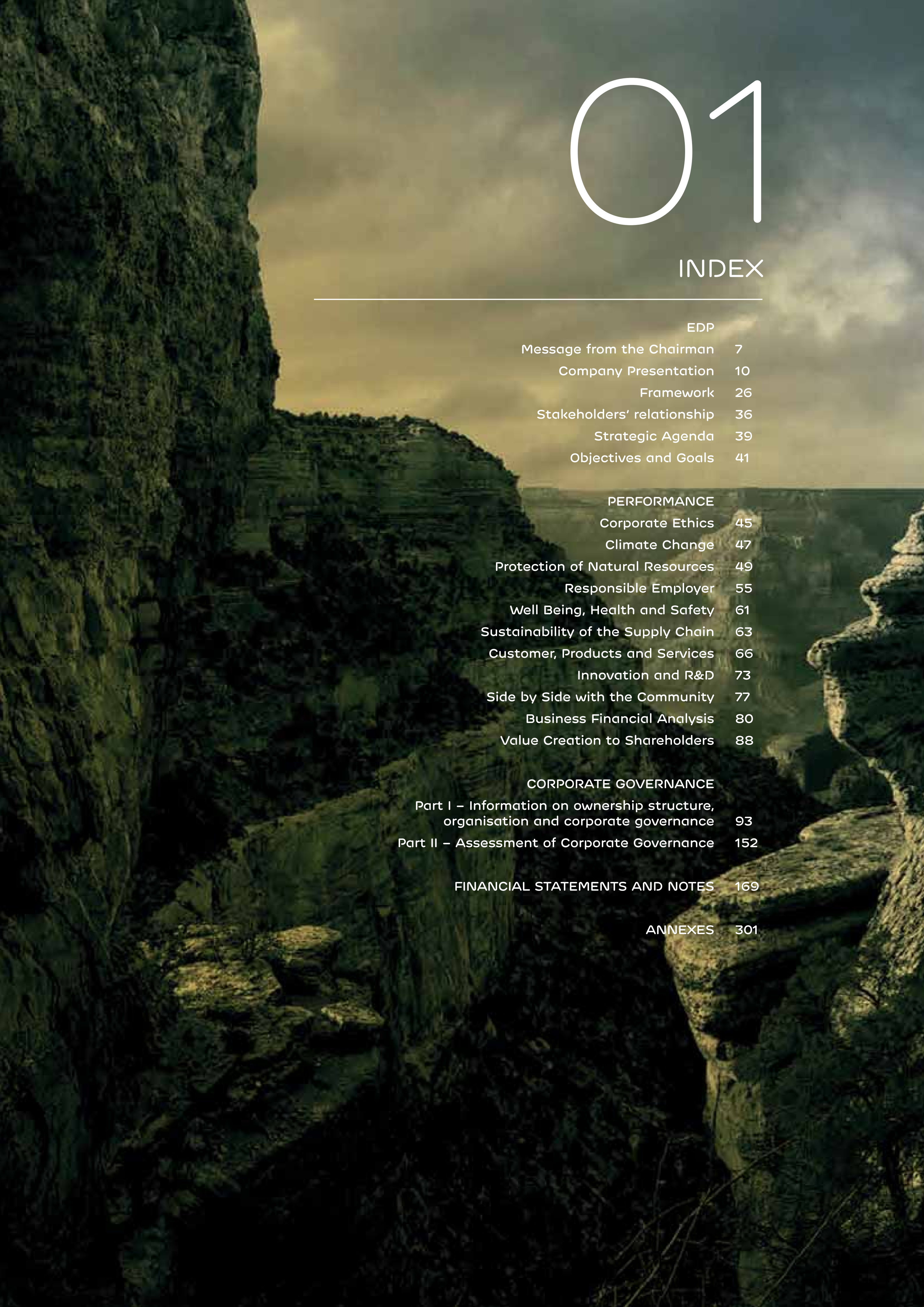


ANNUAL REPORT

2013

NEVERENDING ENERGY

Once upon a time there was an energy that never slept. An energy that traveled across 4 continents, 13 countries and was made up of people from 31 different nationalities. An energy that knew no borders and travelled around the world 24 hours a day, 365 days a year. An energy that never rested from working to create a better future.



01

INDEX

> USA
EMPIRE STATE BUILDING
Coordinates:
40°44'55.5"N 73°59'08.4"W
Time of day: 8 AM

MESSAGE FROM THE CHAIRMAN

"Dear Shareholder",

In 2013, EDP´s performance was characterized by a decisive ability to execute, enabling the consolidation of the differentiation strategy pursued in recent years, making it possible to achieve the defined goals. Given the current environment, in which the European energy sector has been impacted by several exogenous factors, including at macroeconomic and fiscal level, it was essential the determination of all of those who dedicate themselves to the success of the Company, such as employees, shareholders, partners and other stakeholders.

A challenging and changing sector

Since 2008, the year that marked the beginning of a severe economic worldwide crisis, the European energy sector is undergoing a substantial transformation due to imbalances of different origins. These imbalances have altered the foundations of the sector, now perceived to be more instable. This view over the sector has had clear consequences, with the loss of about half of market capitalization of this sector between 2008 and 2013, almost half a trillion euros.

In 2013, macroeconomic imbalances continued to have a strong impact on electricity demand, which, despite a slight increase in the 2nd half of the year, remained negative in annual terms in the Iberian Peninsula. This reality has contributed to the increase of the excess capacity in the region, where reserve margins are approximately 40%, thus lowering prices and profit margins. There were also imbalances arising from tax and energy policies set by governments and European authorities, specifically due to the implementation of discretionary taxation, as seen in Portugal and Spain, with the announcement of a special levy applied to the energy sector and various regulatory packages, punitive to the profitability of power companies. Regarding technological imbalances, it is important to mention the fast development of Shale Gas in the United States, the persistence of the impacts of the Fukushima accident and the bets made by some European countries in immature renewable technologies, thus creating the impression that all renewable energies contribute to higher energy prices, something that does not coincide with reality.

In order to address the imbalances that exist in the sector, it is necessary a new vision and approach for the future, one that should be implement in the short term.

At the European level, the new approach should consider the rebalancing of the carbon market, thereby strengthening the price signal. Likewise, it is important to define a clear and stable framework for 2030 renewable targets. In addition it should take into account that the energy sector is experiencing a new reality, one in which fixed costs are increasingly important, given that a higher proportion of the investment is channeled to renewable energy, where the marginal cost of operating is close to zero. For this reason, the current key factor of competitiveness in the sector is the cost of capital, where less risk means lower cost of capital and where stable and long-term contracting is crucial. This is why we advocate mechanisms of feed-in-tariff and ex-ante auctions - as adopted in the UK and Brazil - to remunerate renewable capacity. Similarly, we believe in capacity remuneration mechanisms, something that founds resonance in Germany, France and Italy, where such mechanism is used to provide visibility to long term remuneration.

Given the above, throughout 2014 we will foster the discussion about the current imbalances strongly impacting the industry and the new market design that should be adopted, in which the investor should not be forced to take more risks than those it controls.

A distinctive profile complemented with execution ability

In 2013, taking into account the context of major challenges looming, it was essential to have a clear definition of the strategic priorities of the Company, framed within the pillars set in 2006, namely, controlled risk, greater efficiency and focused growth. Thus, three priority areas of action for 2013 were defined: (i) stability of financial results; (ii) reduction of EDP´s Group net debt and (iii) operating costs control.

To that extent, it is fair to acknowledge that EDP Group has consistently performed its priorities, anticipating and executing all that was in its power, but not ignoring the external environment and the impact it has had on non-controllable variables.

The EDP Group achieved a gross operating profit of €3.617M, stable compared to 2012, and a net profit of €1.005M (-1 % vs. 2012). Gross operating income for the year was negatively impacted by the Iberian operations (-3%), due to the aforementioned deterioration of demand and margins, regulatory cuts and closure of the Setúbal Plant. These effects were partially offset by an increase in liberalized market activities (+19 %), in particular through the increased hydro production and good energy management. In Portugal, we highlight the success of the market liberalization for residential electricity and gas consumers and the efficient performance of EDP Comercial, which ended the year with approximately 2 million electricity customers and over 200 thousand in gas, representing a leadership position in both markets. It should be noted the positive contribution of EDP Brazil (+24%), despite the negative impact caused by the depreciation of the Brazilian Real, an exogenous factor weighing approximately €100M at EBITDA level and EDP Renewables whose gross operating income grew 1% to €947M, boosted by an increase in installed capacity of 500MW. Additionally, focus on operating costs control allowed to successfully anticipate to 2013 the targets of OPEX III, initially set to 2014, representing a saving of €115M and the maintenance of the OPEX/Gross Margin ratio at 28%.

In what regards the evolution of net debt, this year there was a fall of €800M supported by the financial closing of the sale of 49% of EDPR Portugal to CTG - agreed in 2012 -, the sale of gas transmission assets in Spain and the sale of over €1.000M of tariff deficit in Portugal, taking advantage of the positive trajectory that international financial markets showed throughout the year. In terms of investment it should be noted that it stood at approximately €1.978M (-2% vs 2012), of which 47 % was in Portugal, given the undergoing construction of five hydro plants.

Regarding the financing strategy, 2013 was characterized by a renewed interest in peripheral markets, which coupled with the better risk perception of the Portuguese Republic allowed EDP to obtain financing in the amount of approximately €3.5 billion, covering the financing needs of the company until the end of the first half of 2015.

But we were able to achieve even more. Throughout 2013 we managed to create growth options that allow us to look confidently to the future. On one hand, we signed a partnership for the development of the hydro project of São Manoel (700MW), in Brazil, in partnership with our strategic partner China Three Gorges and the Brazilian power company Furnas. EDP was the winner of the last two Brazilian hydro tenders with projects Cachoeira Caldeirão and São Manoel, thus demonstrating its ability to execute in this market. On the other hand, we signed with China Three Gorges the sale of a 50% stake in Brazilian hydro projects Jari and Cachoeira Caldeirão, and a memorandum of understanding for the acquisition by China Three Gorges, in 2015, of a stake in ENEOP. These agreements grant EDP the necessary ability to ensure a balance between growth and deleverage. Also noteworthy, is the fact that EDPR was able to sign long-term contracts for new projects in the U.S. totaling more than 1000 MW – making it the 2nd company with higher growth in that geography in 2013 – thus ensuring a steady growth in the coming years.

Preserving a unique and sustained vision…

EDP has a clear vision of its role in the society and the relationship with its stakeholders. According to the Principles of Sustainable Development of EDP, we believe in the interconnection of seemingly distinct areas such as economy, culture, art, education, science and social innovation, and it is with the combination of these realities that we maximize our contribution to the society.

By organizing two roadshows – in Sao Paulo and Beijing – involving about 60 Portuguese companies and 40 foreign companies, we believe that we are promoting the internationalization of our suppliers and our economy.

We should also emphasize the role of EDP Foundation, and the impact of its programs. In 2013 "EDP Solidária" program supported more than 50 projects, and "Parte de Nós Saúde" allowed for an investment of approximately €0.9M in the recovery of 4 health centers. We kept our active role in culture, where we displayed 11 exhibitions that have been visited by more than 70 thousand people.

We believe that the Center for Arts and Technology, whose construction began in 2013, will be one of the most significant and ambitious cultural initiatives recently developed, particular as a center for innovation and shaping the evolution of Portugal. This is not an act of retribution for the local community but a commitment by the EDP Group in creating better conditions for the future of the community and, consequently, for the future of the company. We believe in the rehabilitation of urban spaces and, within our possibilities, we act towards their development. This is confirmed by the construction of the new Group headquarters in Lisbon, a building that allows the correction of inefficiencies in terms of space and provides unique conditions for work, while lying in a rehabilitation area.

Our association to the Global Compact, a United Nations initiative, is yet another commitment where we undertake the development of our business within the framework of 10 principles on human rights, good labor practices, environmental and social practices, and in terms of fighting corruption.

Because we have a unique vision and consistently demonstrate the ability to perform, we were voted in 2013 world leaders in the Dow Jones Sustainability Index, in the sector of Utilities, a recognition that rewards EDP in several areas - excellence in risk management, human capital development, among others.

We believe in our integrated approach, differentiation capacity and strong resolve. We are prepared to remain at the forefront of the global energy sector.

… As a step to design a successful future

In 2013 EDP once again demonstrated its distinctive capabilities, which allowed delivering positive results and providing our shareholders a return rate of 25%, above our European counterparts (17 %). We combine our vision, strategy and execution ability to a commitment for sustainability.

We assume before our shareholders a responsible dividend policy distribution, hence the proposal to be presented at the General Shareholders Meeting of €18.5 cents per share, in line with previous years and within the policy defined. Also, it places EDP on the top of the 600 largest companies in Europe, in terms of dividend yield.

EDP is the largest Portuguese Group, the largest investor in Portugal and the Portuguese largest foreign investor. We are a group of 12,000 employees of 29 nationalities, present on 4 continents and in 13 countries. We are a success story and we are proud of what we have achieved. We are recognized in many fields such as engineering, finance, ethics, human capital management, environment, communication and social commitment.

The stakes are high but we continue to seek more and better results.

Only with the support, commitment and dedication of all employees it becomes possible to target the success we want. For this reason, we express our thanks to all.

We would also like to take this opportunity to thank to all those that relate to our Company, such as shareholders, customers, suppliers, government agencies, regulators and statutory bodies, particularly the General and Supervisory Board for their support and confidence provided to the team.

The year 2014 will be a year marked by more challenges. But acting firmly we are confident that EDP will continue its path of differentiation and leadership.

António Mexia
Chairman of the Executive Board of Directors

UNITED KINGDOM

31	EMPLOYEES

FRANCE AND BELGIUM

36	EMPLOYEES
392	INSTALLED CAPACITY (MW)*
806	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**
12	CAPACITY UNDER CONSTRUCTION (MW)

POLAND AND ROMANIA

73	EMPLOYEES
891	INSTALLED CAPACITY (MW)*
1,243	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**
10	CAPACITY UNDER CONSTRUCTION (MW)

ITALY

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

PORTUGAL

6,982	EMPLOYEES
5,717,678	ELECTRICITY CUSTOMERS
374,988	GAS CUSTOMERS
9,530	INSTALLED CAPACITY (MW)*
24,317	NET GENERATION (GWh)
62%	GENERATION FROM RENEWABLE SOURCES**
1,468	CAPACITY UNDER CONSTRUCTION (MW)
43,858	ELECTRICITY DISTRIBUTION (GWh)
6,938	GAS DISTRIBUTION (GWh)

SPAIN

1,935	EMPLOYEES
1,118,056	ELECTRICITY CUSTOMERS
796,196	GAS CUSTOMERS
6,163	INSTALLED CAPACITY (MW)*
15,763	NET GENERATION (GWh)
44%	GENERATION FROM RENEWABLE SOURCES**
9,147	ELECTRICITY DISTRIBUTION (GWh)
51,535	GAS DISTRIBUTION (GWh)

1.1. COMPANY PRESENTATION

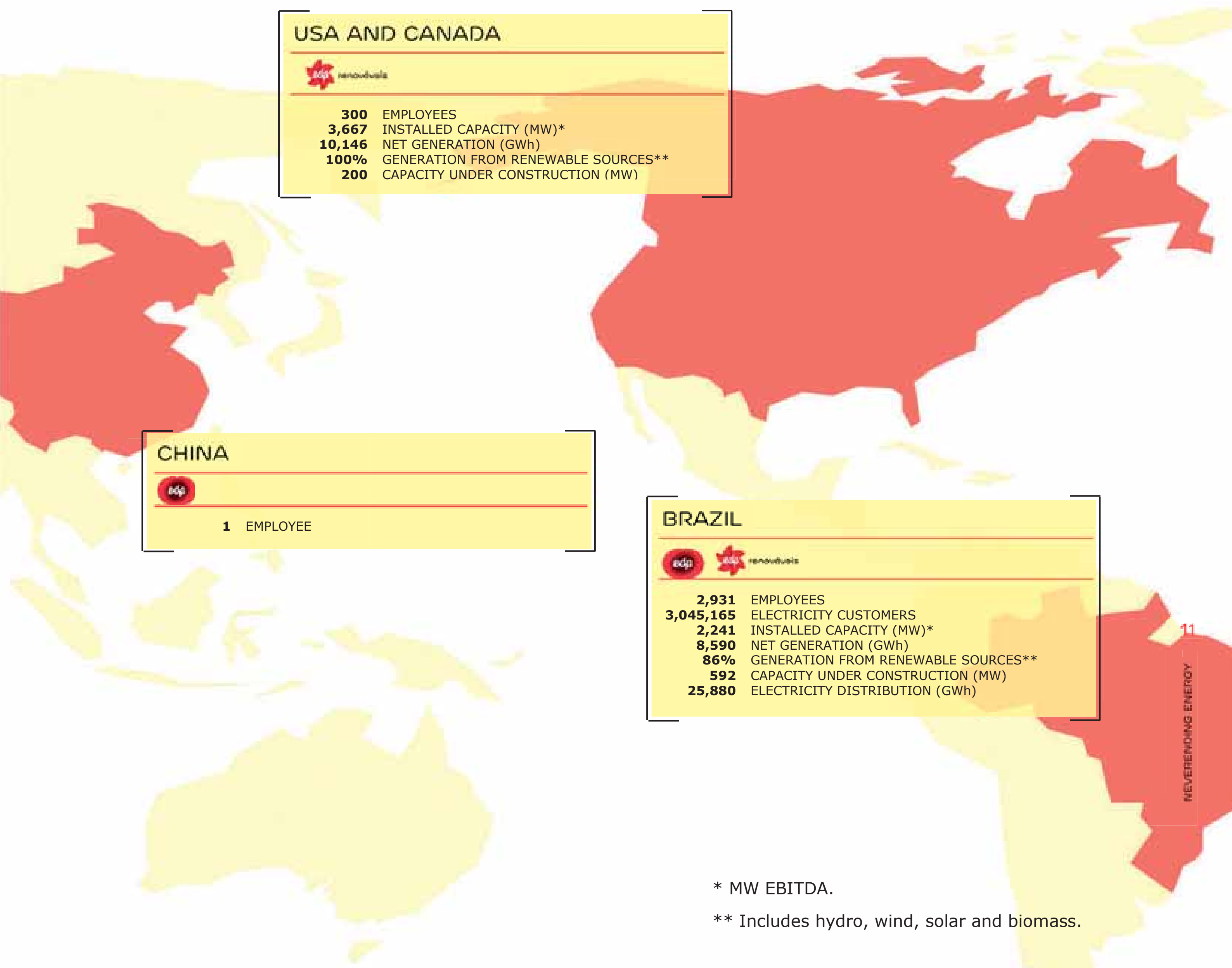
EDP – Energias de Portugal, S.A. is a listed company ("sociedade aberta"), whose ordinary shares are publicly traded in the "Eurolist by NYSE Euronext Lisbon, Mercado de Cotações Oficiais". EDP is established in Portugal, organised under the laws of Portugal and registered with the Commercial Registry Office of Lisbon, under no. 500.697.256. Its registered head office is located at Praça Marquês de Pombal, no. 12, 1250-162 Lisbon, Portugal.

EDP was initially incorporated as a public enterprise ("empresa pública") in 1976 pursuant to Decree-Law no. 502/76, of 30 June, as a result of the nationalisation and merger of the main Portuguese companies in the electricity sector in mainland Portugal. Subsequently, EDP was transformed into a limited liability company ("sociedade anónima") pursuant to Decree-Law no. 7/91, of 8 January, and Decree-Law no. 78-A/97, of 7 April.

EDP is a vertically integrated utility company. EDP is the largest generator, distributor and supplier of electricity in Portugal, the third largest electricity generation company in the Iberian Peninsula and one of the largest gas distributors in the Iberian Peninsula.

EDP is one of the largest wind power operator worldwide with facilities for renewable energy generation in the Iberian Peninsula, the United States, Canada, Brazil, France, Belgium, Italy, Poland and Romania and is developing wind farms in the United Kingdom. Additionally, EDP generates solar photovoltaic energy in Portugal and Romania and has electricity generation, distribution and supply activities in Brazil.

EDP has a relevant presence in the world energy outlook, being present in 13 countries, with more than 9.8 million electricity customers, 1.3 million gas supply points and over 12,000 employees around the world. On December 31, 2013, EDP had an installed capacity of 23GW, generating 60.9TWh, of which 67% comes from wind and hydro plants.



USA AND CANADA

300	EMPLOYEES
3,667	INSTALLED CAPACITY (MW)*
10,146	NET GENERATION (GWh)
100%	GENERATION FROM RENEWABLE SOURCES**
200	CAPACITY UNDER CONSTRUCTION (MW)

CHINA

1	EMPLOYEE

BRAZIL

2,931	EMPLOYEES
3,045,165	ELECTRICITY CUSTOMERS
2,241	INSTALLED CAPACITY (MW)*
8,590	NET GENERATION (GWh)
86%	GENERATION FROM RENEWABLE SOURCES**
592	CAPACITY UNDER CONSTRUCTION (MW)
25,880	ELECTRICITY DISTRIBUTION (GWh)

* MW EBITDA.

** Includes hydro, wind, solar and biomass.

On TOP of world's sustainability

Following its economic, social and environmental performance, EDP holds for the last 6 years a prominent position in the Dow Jones Sustainability index, both worldwide and at the European level, standing among the most sustainable utilities.

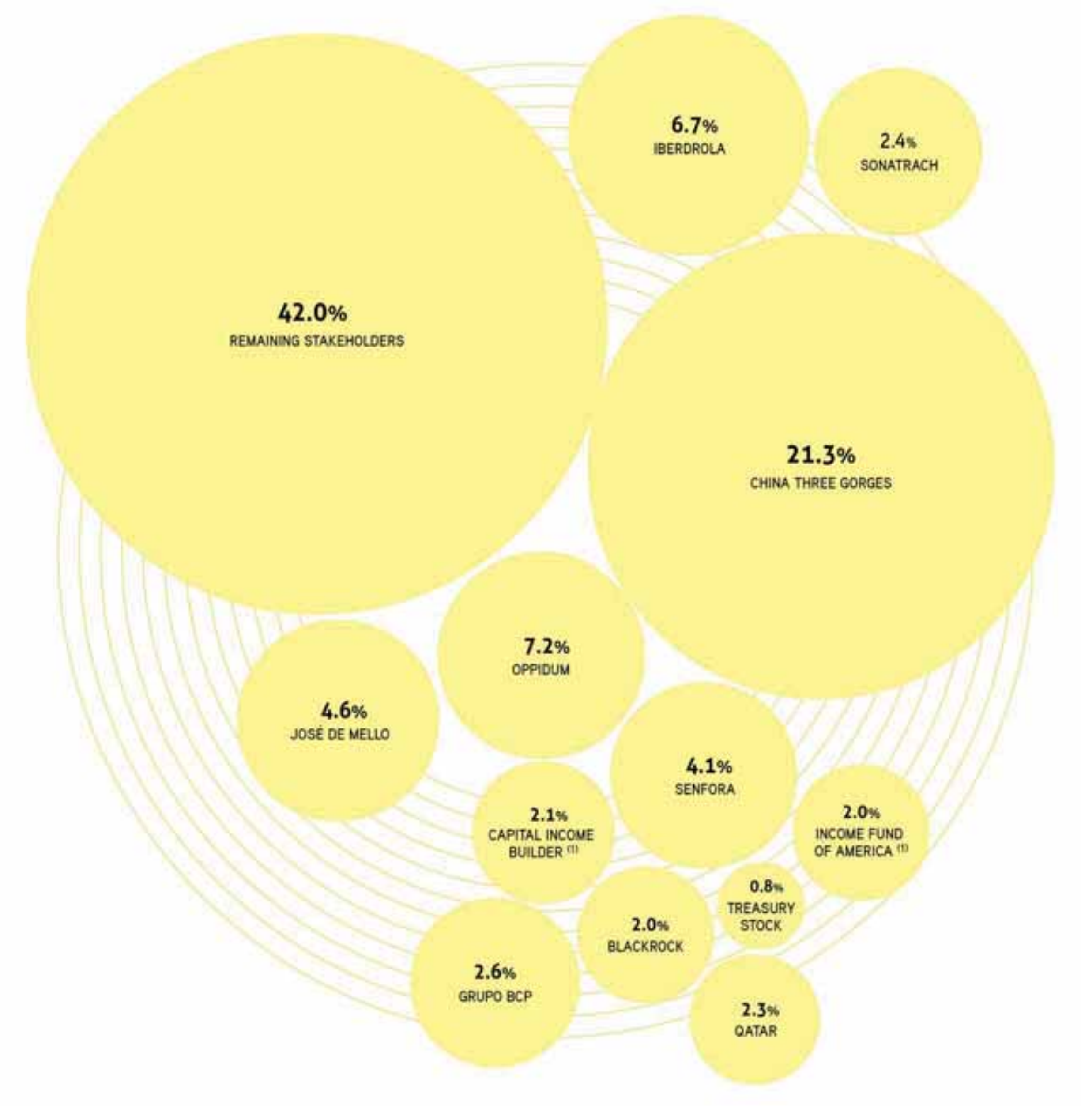
In 2013, the company reached the highest classification ever, 90 points, being the "Utilities: Electricity" industry leader, according to the Sustainability Yearbook from RobecoSAM, published in 2014

Sustainability indexes and ratings where EDP is present:

SHAREHOLDER STRUCTURE

The shares representing EDP share capital were initially admitted to trading in the official stock exchange NYSE Euronext Lisbon on July 16, 1997.

Since then the company went under seven subsequent phases of reprivatisation. The EDP share capital of EUR 3,656,537,715 is represented by 3,656,537,715 shares. The qualifying holdings held by shareholders in the EDP share capital on December 31, 2013 were as follows:



Detailed information may be consulted in the Corporate Governance chapter > Part I (page 95)

(1) On July 18, 2013, Capital Group notified EDP that held a qualified shareholding following the acquisition of 183,792,530 shares, representing 5.026% of the share capital of EDP and 5.026% of the voting rights. Since EDP did not receive any response to the request for confirmation of the position held by that shareholder as at December 31, 2013, it should be clarified that it is only known to EDP that the Income Fund of America and Capital Income Builder are mutual funds under discretionary management of Capital Research and Management Company owned by Capital Group.

CORPORATE BODIES

board of the general meeting

Rui Eduardo Ferreira Rodrigues Pena, **Chairman**

Rui Pedro Costa Melo Medeiros, **Vice-Chairman**

Maria Teresa Isabel Pereira, **Company Secretary**

statutory auditor

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

Susana de Macedo Melim de Abreu Lopes, Certified Auditor, **Deputy Statutory Auditor**

general and supervisory board

Eduardo de Almeida Catroga, **Chairman**

Dingming Zhang (representing China Three Gorges Corporation)

Guojun Lu (representing China International Water & Electric Corp.)

Ya Yang (representing China Three Gorges New Energy Co. Ltd.)

Shengliang Wu (representing CWEI (Europe), S.A.)

Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)

Luis Filipe da Conceição Pereira (representing José de Mello Energia, S.A.)

Mohamed Ali Ismaeil Ali Al Fahim (representing Senfora SARL)

Harkat Abderezak (representing Sonatrach)

José Maria Espírito Santo Silva Ricciardi

Alberto João Coraceiro de Castro

António Sarmento Gomes Mota

Maria Celeste Ferreira Lopes Cardona

Fernando Masaveu Herrero

Ilídio da Costa Leite de Pinho

Jorge Avelino Braga de Macedo

Manuel Fernando de Macedo Alves Monteiro

Paulo Jorge de Assunção Rodrigues Teixeira Pinto

Vasco Joaquim Rocha Vieira

Vítor Fernando da Conceição Gonçalves

Rui Eduardo Ferreira Rodrigues Pena

Augusto Carlos Serra Ventura Mateus

Nuno Manuel da Silva Amado

executive board of directors

António Luís Guerra Nunes Mexia, **Chairman**

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Marques da Cruz

Miguel Stilwell de Andrade

VISION, VALUES AND COMMITMENTS

VISION

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

VALUES

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

COMMITMENTS

SUSTAINABILITY

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

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

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

PEOPLE

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

We promote the development of skills and merit.

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

RESULTS

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

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

We demand excellence in everything that we do.

CLIENTS

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

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

We surprise our clients by anticipating their needs.

EDP GROUP PRINCIPLES OF SUSTAINABLE DEVELOPMENT

1. Economic and social value

Constantly create value for our shareholders.

Increase efficiency in resource use and reduce risk exposure.

Contribute to improving competitiveness, by providing services of excellence and anticipating customers' needs and expectations.

Include environmental and social aspects in the planning and decision-making processes.

Contribute to improving the quality of life of people.

2. Eco-efficiency and environmental protection

Encourage the use of renewable energy sources and cleaner and more efficient energy technology.

Encourage the improvement of energy efficiency at the consumption end.

Manage the impact of activities, seeking a positive environmental balance.

Actively contribute to the protection of the environment and biodiversity.

Encourage the improvement of environmental management practices in the value chain.

3. Innovation

Encourage innovation and creativity, in the search for new market opportunities and the improvement of processes.

Promote collaborative practices in all phases of design, production and delivery of services.

Promote technological research and development and knowledge management in the energy field.

4. Integrity and good governance

Comply with legislation and established ethical and moral standards.

Respect and foster the respect for human rights, within our sphere of influence.

Ensure the participatory, competent and honest governance of our business.

Revised by the Executive Board of Directors in 2011.

5. Transparency and dialogue

Ensure an open and trusting relationship with all stakeholders.

Promote consultation and communication channels with stakeholders and take their contributions and expectations into consideration.

Report economic, environmental and social performance in a transparent and objective manner.

6. Human capital and diversity

Encourage integrity, rigorousness, individual responsibility and teamwork, fostering diversity.

Encourage the development of employees' capacities and reward excellence and merit.

Improve health and safety conditions and the well-being of employees.

Reject abusive and discriminatory practices, guaranteeing equal opportunities.

Promote employee satisfaction and motivation.

7. Access to energy

Promote access to energy, in a reliable and safe manner and with quality.

Adapt commercial policies to the specific social nature of the market.

Ensure equity in the access to energy and energy systems.

8. Social development and citizenship

Promote social innovation, maximising the positive social impact of the business.

Support social and cultural initiatives, based on transparent criteria for assessing the social return of the invested resources.

Cooperate in the sustainable development of societies.

RECOGNITION

CORPORATE

EDP awarded Gold Class by RobecoSAM: EDP is considered in the "Sustainability Yearbook" for the 6th consecutive year and included in 2013 in the "Gold Class" category, for the 4th consecutive year, as one of the world leaders.

EDP again included on the Iberian Carbon Disclosure Leadership Index: EDP scored 97 out of 100 in terms of reporting, placing it on the Carbon Disclosure Leadership Index for the third consecutive year. It maintained a "B" rating in performance. For more information, see page 47.

IR Magazine Europe Awards 2013: EDP was placed 14th of 429 listed companies, 1st place in the sustainability practices category, and 3rd place in the CFO (large cap) category.

EDP considered one of the world's most ethical companies: The award, attributed by the Ethisphere Institute, was attributed to EDP for the second consecutive edition. The award includes the following criteria in its method of classification: ethics and compliance, reputation, leadership and innovation, governance model, corporate citizenship, social responsibility and sustainability.

edpON is Europe's best intranet: The edpON intranet was the winner in the intranet category of the Digital Communication Awards 2013. These awards annually recognise the most innovative projects in the Digital Communication field, in 38 different categories.

EDP considered the world's best company in financial report: EDP was distinguished by "IR Global Rankings". EDP was recognised as an example of excellence, not only in terms of accuracy, transparency and consistency but also the quality of the information made available. This was a return to the top of the world rankings following its last appearance in 2010. EDP has been considered the best company of the Utilities sector in the last four years.

EDP University wins "Global Council of Corporate Universities" (GCCU) award: EDP wins a bronze award from the GCCU in the category "Best Corporate University embodying the identity, the culture and the brand of the organisation in its stakeholders".

EDP is leader of the "Utilities: Power, Water and Gas" sector of the Dow Jones Sustainability World and Europe Indexes: EDP obtained the highest ever score of 90 points. EDP obtained the best score (100 points) in the following criteria: "Price Risk Management", "Risk & crisis management", "Scorecards/Measurement Systems", "Biodiversity" and "Human Capital Development", in which it is the sector leader.

PORTUGAL

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

EDP attributed Best European Utility award in the Investor Relations area: EDP obtained 1st place for the second consecutive year in the categories of best company in the Investor Relations area in Portugal and also among European utilities, at the IR Magazine Europe Awards 2013.

EDP wins four awards from Portuguese Association of Corporate Communication (APCE) in 2013: The intranet of the EDP Group, corporate TV, 2011 Annual Report and the corporate image We Are EDP (in partnership with Desafio Global), were the company's projects honoured by the APCE jury.

EDP wins 2012 Excellence at Work award: The EDP Group won 1st place in the Large Company category (over 1,000 employees). It was also honoured in the Industry and Energy sector. This is the third edition of this Award, an initiative of Heidrick & Struggles in partnership with *Diário Económico* newspaper and ISCTE Business School, which is awarded to companies that most value and invest in human resources.

"Valuing Experience" wins honour of Associação para o Desenvolvimento Económico e Social [Association for Social and Economic Development]: EDP wins an award in the "Senior talent management" category at the "SEDES Excellence 2012" awards, an initiative of the Human Capital Working Group of SEDES, in partnership with the Human Resources Portugal magazine.

EDP wins Kaizen Prize for continuous improvement projects: The productivity gains obtained from more than 4,000 Lean initiatives developed since 2004 earned EDP the top award from the Kaizen Institute.

Inovcity elected an example of success by the European Commission: The EDP Group project, InovCity, was elected an example of success in Portugal by the European Commission under the campaign "A world you like with a climate you like." It is presented as a smart and innovative solution to reduce CO_2 pollution, and which improves the quality of people's life.

EDP attributed Bronze Award at the 2013 Effectiveness Awards for its Casa Total 10 + 2 campaign: The dual gas and electricity product was honoured in the "Other Services and Public Administration" category. The Effectiveness Awards are co-organised by APAN (Portuguese Association of Advertisers) and Grupo Consultores. The campaign was managed by the BAR agency, with the media strategy of Mediaedge (MEC).

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

EDP Communication wins six awards at FEIEA Grand PRIX 2013: The company was awarded first place in the "Internal Regular Multi-Language Publication" category for the edpON magazine, and the "Intranet Site" category for the edpON Intranet. It also earned the runner-up award in the Audiovisual Communication category with "edpON tv", and it was the ex aequo runner-up in the category of "Communication Strategy Ongoing" for the Conciliar Programme. EDP was awarded 3rd place in the "Internal Communication Strategy" category, for the EDP Volunteer Programme. The Special Prize Major Player was also awarded to EDP and to Desafio Global Ativism for the "We are EDP" concept, used for meetings and in-house events.

SPAIN

HC Energía recognised by *Red Española de Pacto Mundial* (ASEPAM) for good sustainability practices: ASEPAM compiled a series of good sustainability practices based on its examination of Sustainability Reports and Progress Reports. HC Energía attained the maximum level (Advanced Level) for the second consecutive year.

HC Energía regonised with the award *Sociedad Castellana de Medicina y Seguridad del Trabajo*: the recognition is due to the integration of the aspects related to contractores security in *Servicio de Prevención de Riesgos Laborales*

EDP RENOVÁVEIS

EDP Renováveis is one of the EXAME 500 Biggest & Best: EDP Renováveis won the EXAME magazine 500 Biggest & Best award for companies in Portugal, in the Water, Power and Gas category.

EDP Renováveis honoured by "Great Place to Work" as best place to work 2013, in Spain, in Scotland and in Poland: EDPR was awarded honours in Spain, Scotland and Poland in the companies with 250 to 500 employees and companies with fewer than 50 employees categories, respectively, based on a study of organisational culture that looks at equal opportunities, flexibility, integrity and work environment, among other variables.

EDP Renováveis is Gold in Prémios Sapo 2013: its institutional website was awarded in the "Services" category. These awards recognize what is most creative in the area of online business communication.

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

Web version of the Annual Report and Accounts (werbreport) of EDP Renováveis wins awards from the International Academy of the Visual Arts: The webreport won the Gold Award in the categories: General Website - Corporate Communication, Website Features - Visual Attractiveness; Website Features: Home page. This edition of the W3 Awards also awarded a Silver Award to the werbreport in the General Website - Financial services category and to the corporate website in the Corporate Communication

BRAZIL

EDP shares are included on the Bovespa Index, in Brazil: EDP shares are included on the Bovespa Index (Ibovespa) from 7 January, with a share of 0.645%. The new Ibovespa portfolio now has 69 shares. Ibovespa is one of the most important performance indicators of prices of the Brazilian stock market.

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

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

EDP Brasil among the country's companies generating most value: The study by Dom Strategy Partners indicated EDP as one of the Brazilian companies that produce most value, according to components such as financial results, reputation, competitiveness and corporation risk.

EDP among the most innovative companies of the South: EDP Brasil, through EDP Renováveis Brasil, owner of Cenaeel Wind Farm in Santa Catarina, is included on the "Champions of Innovation" ranking for one more year and it is among the 50 most innovative companies of South Brazil, according to *Amanhã* magazine.

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

EDP Brasil is one of the best companies in terms of People Management Practices: The survey by *Gestão & RH* places EDP among the 150 Best Companies in People Management Practices for 2013, highlighting the Leadership Dimension based on the projects: On Top, programme for internship in the company; Energizing Development Program, which aims to train new leaders; and Executive Development Program.

EDP Brasil was listed on the BM&F Bovespa Corporate Sustainability Index (ISE) for the eighth consecutive year: The ninth ISE portfolio contains 51 shares of 40 companies representing 18 industries, totalling BRL 1.14 trillion in market value, equivalent to 47.16% of the total value of the companies with shares traded on the BM&F Bovespa (at November 26, 2013).

EDP Brasil elected one of the best employers: It is recognised by Top Employers Brasil for the second year running, as having the best people management practices according to criteria such as training and development, organisational culture and career development. EDP, besides being one of 17 companies to receive the award, was elected one of the three benchmark companies in the area of Human Capital Management. The Top Employers certification is granted by the CRF Institute, headquartered in the Netherlands and operating in 13 countries and on four continents.

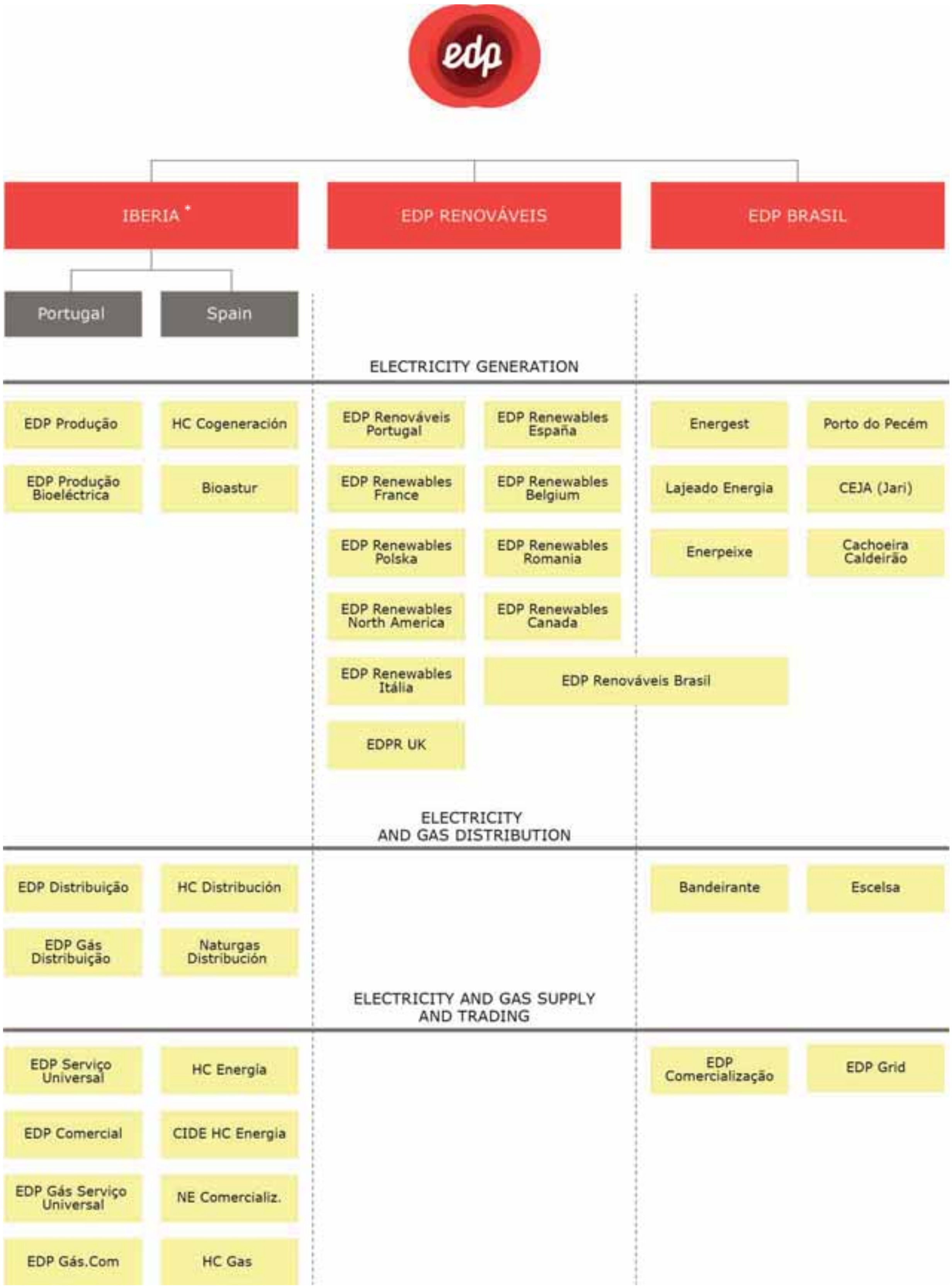
EDP Brasil wins the *Época* Green Company Award for the 5th time: the company was recognised for its environmental practices and the *Econnosco* and Inovcity programmes. *Época* magazine aims to give recognition to companies for their environmental strategy, assessing issues such as energy efficiency, responsible water use, waste disposal, transport, inclusion of environmental criteria in the development of products and services and reduce greenhouse gas emissions.

EDP Brasil recognised by Carbon Disclosure Project (CDP) Investor: EDP was elected one of the top 10 companies with disclosure (leader in transparency). The InovCity, Smart Grid and ClimaGrid projects were also highlighted.

EDP is the largest Portuguese company in Brazil, according to the Biggest and Best ranking of Exame magazine: The ranking is based on the net operating income (in millions), and it indicates the top 10 companies of 15 different nationalities.

Supplementary information in www.edp.pt> sustainability> approach to sustainability> recognition.

EDP GROUP BUSINESS STRUCTURE



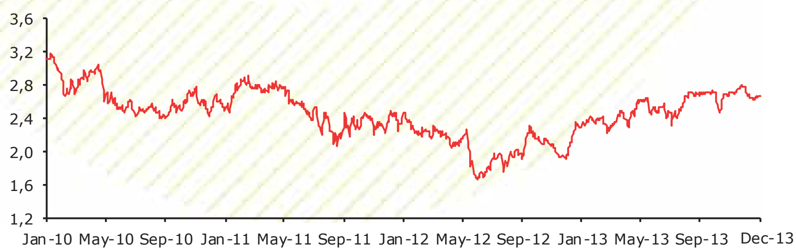
*Excludes EDP Renováveis

KEY INDICATORS

FINANCIAL INDICATORS

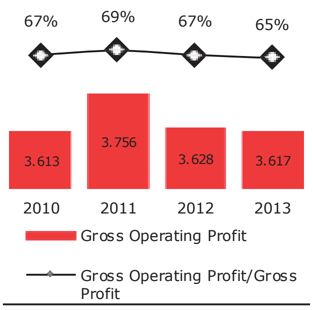
	Unit	2013	2012	2011	2010
EDP Group					
Turnover	€000	16,103,190	16,339,854	15,120,851	14,170,742
Gross Operating Profit	€000	3,616,968	3,628,458	3,755,588	3,612,810
Long-Term Contracted Generation in Iberia	€000	726,161	802,113	837,991	n.d.
Liberalised activities in Iberia	€000	349,487	316,275	368,512	n.d.
Regulated Activities in Iberia	€000	1,023,347	1,057,383	1,100,537	n.d.
EDP Renováveis	€000	947,127	937,581	800,739	n.d.
EDP Brasil	€000	582,257	534,722	681,739	n.d.
Other activities	€000	-11,411	-19,616	-33,931	n.d.
Operating Profit	€000	2,084,844	2,143,415	2,267,390	2,062,509
Net Profit [1]	€000	1,005,091	1,012,483	1,124,663	1,078,925
Operating Cash-Flow	€000	3,519,850	1,996,535	2,946,805	1,842,144
Operating Investment	€000	1,978,102	2,010,651	2,160,624	2,667,341
Long-Term Contracted Generation in Iberia	€000	56,822	44,222	58,961	n.d.
Liberalised activities in Iberia	€000	530,513	524,081	466,672	n.d.
Regulated Activities in Iberia	€000	387,366	403,600	404,876	n.d.
EDP Renováveis	€000	536,465	606,484	828,665	n.d.
EDP Brasil	€000	426,019	388,444	341,203	n.d.
Other activities	€000	40,916	43,820	60,247	n.d.
Investment in renewables	%	67.8	61.6	60.0	61.0
Financial Investment/(Divestment)	€000	-287,322	-5,805	104,721	184,265
Net Assets	€000	42,649,900	42,627,844	41,280,577	40,488,853
Equity	€000	11,528,561	11,431,668	11,386,779	10,784,959
Net Debt [2]	€000	17,451,380	18,233,280	16,879,864	16,246,836
Net Debt Adjusted from Regulatory Receivables	€000	14,765,243	15,612,308	15,236,267	14,842,959
Net Debt/Gross Operating Profit	x	4.8	5.0	4.5	4.5
Adjusted Net Debt/Gross Operating Profit	x	4.1	4.3	4.1	4.1
Net Debt/Equity	%	151	159	148	151
Earnings per share	€	0.28	0.28	0.31	0.30
Dividend per share [3]	€	0.185	0.185	0.170	0.155
Dividend Yield [3]	%	6.9	8.1	7.1	6.8
Payout ratio [3]	%	67	60	58	55
Market Capitalisation	€000	9,762,956	8,373,471	8,742,782	9,108,435
Stock price	€	2.67	2.29	2.39	2.49

EDP STOCK PRICE EVOLUTION (€)

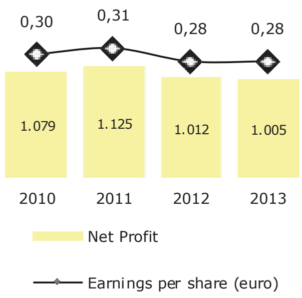


[1] Net Profit attributable to EDP Equity holders. [2] Includes Financial Debt, Cash and equivalents, short-term assets at fair value and fair value, net investment hedges and collateral deposits related with financial debt. (3) Distribution of profit from year *n-1* , paid in year *n* .

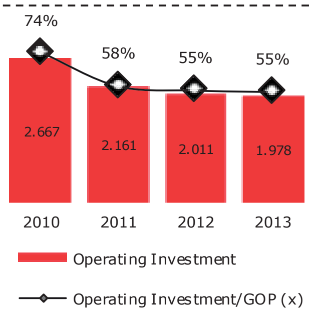
GROSS OPERATING PROFIT (€M)



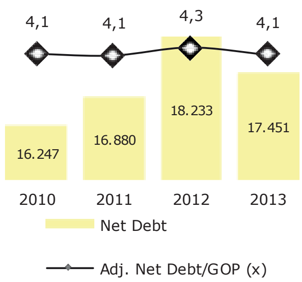
NET PROFIT [1] (€M)



OPERATING INVESTMENT (€M)

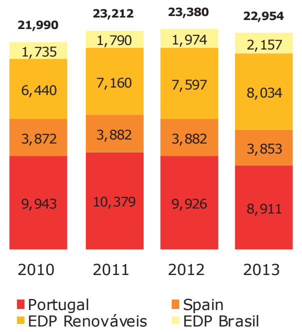


NET DEBT [2] (€M)

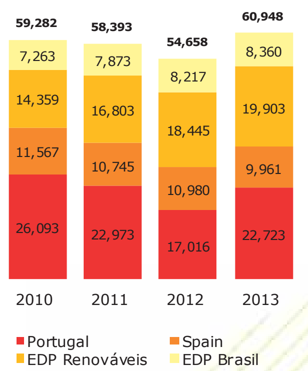


OPERATING INDICATORS (1/2)

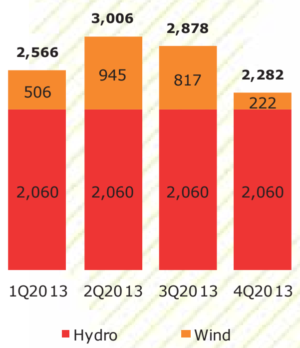
INSTALLED CAPACITY (1)
(MW)



NET GENERATION
(GWh)



CAPACITY UNDER CONSTRUCTION
(MW)



	Unit	2013	2012	2011	2010
INSTALLED CAPACITY	**MW**	**22,954**	**23,380**	**23,212**	**21,990**
Hydro	MW	7,494	7,493	7,232	6,740
Thermal	MW	7,057	7,823	8,354	8,354
Conventional Thermal	MW	3,165	3,932	4,462	4,463
CCGT	MW	3,736	3,736	3,736	3,736
Nuclear	MW	156	156	156	156
Wind (1)	MW	7,984	7,558	7,157	6,437
Other Renewables	MW	239	230	195	195
Other	MW	181	275	275	265
Installed Capacity - Contracted Generation	MW	15,834	16,258	15,637	15,563
Installed Capacity - Liberalised Generation	MW	7,120	7,122	7,574	6,427
NET ELECTRICITY GENERATION	**GWh**	**60,948**	**54,658**	**58,393**	**59,282**
Hydro	GWh	20,994	14,243	18,942	22,677
Thermal	GWh	18,143	19,725	20,264	19,712
Conventional Thermal	GWh	15,553	15,389	12,226	9,180
CCGT	GWh	1,434	3,106	6,826	9,342
Nuclear	GWh	1,157	1,230	1,212	1,190
Wind (1)	GWh	19,858	18,445	16,800	14,352
Other Renewables	GWh	821	459	639	832
Other	GWh	1,131	1,787	1,748	1,710
Steam	*GWh*	*1,588*	*2,254*	*2,159*	*2,042*
Net Generation - Contracted Generation	GWh	47,625	41,474	43,197	42,137
Net Generation - Liberalised Generation	GWh	13,323	13,184	15,196	17,145
Technical Availability					
Portugal (Excludes EDP Renováveis)	%	96.4	95.7	97.0	92.8
Hydro	%	97.0	94.7	96.8	92.4
CCGT	%	98.1	97.3	95.5	93.0
Coal	%	91.7	93.3	99.3	83.6
Fuel	%	-	100	99.6	100
Mini-hydro	%	94.1	94.1	93.2	95.2
Cogeneration	%	93.2	96.4	91.0	83.2
Biomass	%	87.7	96.2	93.4	95.0
Spain (Excludes EDP Renováveis)	%	97.8	92.5	97.6	91.6
Hydro	%	100	100	100	100
CCGT	%	98.4	94.4	98.7	88.9
Coal	%	98.1	91.9	97.3	92.3
Nuclear	%	86.5	91.4	90.4	90.3
Cogeneration	%	96.0	92.2	89.8	93.4
Waste	%	91.9	86.3	87.0	91.0
EDP Renováveis	%	97.7	97.5	97.4	96.8
Portugal	%	97.7	97.8	97.8	97.5
Spain	%	97.8	97.7	96.9	96.9
Rest of Europe	%	97.5	97.3	97.5	96.9
North America	%	97.8	97.3	97.5	96.5
Brazil	%	97.8	97.6	96.0	99.2
Brazil (Exclui EDP Renováveis)	%	77.3	83.6	88.8	93.5
Hydro	%	92.8	92.0	88.8	93.5
Coal	%	60.8	-	-	-
LOAD FACTOR					
Portugal (Excludes EDP Renováveis)	%	29.1	19.8	26.4	30.7
Hydro	%	27.6	12.3	26.1	35.8
CCGT	%	4.4	8.4	22.8	28.9
Coal	%	76.8	83.4	66.5	47.3
Fuel	%	0.0	0.0	0.0	0.3
Mini-hydro	%	42.5	18.7	31.9	45.4
Cogeneration	%	81.7	81.8	76.5	67.2
Biomass	%	70.1	74.6	71.6	73.2
Spain (Excludes EDP Renováveis)	%	29.5	32.4	31.6	38.0
Hydro	%	29.4	16.6	15.6	27.8
CCGT	%	4.4	10.7	18.5	36.8
Coal	%	50.1	52.5	41.9	33.2
Nuclear	%	84.9	90.3	89.0	87.4
Cogeneration	%	39.6	60.2	60.5	73.4
Waste	%	76.1	75.3	74.8	76.5
EDP Renováveis	%	30.0	29.4	28.9	29.5
Portugal	%	29.5	26.9	26.5	28.7
Spain	%	29.4	26.8	25.3	27.2
Rest of Europe	%	24.5	24.2	23.0	24.2
North America	%	31.9	32.5	32.5	31.5
Brazil	%	31.3	31.4	34.9	25.6
Brazil (Excludes EDP Renováveis)	%	45.5	52.1	50.2	47.8
Hydro	%	45.5	52.1	50.2	47.8
Coal	%	45.7	-	-	-

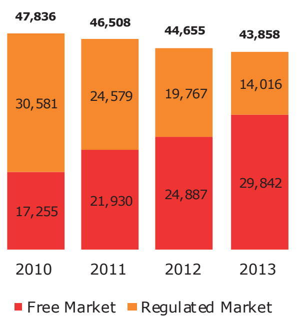
(1) MW EBITDA

OPERATING INDICATORS (2/2)

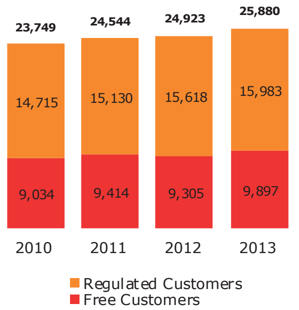
	Unit	2013	2012	2011	2010
ELECTRICITY DISTRIBUTED	**GWh**	**78,886**	**78,581**	**80,569**	**80,895**
Portugal	GWh	43,858	44,655	46,508	47,836
Spain	GWh	9,147	9,003	9,517	9,310
Brazil	GWh	25,880	24,923	24,544	23,749
Bandeirante	GWh	15,335	14,793	14,726	14,310
Escelsa	GWh	10,545	10,130	9,818	9,439
ELECTRICITY SUPPLY POINTS	**'000**	**9,779**	**9,688**	**9,625**	**9,540**
Portugal	'000	6,075	6,095	6,138	6,149
Spain	'000	659	659	656	651
Brazil	'000	3,045	2,934	2,832	2,740
Bandeirante	'000	1,666	1,601	1,545	1,503
Escelsa	'000	1,379	1,332	1,286	1,238
INSTALLED CAPACITY EQUIVALENT INTERRUPTION TIME					
Portugal [1]	minutes	84	58	75	116
Spain [1]	minutes	38	28	39	46
Brazil - Bandeirante (DEC)	hours	8.1	9.4	9.4	12.2
Brazil - Escelsa (DEC)	hours	9.8	9.9	10.4	9.1
ELECTRICITY DISTRIBUTION GRID STRUCTURE					
Grid extension	km	336,401	334,064	331,028	327,219
Portugal	km	224,866	223,734	222,627	220,318
Overhead lines	km	175,171	174,293	173,469	172,181
Underground lines	km	49,695	49,442	49,158	48,138
Spain	km	23,293	22,986	22,652	22,265
Overhead lines	km	18,469	18,397	18,250	18,148
Underground lines	km	4,824	4,589	4,402	4,117
Brazil	km	88,242	87,344	85,749	84,636
Bandeirante	km	27,461	27,325	26,999	26,735
Escelsa	km	60,781	60,019	58,749	57,901
Substations					
Portugal	#	411	414	411	404
Spain	#	57	58	56	53
Brazil	#	150	147	135	129
GAS DISTRIBUTED	**GWh**	**58,473**	**63,109**	**55,585**	**52,487**
Portugal	GWh	6,938	7,323	7,138	6,843
Spain	GWh	51,535	55,786	48,447	45,644
GAS SUPPLY POINTS	**'000**	**1,324**	**1,298**	**1,265**	**1,229**
Portugal	'000	306	290	271	245
Spain	'000	1,017	1,008	994	984
GAS DISTRIBUTION GRID STRUCTURE					
Grid extension	km	14,480	14,641	14,240	13,764
Portugal	km	4,484	4,321	4,125	3,827
Spain [2]	km	9,996	10,321	10,115	9,938
ELECTRICITY SUPPLIED	**GWh**	**73,879**	**76,726**	**80,097**	**83,291**
Portugal	GWh	27,105	29,603	33,710	39,375
Spain	GWh	18,400	20,251	21,362	21,441
Brazil [3]	GWh	28,374	26,872	25,024	22,475
NUMBER OF ELECTRICITY CUSTOMERS	**'000**	**9,881**	**9,867**	**9,901**	**9,856**
Portugal	'000	5,718	5,884	6,054	6,105
Spain	'000	1,118	1,048	1,016	1,010
Brazil [3]	'000	3,045	2,934	2,832	2,740
GAS SUPPLIED	**GWh**	**34,843**	**35,017**	**36,449**	**38,755**
Portugal	GWh	6,290	7,464	8,191	8,946
Spain	GWh	28,553	27,553	28,259	29,809
NUMBER OF GAS CUSTOMERS	**'000**	**1,171**	**1,091**	**1,059**	**1,069**
Portugal	'000	375	319	272	245
Spain	'000	796	772	788	824

[1] ICEIT in MV grid, excluding extraordinary effects. [2] The figures from 2010 to 2012 include gas transmission grid in Spain. [3] Includes "EDP Comercialização" customers and regulated customers from Distribution.

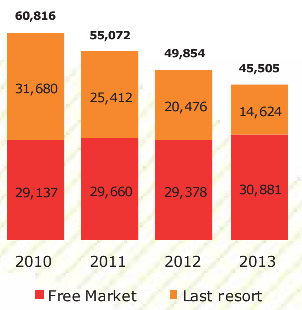
ELECTRICITY DISTRIBUTED IN PORTUGAL (GWh)



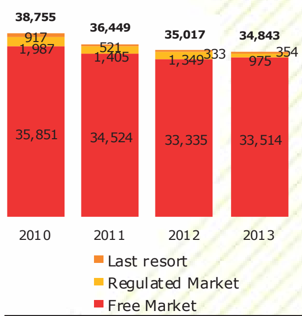
ELECTRICITY DISTRIBUTED IN BRAZIL (GWh)



ELECTRICITY SUPPLIED IN IBERIA (GWh)

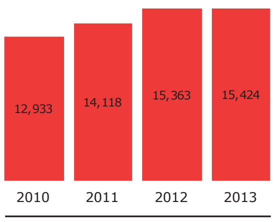


GAS SUPPLIED IN IBERIA (GWh)

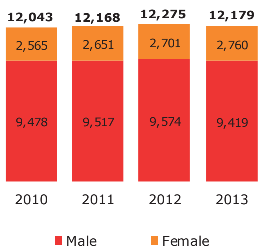


SUSTAINABILITY INDICATORS (1/2)

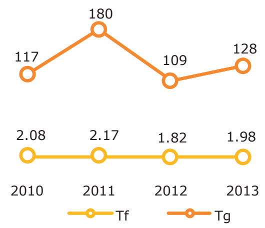
ECONOMIC VALUE DISTRIBUTED (M€)



NUMBER OF EMPLOYEES



EDP FREQUENCY AND SEVERITY RATE



	Unit	2013	Base 100
SUSTAINABILITY INDEX [1]		**102.2**	**100.0**
Revenues from ISO 14001 certified installations	%	32.8	29.5
Specific water use	m^3/MWh	26.7	24.3
Specific production of waste	g/MWh	6.6	11.2
Investments and expenses in biodiversity preservation	%EBITDA	0.5	0.5
Generation from renewable sources/Total generation	%	71.1	64.0
Pay ratio by gender (Male/Female)		0.98	1.01
Training hours/Working hours	%	2.00	2.35
Severity rate (Tg)		128	135

ECONOMIC INDICATORS		2013	2012	2011	2010
GVA per employee	€	371,312	374,417	384,077	390,509
Direct economic value generated	'000€	17,402,220	17,488,022	16,394,395	15,396,666
Economic value distributed	'000€	15,423,684	15,363,140	14,117,905	12,932,655
Accumulated economic value	'000€	1,978,536	2,124,882	2,276,491	2,464,011
Fines and penalties [2]	'000€	46,126	2,642	97	4,367
Spending on R&D [3]	'000€	31,046	27,139	65,485	36,527
Support from public authorities [4]	'000€	46,405	108,873	1,024	1,265
Energy services revenues [5]	'000€	53,225	46,230	41,598	11,233

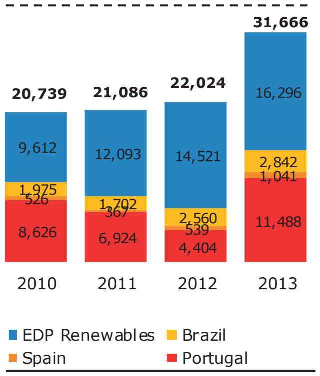
SOCIAL INDICATORS [5]					
Employees					
Employees [7]	#	12,179	12,275	12,168	12,043
Female employees [7]	%	23	22	22	21
Overall satisfaction rate [8]	p.p.	80	n.a.	81	n.a
Turnover [7]	%	6.16	5.57	5.73	5.76
Employees average age	years	46	46	46	46
Absenteeism rate [7]	%	3.26	3.16	3.35	3.52
Personnal costs	'000€	583,231	582,197	573,642	575,408
Employee benefits	'000€	55,285	89,340	61,258	153,362
Gratuities [9]	'000€	33,839	34,636	34,429	33,763
Training					
Total hours of training	hours	410,734	503,272	477,091	419,737
Average training per employee [6]	h/p	34	41	39	35
Employees trained [7]	%	86	88	80	95
Total training costs	'000€	7,091	10,354	8,026	8,940
Productivity at work	€/h	220	221	230	233
Health and Safety					
OSHAS 18 001 (installed capacity)	%	73	72	58	60
On-duty accidents	#	42	38	46	44
Fatal on-duty accidents	#	4	5	2	1
Fatal accidents of contracted workers	#	8	13	4	6
EDP frequency rate (Tf)		1.98	1.82	2.17	2.08
EDP severity rate (Tg)		128	109	180	117
Total days lost due to accidents	#	2,725	2,269	3,815	2,469

[1] EDP's Sustainability Index was revised and the new Base 100 is related with three homologous years (2010-2012). For more information see www.edp.pt>sustainability>approach to sustainability.
[2] This amount is mainly due to fines and penalties which occurred in Brazil. See page 220.
[3] 2012 value was updated after the final clearance of its information. Estimated value for the current year.
[4] The figure for 2012 was revised according with Global Reporting Initiative: extended the scope beyond the operating subsidies.
[5] The figures for 2012-2010 have been revised due to a correction of energy services revenues in Brazil.
[6] Pecém Powerplant has not been considered for the purposes of detailed Human Resources information (135 employees).
[7] The 2010-2011 figures were revised due to changes in "headcount" methodology, so as to include Executive Governing Bodies..
[8] Bi-annual survey of employee satisfaction.
[9] Includes only Portugal.

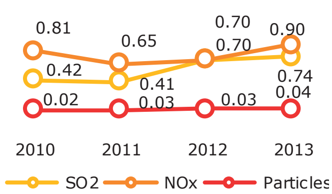
SUSTAINABILITY INDICATORS (2/2)

ENVIRONMENTAL INDICATORS	UNIT	2013[1]	2012	2011	2010
PRIMARY ENERGY CONSUMPTION					
Coal	TJ	131,247	144,504	112,425	81,816
Fuel Oil	TJ	399	648	679	1,566
Natural Gas	TJ	23,050	39,908	64,016	78,581
Other fuels	TJ	12,830	9,128	12,253	10,996
Forest waste	TJ	3,183	3,278	3,350	3,280
Fuel for vehicle fleet	TJ	268	257	272	281
Electricity consumption					
Generation internal consumption	MWh	2,783,524	2,604,713	2,079,218	1,815,385
Administrative services [2]	MWh	36,842	40,946	43,918	44,628
Grid losses	%	9.9	9.0	7.2	8.6
Environmental certification (ISO 14001)					
Net maximum installed capacity certified	%	76	76	70	69
Installed capacity of substations certified	%	30	27	21	3
Gas distribution certified	%	100	100	100	100
Atmospheric emissions					
Total Emissions					
CO_2 [3]	kt	16,635	18,005	16,919	14,699
SO_2	kt	13.8	16.0	9.4	9.5
NO_x	kt	16.9	16.0	15.1	18.3
Particles	kt	0.7	0.8	0.7	0.6
Overall specific emissions					
CO_2	g/kWh	276	323	285	244
SO_2	g/kWh	0.23	0.29	0.16	0.16
NO_x	g/kWh	0.28	0.29	0.25	0.30
Particles	g/kWh	0.01	0.01	0.01	0.01
Specific CO_2 emissions from thermal facilities	g/kWh	890	792	731	654
Avoided CO_2 from the use of renewable sources [4]	kt	31,666	22,024	21,086	20,739
CO_2 Intensity	g/€	1,033	1,102	1,119	1,037
Water					
Cooling water	m^3x10^3	1,601,224	1,613,929	1,444,350	1,150,342
Raw water	m^3x10^3	6,455	8,394	7,552	7,578
Potable water	m^3x10^3	347	308	259	302
Waste [5]					
Total waste	t	399,426	647,166	554,796	765,340
Total hazard waste	t	11,886	4,765	22,145	4,741
Recovered Waste	%	59	65	72	92
Distribution in protected areas					
Distribution grid in protected areas	km	14,449	14,563	14,178	14,035
Substations in protected areas	#	36	39	39	40
Environmental investment and expenses					
Investment and expenses	'000€	101,481	80,514	77,422	98,477
Income	'000€	4,263	4,768	6,928	5,715
Environmental investment as a proportion of total investment	%	2.2	1.6	1.8	2.8

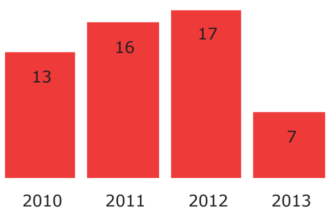
AVOIDED CO_2 (kt)



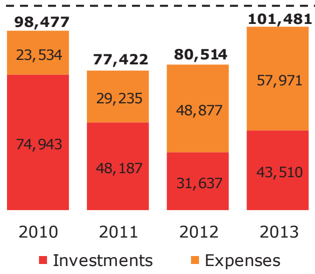
SPECIFIC EMISSIONS FROM THERMAL FACILITIES NO_x, SO_2 E PARTICLES (g/kWh)



WASTE SPECIFIC PRODUCTION (g/kWh)



ENVIRONMENTAL INVESTMENTS AND EXPENSES ('000€)



(1) Pecém Powerplant has not been considered for the purposes of detailed environment information. The primary energy consumption was 13,201 TJ, with a CO_2 emission of 876 kt.
(2) Figure for Spain in 2011 was revised to include the administrative buildings of HC Generación.
(3) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emission in Climate Change chapter.
(4) Figures for 2010-2011 were revised due to a change in methodology, which now exclude production from nuclear sources (SP, USA and ROE) and cogeneration (PT).
(5) Since 2011 EDP reports separately waste and by-products.

1.2. FRAMEWORK

1.2.1. MACROECONOMIC FRAMEWORK

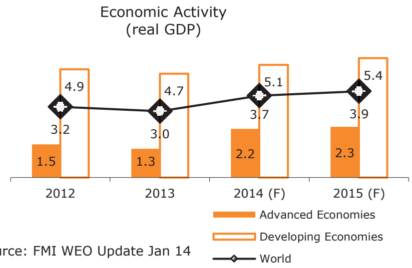
Comparing to the precedent years, 2013 was a year of relative stability. The strengthening of the monetary policy accommodation's degree in the main central banks was crucial to achieve that stability, since it reduced the high levels of uncertainty mainly associated with the euro disintegration risk and the destabilisation in the international financial markets.

The quieter environment favoured the progressive improvement in the economic activity indicators and the financial assets' performance in the industrialised economies. This evolution contrasted with the higher debility in the emerging markets. The world GDP has grown at a similar pace as 2012's (3.0%).

Excluding any disruptive event in the financial markets, 2014 may be a year of consolidation of the recovery signs inherited from 2013. This is the leading scenario by most of the observers, including the International Monetary Fund (IMF), which predicts the rate of global economic growth to rise to 3.7%. Nonetheless, there are risks. The global growth challenges stand largely in the potential adverse effects of the expected phased reduction in the USA Federal Reserve (FED) asset's purchase program. Moreover, the deceleration anticipated for the Chinese economy, if reinforced, may lead to a downward pressure on global demand.

GLOBAL ECONOMY IN SEARCH OF A NEW PARADIGM

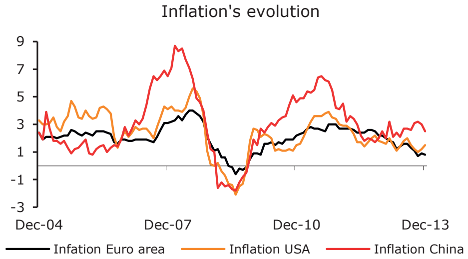
The partial dissipation of the uncertainty, which has been blocking the return to historical growth patterns in the more developed countries since the outbreak of the international financial crisis, was crucial to establish a sustained growth base in these economies during 2013. Indeed, developments such as the end of the US housing market correction, the apparent eradication of the Japanese deflation and the restore of the international community's confidence in the European currency are suggestive indications of a new cycle of business expansion and employment. Somehow contrasting, the emerging economies seem to be struggling with their development model's transition, typical symptom of rapid growth processes, and stem primarily from some competitiveness erosion as well as the excessive appreciation phenomena in certain areas, essentially in real estate. Taken this context, the progression of the world economy during 2014 will depend on the success of these two parallel procedures: consolidation of recovery in developed economies and calibration of the emergent economies growth models.



Source: FMI WEO Update Jan 14

RESTRAINED INFLATION, IN LINE WITH THE RAW MATERIALS PRICE EVOLUTION

In 2013, the inflation rate declined in most of the world economies in line with the raw materials price evolution and according to a context of moderated activity growth, allied to the high unemployment levels. In 2014, the permanence of a contained dynamism should maintain inflation in levels compatible with the prices' stability.



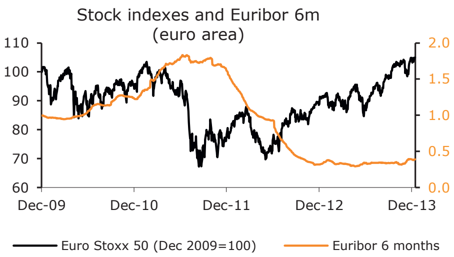
Source: Bloomberg

FINANCIAL MARKETS MORE STABLE THROUGH LESS UNCERTAINTY CLIMATE

In 2013, the financial markets' development was characterised by low volatility levels and a greater propensity to more cyclical assets and with higher return. This environment more conducive to risk assets was due to the globally accommodative monetary policies that prevailed and reflected in the appreciation of the major North American, European and Nipponese stock indexes. In opposition, some of the most important indexes in emerging markets had weak or negative performances, because of lower investors' appetite for such assets. As a side effect, strong currency devaluation emerged in these economies, mainly affecting those with external deficit.

The significant increase of interest rates implied in the government bonds of countries with higher credit ratings, such as USA, Germany and the UK, was greatly influenced by the perception that the FED could start removing its monetary stimulus program and by the strengthened expectations of sustained recovery in most developed economies.

In the European monetary market, the excessive liquidity reduction in the banking system, resulting from early repayments



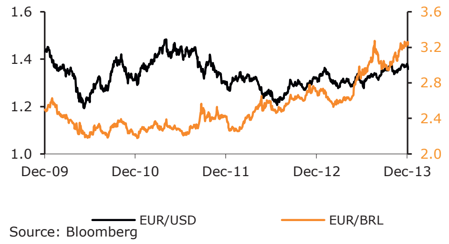
Souce: Bloomberg

of part of the liquidity injected in the context of provision of long-term funds (LTRO) of 2011 and 2012, exerted a rising pressure in the short-term interest rates and in the value of the euro against the major international currencies, namely the dollar and the yen.

Following the successful conclusion of the financial assistance programs in Ireland and Spain and the expectations that Portugal will also fulfil the goals of the economic program, the risk premium of government debt in euro area periphery countries started decreasing.

In 2014, major central banks should continue to pursue monetary policies compatible with high levels of monetary accommodation, which should contribute to keep the financial markets' volatility levels controlled.

Exchange rates



Source: Bloomberg

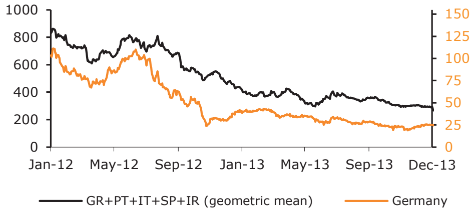
THE RECESSION IN EURO AREA LASTED THROUGH 2013

The sovereign debt crisis legacy has significantly constrained the economic activity pace in the euro area during 2013. The need to reduce the member-states leverage along with the financial fragmentation, the tightening of fiscal policy and the high unemployment level exerted a downward pressure over the consumption and the investment, leading to a 0.4% contraction in the GDP, tempered only by the favourable evolution of the external demand.

Upon the persistence of a still vulnerable economical and financial context, the European Central Bank (ECB) reduced its benchmark interest rate from 0.75% to 0.25% and relevant decisions were made towards a banking union.

In 2014, the euro area growth pace should again be constrained by the structural adjustment on-going in the several member-states. Thus, the European Commission predicts that GDP will continue growing below its potential levels.

Sovereign risk
(CDS 5 years in bp/year)



Source: Bloomberg

Euro area performance
(Real GDP and unemployment)

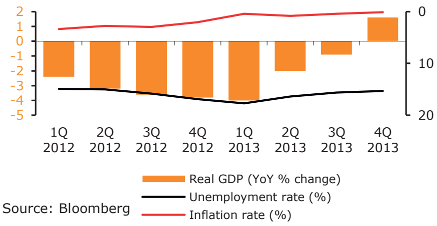
Source: IMF WEO Update Jan 14

THE PORTUGUESE ECONOMY HAD A MORE MODERATE CONTRACTION IN 2013

The Portuguese economy reconversion process, which has been implemented since May 2011 under the Economic Adjustment Program, kept conditioning the productive activity through 2013. However, the economy's contraction proved to be more moderated than in 2012.

After a sharp drop in the GDP during the first quarter, the following months delineated a path of recovery for the Portuguese economy, supported by the domestic demand stabilisation and the external demand acceleration. Regarding the domestic demand, the evolution is due to the attenuation of the decline in private consumption (following the inversion in the downward trend in the family's disposable income) and by the less unfavourable investment performance, particularly the investment in construction, which begins to stabilise after the strong adjustment framed in the reorientation of productive structure from the non-tradable sector to the tradable sector. Likewise, the shift to tradable goods and services has been reflected in the export activity's performance, which accelerated throughout 2013.

Portugal
(Real GDP, inflation and unemployment rate)



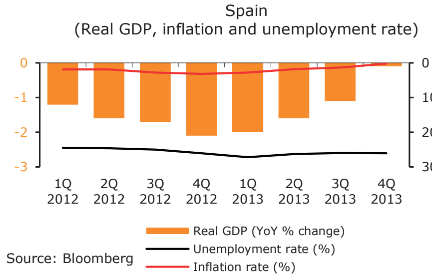
Source: Bloomberg

The progresses achieved in the adjustment process should continue to be favourably reflected on the GDP, which is projected to grow in 2014, for the first time since 2010. The perspectives for recovery of the Portuguese economy, along with favourable conditions in the international financial markets, have contributed to an expressive reduction in the risk premium associated with the Portuguese assets. However, the optimistic scenario in motion is subject to certain risk factors. Domestically, the risks on demand, inherent in the private and public unleveraged route, in addition to the uncertainty about how the Government will fund itself after the end of the Adjustment program, expected to May. In the external environment, the risks are mainly related to a possible deterioration in the financial market conditions and to the slowdown in external demand.

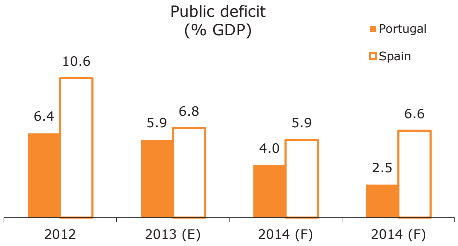
In 2014, the consumer price index should raise very moderately, reflecting a framework of low inflationary pressures, both internally due to the structural adjustment program and externally, given the perspectives that the world GDP will grow below its potential.

SPAIN REMAINED IN RECESSION IN 2013

Throughout 2013, the evolution of the Spanish economic situation was constrained again by the need for correction of severe macroeconomic imbalances, accumulated over the last years. Under the financial assistance program for the recapitalisation of the banking sector, several measures aiming the toughening of the credit institutions' balance sheets were implemented and the process of fiscal adjustment and structural reform carried on. However, despite the progress made, the unemployment rate remained above 25% and the degree of restrictive access to credit also remained high. In fact, the private consumption levels continued falling, although less pronouncedly than the previous year. The impairments amount for financial institutions continued with an upward trajectory. Given the contraction in the domestic demand, the positive performance of the net exports turned out to be insufficient to reverse the downturn in the Spanish economy and the GDP growth rate was negative once more in 2013. Despite the weakness of the Spanish economic and financial situation, the risk premiums associated with the Spanish financial assets reduced, supported largely by the accommodation degree in ECB's monetary policy and a more benign context in the international financial markets.



Source: Bloomberg



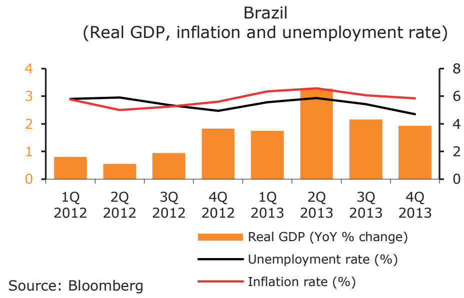
Source: European Comission

In 2014, the European Commission predicts a 0.5% growth for the Spanish GDP. This recovery shall be sustained by the external demand dynamism as well as the enhancement in the domestic demand, around a gradual decline in the unemployment rate, the reversal of the reduction in the households' disposable income and the improvement of access to credit.

Concerning the aggregated prices' evolution, in 2014, it is expected a lower inflation level, as a result of the dissipation of the impact of measures to increase the direct and indirect taxation, the wage moderation framework and vulnerability of domestic demand.

BRAZILIAN ECONOMY ACCELERATED IN 2013

After a year of weak growth, the Brazilian economy showed signs of greater dynamism, with a growth of more than 2% in 2013. Although still beneath the historical average of about 3%, the activity's acceleration was due to the resilience of private consumption, which was supported by the credit and the robust labour market, as well as the performance of the investment, mainly in infrastructures intended to enable the expansion of critical productive sectors, including energy. Although the exports have benefited from the global economy's stabilisation and the depreciation of the Brazilian Real against the dollar, the strong increase in imports, due to increased domestic demand, particularly investment, together with the fall in commodity prices, resulted in worsening the trade deficit in 2013.



Source: Bloomberg

The inflationary pressures arising from the hastening of wages, the credit growth and the rising prices of imported goods within a framework of expansionary fiscal policy led the Brazilian Central Bank to dramatically reverse the cycle of reference rates' reduction, which persisted until 2012.

The Brazilian financial assets' performance was largely set by the raise of risk aversion in the emerging markets. This unfavourable external environment caused a sharp devaluation of Bovespa stock index, an increase in interest rates of medium and long term government securities and erosion of the Brazilian Real against the major international currencies.

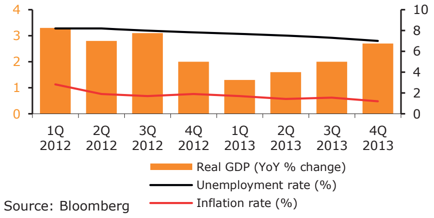
In 2014, the IMF predicts that the GDP growth will stabilise below 3%, conditioned by the persistence of structural constraints and by the insufficient external competitiveness of tradable goods. Still, the evolution of business should benefit from the World Cup and the acceleration of the US economy. The expected loss of dynamism in the labour market and the maintenance of a restrictive monetary policy should favour the moderation in inflationary pressures. The upward risk for inflation focuses mainly on the possible depreciation of the Brazilian Real in the event of a higher risk aversion scenario, eventually caused by the reduction in monetary stimulus FED program.

THE MAIN CHALLENGE FOR THE NORTH-AMERICAN ECONOMY IS WITHIN THE GRADUAL CLEARING OF THE FED'S ASSET PURCHASE PROGRAM

In 2013, the US economy has slowed down when compared to the previous year, in a context where the strong tensions on the federal fiscal policy caused a deterioration of the general levels of economic confidence. Nevertheless, the economy activity was sustained by the private consumption's performance, which benefited from a recovery in labour market, as well as the appreciation in the housing market, while the mortgage interest remained low due to the FED's accommodative monetary policy. The investment was probably the more dynamic spending component, stimulated by the sustained increase in the load factor, along with the acceleration in the demand addressed to North-American exports.

During 2013, despite the FED's advances and retreats regarding the intention to reduce its government securities purchase program, the behaviour of the US financial markets was characterised by lower volatility levels and a greater propensity for cyclical assets such as stocks. Nonetheless, in the government debt market, the trend of rising yields, particularly visible from the end of the first six months, reflected the expected normalisation of monetary policy in the short term.

USA
(Real GDP, inflation and unemployment rate)



Source: Bloomberg

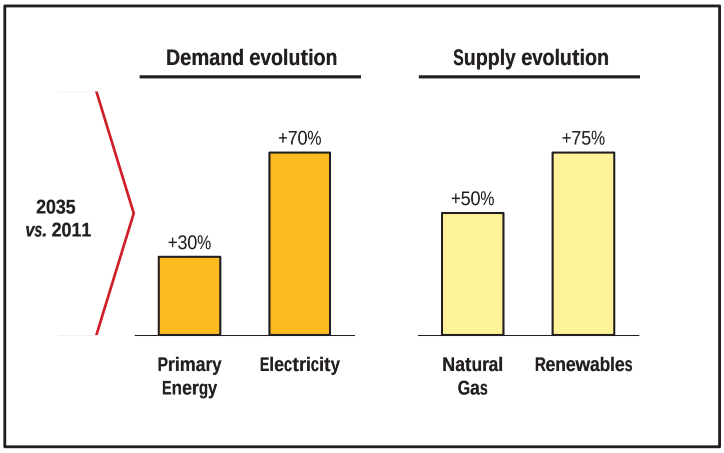
Reaching an agreement between Republicans and Democrats for the budgetary consolidation, should foster a climate of more trust among the economic actors, creating conditions for the activity's acceleration. The main risk to this recovery scenario is in the reaction of the real estate market to the expected gradually reduction of the FED's assets purchase program, announced in December 2013, which will likely result in rising the interest rates on mortgages.

1.2.2. ENERGETIC FRAMEWORK

GLOBAL ENERGY MEGATRENDS

The energy sector is witnessing a deep transformation due to shifting supply and demand patterns. The energy map is redesigned, with demand moving to South/East in emerging countries and supply growing in the West, particularly in the Americas. Despite this transformation requires structural changes at the global energy mix, with relevant impact on the traditional business models, it also encompasses relevant growth opportunities. Additionally, growing environmental concerns will pose significant challenges to ensure sustainability in the years to come. Overcoming these challenges will require a new energy paradigm with high levels of investment supported by a strong technological development and innovation.

The world is changing fast and energy is no exception



ENERGY DEMAND

Global demand for energy has been consistently increasing, being expected this trend to continue in the medium/long term as a result of economic and population growth. In particular, world's primary energy demand is estimated to grow by 30%, up to 2035. Regarding final energy demand, electricity is the energy form that should register the highest growth, about 70% up to 2035, as result of increasing urbanization and electricity penetration in new sectors, such as transports.

However, this strong growth is not predicted to come from the traditional historical markets but from the developing countries. In this sense, emerging economies are estimated to capture over 90% of the net growth in energy demand until 2035. Demand is expected keep almost constant in OECD countries, given energy efficiency developments will offset the organic growth consumptions.

This high demand growth will lead to strong environmental concerns. Being responsible for two-thirds of global Greenhouse Gas emissions (GHG), the energy sector will be key to achieve climate change goals. As to mitigate irreversible impacts of climate change, GHG emissions should be reduced, by 2050, to 50% of 1990 levels, strong challenges will arise in ensuring environmental sustainability, something the optimistic scenarios do not ensure.

ENERGY SUPPLY

Although the supply of all energy forms is expected to grow in the medium / long term, only renewables and natural gas will grow all over the world. With similar growth in absolute terms, natural gas is expected to increase by 50%, while 75% for renewables, up to 2035. Oil and coal should reduce their weight in the primary energy mix (from 60% to 50%), therefore keeping the highest share.

Natural gas consumption increase is the result of strong global energy market dynamics, explained by the recent shale gas technological developments and growing international trade of Liquefied Natural Gas (LNG). These developments should contribute to an increase of natural gas relative competitiveness, leading to fuel shifting dynamics from traditional fuels to natural gas in the industrial, transport and power sectors.

Regarding renewables, growth should be divided between traditional bioenergy and hydro + "new renewables" (wind and solar). Despite strong bioenergy growth, as a result of increasing population in developing countries, its share in the renewables mix is expected to decline from 75% to 60%, up to 2035. Hydro growth should also occur also focused on the developing countries, where there is still significant hydro potential to be explored. In this sense, up to 2035, the "new renewables" are the ones expected to increase their weight in the renewables energy mix, surpassing even the hydro, due to the recent technological revolution with a strong impact on the costs of these technologies. In particular, it is estimated the United States, China and Europe to lead renewables growth, up to 2035.

POWER SECTOR

Electricity demand growth will be sustained primarily by two factors: (1) Access to Electricity and (2) Fuel shifting from traditional fuels to electricity. On the supply side, there is an increasing technological innovation across all the value chain – generation, networks and retail.

Currently, still about 1.2 billion are without access to electricity (mainly in Africa and Southeast Asia). This is a key issue to be answered in the coming years, through new technology solutions and new business models, to be met by increasingly affordable small scale solar-based solutions.

Electricity's growing consumption vs. traditional fuels is explained by demographic and technological factors. The expected massive urbanisation for developing countries should contribute significantly to change consumption patterns towards an increased use of electricity. Additionally, more substantial use of heat pumps (with higher levels of efficiency) as well as new mobility solutions, based on electrical technologies, should contribute to a growing electrification in developed countries.

Technological innovations at the electricity production level are already changing the electricity generation's mix. In particular, renewables are expected to increase ~6x, up to 2035. Huge technology costs' decrease is a key driver of renewable growth, which might even change the traditional centralized generation model to new distributed models. In this paradigm each consumer is also generator, and networks operate as batteries for backup and energy flows management. Also at the networks level, information technologies and energy combination is outlining a new world of smartgrids, disruptive compared to traditional systems, where information flows in all directions and energy control is increasingly effective. From the retail side topics such as demand response, energy management, real-time pricing, customer relationship management, will enable better energy systems management. According to the International Energy Agency, the "Global investment in the power sector amounts to $17 trillion through 2035, with over 40% in transmission and distribution networks".

EUROPEAN ENVIRONMENT

RECENT MARKET DEVELOPMENTS IN THE POWER SECTOR

From the consumption side, we have been witnessing strong demand destruction, as a result of the economic crisis, followed by a slow recovery due to energy efficiency. In particular, the new Energy Efficiency Directive, with effect from mid-2014, re-enforce energy savings development, with binding obligations for the Member States. In this sense, some European countries have announced energy efficiency obligation schemes.

From the supply side, renewables are continuing their sustainable growth despite some regulatory uncertainties. Reduced demand along with renewables increase has been reducing space for thermal generation, with strong impacts on thermal power load factors. Additionally, low CO_2 prices have been promoting electricity generation from coal versus natural gas, reversing European Union's (EU) decarbonisation path.

KEY REGULATORY LANDMARKS

In December 2013, the European Commission (EC) launched two documents to public consultation, regarding the State Aid Modernization process: "Environmental and energy aid guidelines for 2014-2020" (EEAG) and "General Block Exemption Regulation". The main topics covered and the more relevant to EDP are the guidelines concerning renewable energy support mechanisms (EC supports market instruments – feed-in-premium or green certificates – and does not consider the feed-in-tariffs to be an adequate tool) and guidelines on capacity mechanisms (seen by the EC as a last resort instrument to ensure the coverage of supply). The consultation closed in February and the documents' final version is expected to be released in mid-2014. In parallel, the EC opened two detailed investigations on the State Aid, about the payment exemption of renewables' overcost to the German energy intensive industries and the contract for differences established with EDF to build a nuclear power plant in the UK. Regarding the latter point, this investigation will be an opportunity to demonstrate that the market reform in the UK (EMR: Electricity Market Reform) is essential to attract the investment needed in low-carbon generation at fair prices to consumers.

In January 2014, the EC presented the communication "A policy framework for climate and energy in the period from 2020 to 2030" whose final version should gather consensus among the Commission, the European Parliament and the European Council to be adopted (the negotiating process will last 1-2 years). The EC package of proposals for 2030 contains (1) a European objective of reducing Greenhouse Gas emissions of 40% in 2030, compared to 1990, (2) a goal of a greater share of renewable energy in the EU of at least 27%. (not binding at the member-states level, unlike the 2020's targets), (3) an eventual objective of energy efficiency defined according to the review of the Energy Efficiency Directive to be concluded later in 2014. The EC also proposes an ETS reform (establishing a reserve mechanism of market stability from 2021) and a new governance system to achieve the energy policies, based on national plans designed by the member-states. A preliminary analysis at these proposals indicates overall positive impacts, although there are still many uncertainties, namely with the renewable energy support mechanisms and with the achievement of the renewables goal, given the inexistence of binding national targets.

TOWARDS A NEW MARKET DESIGN

The European Union's objectives for 2030 materialise the economic decabornisation strategic goal, which will inevitably have implications in the electricity market design. In this sense, the Aid State directives, currently under review, should give the necessary latitude for the market design to evolve, not crystallizing in energy-only models suitable for the 90s liberalization.

Since the management of renewables intermittency is achieved through storage, interconnections and under-utilisation of backup thermal plants and the investments in low-carbon technologies is CAPEX intensive (i.e. renewables and nuclear), an evolution to a low-carbon economy leads to a sector increasingly based on fixed costs.

Tha current energy-only market models do not allow investments in backup technologies, since it is structurally impossible to recover the fixed costs in marginalist markets. Additionally, several markets have explicit maximum prices (i.e. MIBEL), which prevents spikes in energy prices that are critical to the fixed costs' recapture. Even when there are not explicit price caps, in practical terms, these very high prices are not politically acceptable (missing money problem). In this context, the current market models require **capacity remuneration mechanisms.**

In an increasingly CAPEX-only world, the key competitive factor is the cost of capital, which may be reduced through risk mitigation mechanisms. However, in the existing scenario, the investor carries a large quantity of risks (regulatory, price, political, economic cycle, etc.) far beyond the ones manageable (construction, operations, funding). Thus, the market design should evolve for **long-term stable contracting.**

Additionally, the increased penetration of high fixed cost technologies further depresses the marginalist price, which ultimately does not remunerate any technology. This effect is already felt nowadays. Recognising this, many European countries complemented their energy markets with payment capacity mechanisms and/or fixed remunerations (such as tariffs). Although some European markets do not require additional capacity in the short-term, particularly in Iberia, it is critical to ensure a positive encouraging environment to boost the medium-term investment and prevent the closure of power plants unprofitable but necessary to guarantee the supply.

As a clear evidence of the need for stability to ensure the investment, the new EDF's nuclear plant in the UK will have a Contract for Differences for 35 years (~£90/MWh).

To this effect, it is critical to re-design the current European markets towards a total costs' market (ex-ante versus ex-post competition).

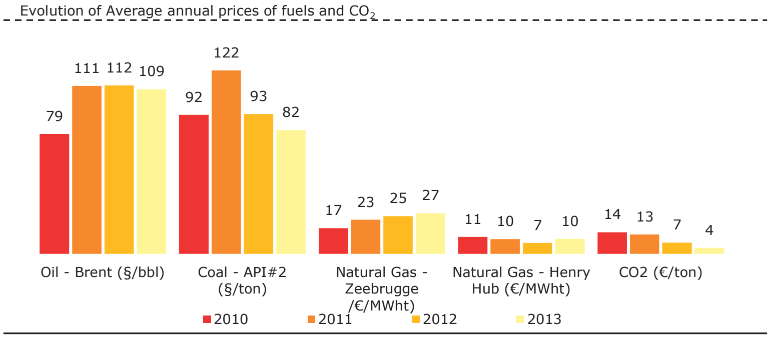
Current marginalist energy-only market design does not ensure economic-financial sustainability for Low-carbon technologies with high fixed costs

FUEL AND CO_2

Internationally, the different fuel prices showed distinct dynamics in 2013:

- **Stabilisation of the oil price** (Brent, European index), keeping historical records around USD 110/bbl for three consecutive years
- **Drop in coal price** (APi#2, European index) with the futures market pointing to a fall in price by 2020, largely explained by the excess stock of coal in international markets. This excess of coal is the result of displacement of coal consumption for shale gas in the USA.
- **Slight increase of natural gas prices** (Zeebrugge, European index) maintaining the high prices defferential between Europe and USA (Henry Hub, North-American index).

Regarding the CO_2, **the prices maintained its downward trend,** which can be explained by structural oversupply due to demand decrease as a consequence of the economic crisis.



IBERIAN ELECTRICITY AND GAS MARKET

ELECTRICITY

The economic situation in Europe continues to highly impact the electricity demand. In line with the most European markets, the electricity demand in Iberia also decreased in 2013:

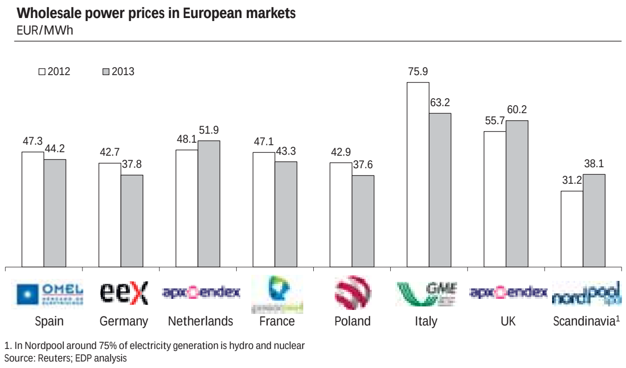
+0.2% : smooth increase in **Portugal**
-2.2% : signs of recovery in **Spain**

The high levels of hydro generation index (1.17 in Portugal and Spain) and wind generation index (1.18 in Spain) in 2013 contributed to a significant increase in renewable generation, leading to a sharp reduction in the residual thermal demand and, consequently, in operating coal and natural gas power plants.

The low CO_2 prices along with the increased competitiveness of coal vs. natural gas promoted the significant increase of coal electricity production instead of natural gas.

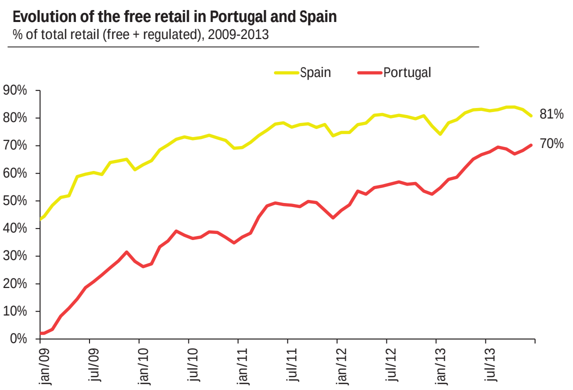
Reflecting in the fuel and CO_2 price evolution, the European wholesale electricity prices have mostly dropped vs 2012. Particularly in the Iberian market (MIBEL), the prices decreased to €44/MWh. The price differential between Portugal and Spain, remained low (-€0.6/MWh), revealing a tight integration already existing between the two markets.

The decrease in MIBEL's electricity price is essentially due to the combination of three factors: (1) decrease in consumption compared to 2012 (-1.8% in Iberia) as a result of the economic downturn and the efficiency measures, (2) decrease of Residual Thermal Demand (about 30%) through the higher hydrological and wind index versus 2012 and (3) the boost of coal generation, during a year with low marginal cost due to the fuel and CO_2 cost decline.



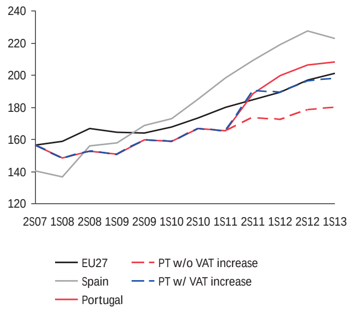
Wholesale power prices in Iberia are in line with other European markets

Regarding the supply, there has been a growing liberalization of the sector. At the end of 2013, the liberalized market represented 70% of the electricity supplied in Portugal and 80% in Spain.

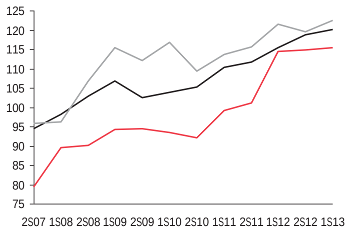


The evolution of retail electricity prices in Iberia continues in line with EU average prices.

Power prices for domestic customers[1]
Eur/MWh



Power prices for industrial customers[2]
Eur/MWh



Source: Eurostat
1. Prices for Dc step (annual consumption between 2.500 and 5.000 kWh) – includes all taxes
2. Prices for Ic step (annual consumption between 500 and 2.000 MWh) – excludes recoverable taxes.

Retail electricity prices in Portugal have been in line with EU's average both for industrials and domestic

NATURAL GAS

The loss of competitiveness of natural gas led to a drop in natural gas demand in Iberia:

-4.9% : continued decline in consumption in **Portugal**
-8,2% : continued decline in consumption in **Spain**

The decrease in the demand was a result of the sharp drop in consumption in the power sector, which represented less than 16% of the total consumption (-17% in Spain and -7% in Portugal). This demand decrease brought the need to deviate high amounts of contractualised natural gas to the international markets, demonstrating a strong flexibility to manage demand distortions.

The significant weight of LNG[1] in the natural gas supply in Iberia has allowed a great diversification of sources, highlighting Algeria, Nigeria, Qatar, France, Peru and Trinidad & Tobago.

REGULATION

The economic crisis has continued to induce a strong pressure from the European Governments to tax the energetic sector through fiscal policies that tend to be discriminatory and distort the regulatory framework.

PORTUGAL

Under the financial adjustment program that Portugal has been subject, the Portuguese Government has launched a series of regulatory packages affecting the energy sector. As a result of the measures approved until the 7th Troika evaluation, the first regulatory package, with effects since 2012, has an estimated impact of approximately two billion euros between 2012 and 2020. In 2013, following the measures determined on the 8th and 9th evaluations, a second regulatory package and an additional tax targeting the Portuguese energy sector were announced. The first, with an expected impact of €1 billion to €1.4 billion from 2014 to 2026 and the second is forecasted to have an impact of about one hundred fifty million euros in 2014. It is estimated that all the regulatory incursions since Troika's intervention will have an aggregated impact of about €3 billion to €3.5 billion.

The second package announced in 2013 includes the following regulatory measures: (1) elimination of market distortion caused by tax measures introduced in Spain through the payment of electricity injected into the grid (€3/MWh at peak and €2/MWh off-peak), (2) incentives for cost efficiency in the tariff harmonization mechanism applicable to the autonomous regions, (3) revision in hydro land remuneration, (4) correction of distortions in the ancillary services market as well as (5) the contribution on coal power plants to the National Electric System.

The extraordinary contribution of the energy sector is translated in a 0.85% tax on the electricity, oil and natural gas sectors' fixed tangible and intangible assets. Exceptions are applied to CCGTs with less than 2,000 hours/year of use, hydro plants with capacity lower than 20MW, wind plants, as well as power plants with licenses awarded through competitive tender procedures or consultation.

SPAIN

Throughout 2013, the Spanish Government also announced several regulatory restructurings aiming to reduce the tariff deficit. These measures aim to reduce the deficit, which was created by the Spanish Government energy policies, the electric sector agents, the customers and the State.

Major regulatory measures in this package, applicable to the sector's companies are: (1) reducing the transmission and distribution assets rate of return from around 8% to 6.5%, (2) cut in the investment incentive from €26thousand/MW/year to €10thousand/MW/year, (doubling the remaining incentive period), (3) change in Special Regime Generation remuneration to pool plus a complement to guarantee a 7.5% fixed return (before tax) and (4) subsidized tariff for vulnerable customers, to be supported by the companies. Additionally, the customers had an increase of 6.5% in the access tariff (+3.2% of total energy tariff), while the State contributed to the extra-peninsular overcost.

[1] LNG: Liquified Natural Gas

EDP RENOVÁVEIS' MARKETS

In 2013, according to the Global Wind Energy Council ("GWEC") 35.5GW of new wind capacity were installed. China remains the main driver of global growth by adding 16.5GW, nearly half of the total global new wind capacity, and reached 91GW of installed capacity. According to the European Wind Energy Association ("EWEA"), 11.1GW were installed in the European Union during 2013, bringing the total installed capacity in the region to 121GW, while based on the American Wind Energy Association ("AWEA") only 1.1GW were installed in the US reaching a total installed capacity of 61GW.

EUROPE

In the European Union the total wind capacity by the end of 2013 amounted to 117.3GW and the electricity generated covered 8% of electricity demand. The year was marked by an increase in offshore technologies.

An annual addition of 11.1GW, according to EWEA, represents a year over year decrease of 8%. The lower growth rate is a reflection of the regulatory and political uncertainty in some European markets. However, despite the slowdown in yearly additions, wind power was the technology which installed the most, accounting for 32% of the new additions.

The new installations were mainly concentrated in two countries, Germany (3.2GW) and the UK (1.9GW), with an increasing presence in offshore wind. Germany continues to lead the European market in terms of installed capacity. Rounding out the top 5 are Poland (894MW), Sweden (724MW) and Romania (695MW). EDPR is well positioned in several of these top markets.

Traditional large markets of Spain, Italy and France saw their rate of new wind projects decrease in 2013, by 84%, 65% and 24% respectively, where regulatory changes in Spain drove the significant decline.

The offshore market in Europe had a record year in terms of new installation by adding an additional 1.6GW, representing a 34% increase from 2012. For the year, Europe reach 6.6GW of offshore wind installed capacity spread through 11 countries with UK alone adding 733MW, strengthening its worldwide offshore leadership, followed by Denmark (350MW), Germany (240MW), Belgium (192MW) and Sweden (48MW).

AMERICA

Uncertainty regarding the extension of the Production Tax Credit (PTC) and Investment Tax Credit (ITC) led to a dramatic 92% decrease in installed capacity to 1.1GW in the United States. However, once the extensions were received, a flurry of construction activity ensued resulting in a record 12GW of new projects under construction by year end, according to AWEA. 2014 will be a solid year for growth as these projects come online.

For the rest of the region, Canada installed 1.6GW of wind additions, including EDPR's first project with 30MW, while in Mexico 623MW were added. Latin America was strongly represented by Brazil, another EDPR market, as it installed 948MW, followed by Chile (130MW), and Argentina (76MW).

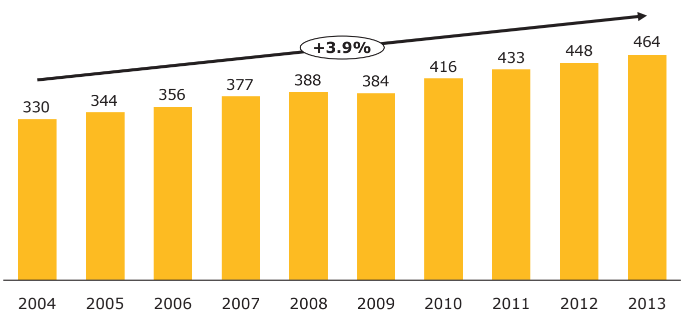
The renewable energy market is a growing and increasingly competitive arena which should continue to do well as investment costs decline and regulatory and general support is achieved.

ELECTRICITY MARKET IN BRAZIL

BRAZILIAN MARKET CONTEXT IN 2013

Brazil is one of the world's largest markets, with a GDP of about USD 2.5 trillions[2] in 2012 and a population of 196 million inhabitants, 84% concentrated in the northeast, southeast and south regions. A significant private and public investment growth has been occurring in the last years and it is estimated to carry on through the next years. The preparation for the major sports events, as the World Cup (2014) and the Olympics (2016), as well as the potential for oil exploitation in the Brazilian shore (pre-salt), the expansion and qualification of the logistic infrastructure have provided and will continue to provide high investments and diversified development opportunities.

ENERGY CONSUMPTION IN THE GRID (TWh)



Source: EPE

The growth context in the Brazilian market contributed to the energy consumption behavior in 2013. In Brazil, the total energy consumption[3] reached 463,740GWh, 3.5% above the previous year. Emphasis on the performance of the residential and commercial classes, with an increase of 6.1% and 5.7% in 2013, respectively, compared to 2012. Over the last 10 years, the average growth of electricity consumption was 3.9% per year.

[2] Source: WMF, MME
[3] Source: EPE

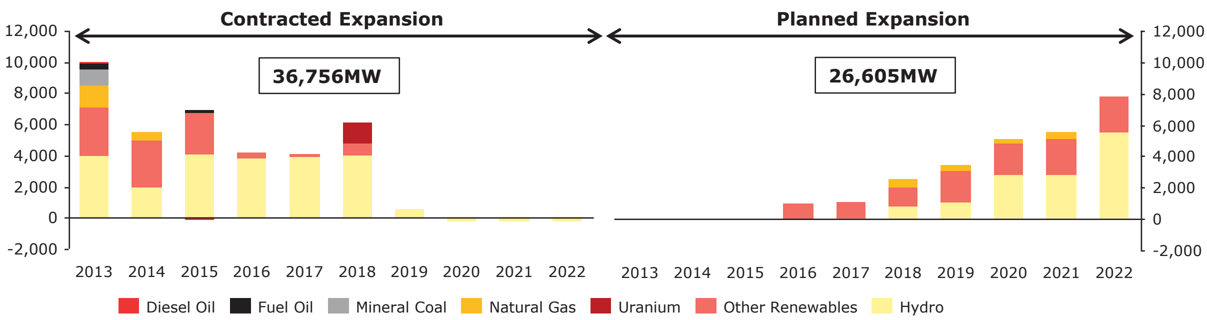
ABOUT THE ELECTRICITY MARKET IN BRAZIL

The electricity power generation in Brazil in 2013 corresponded to 129GW, with a generation mix consisting of 69% hydro, 15% thermal, 14% other renewables and 2% nuclear sources.

This energy generated incorporates the National Interconnected System (SIN), which covers 98% of the Brazilian market and is essentially characterised by the existence of large reservoirs, hydroelectric projects and long transmission lines.

According to the Ten Year Energy Expansion Plan 2022 (PDE 2022), the electricity demand will grow 4% per year in the next 20 years, reaching more than 93GW of demand in 2023. To meet this growing demand, it will be necessary a 52GW expansion in the installed capacity until 2022. To achieve that goal, it is planned an auction for more than 26GW in generation infrastructures during the next years, 13GW of renewable sources and small hydroelectric power plants, 10GW of hydroelectric power plants and 3GW of gas power plants.

ANNUAL INSTALLED CAPACITY INCREASE BY SOURCE (MW)



Source: PDE 2022

From the planned expansion in the chart above, there should be subtracted the hydro plant São Manoel, already auctioned in 2013, and added to the expansion contracted, thus reaching 37,456MW.

With the growth in new generation assets, it is simultaneously predicted the transmission grid expansion in about 48.3 thousands km, which represents around 45% of network extension, comparing with the infrastructure existent in 2013.

According to the PDE 2022, the energy efficiency and the penetration of distributed generation by the final consumers will contribute to reduce the need for expansion of centralised generation in SIN. The self-generation and the solar energy distributed will enable to discharge around 117TWh of energy requested to the grid in 2022. It is estimated that 98% of this energy will be generated in large systems, installed in industries such as steel generation, pulp and paper, chemical, refining, sugar production and alcohol, among others, and the commercial sector. The remaining amount of 1.9TWh (equivalent to 219MWa) in 2022 is due to the integration of solar photovoltaic generation systems in the residential and commercial classes.

ADVERSE REGULATORY FRAMEWORK

The year 2013 was characterised by significant changes in the Brazilian electricity sectors' regulatory scenario. In September 11, 2012, the Federal Government introduced the Provisional Measure n. 579/2012, which establishes measures to reduce about 20% of the electric energy tariff in all the Brazilian regions. The measures adopted to achieve this reduction comprised the anticipated renewal of generation and transmission concessions maturing between 2015 and 2017 (many electricity producers did not adhere to the concessions' extension) and the reduction or extension of sectorial fees – the fuel Consumption Account and the Global Reversion Reserve were extinguished and the Energy Development Account (CDE) was reduced by 75%.

The consequence of these measures and the marked frustration in 2013's auctions (A-1 Auction and Adjusts Auction) led to decontracting the distributors and, consequently, to the involuntary exposure to short-term energy market.

This scenario was complemented by the adverse climate conditions, with low rainfalls in the country, which contributed to increase the Settlement Price of Differences (PLD) and to the dispatch of thermal power plants outside the order of merit.

Cumulatively, these facts generated a reduction in corporate cash amounts, which created the need for an extraordinary contribution from the CDE and the Treasury.

1.3. STAKEHOLDER'S RELATIONSHIP

1.1.3. MANAGEMENT APPROACH

EDP has strengthened its management structures, focusing on stakeholder relations and strengthening internal procedures through the implementation of cross-company methods such as ComPro – the communication of projects to local stakeholders.

The EDP Executive Board of Directors approved a Stakeholder Segmentation Model in 2013, which is intended to standardise the identification and management of EDP's stakeholders. This Model considers four segments:

- Value Chain
- Market
- Democracy
- Social and Territorial Environment

This model maps EDP's key stakeholders. The mapping criteria considers: nature (public, private, and social/non-government); territorial (local, regional, national and supranational); and segmentation (generation and distribution chain, value chain, markets, public policy and to the regulation). Finally, it also considers organisation, influence and decision-making of Stakeholders in the EDP´s corporate model.

EDP believes that the engagement of stakeholders in the governance model is more than just good business practice – it creates and distributes value to all stakeholders, and therefore contributes to a more cohesive society, and comprises a lever of competitiveness impacting on the performance of the company itself.

REPRISK

EDP joined the Reprisk platform in 2013. This sustainability rating agency specialises in the identification, description and valuation of the reputational risks of each company in terms of environmental, social and management impact. Reprisk collects and analyses news, events, criticism and controversy about companies, their products, activities and projects, using the information conveyed by the media as the staring point. The platform had under observation at year's end 38,840 companies, 9,240 projects, 6,294 NGOs and 5,362 governmental structures.

The ratings established by Reprisk allow EDP access to key information for assessing its exposure to risk in terms of countries, markets, sectors and companies. The platform also allows EDP to conduct a comprehensive benchmark with other utilities.

http://www.reprisk.com

This principle underlies the approval by the EDP Executive Board of Directors of a Stakeholder Relations policy in 2013, based on four guiding commitments: Understand, Communicate, Trust and Collaborate.

UNDERSTAND

We dynamically and systematically identify the stakeholders that influence and are influenced by the Company, and we analyse and try to understand their expectations and interests in the decisions that directly impact them.

COMMUNICATE

We are committed to promoting two-way dialogue with Stakeholders through informational and consultation initiatives.

We listen, inform and respond to stakeholders in a consistent, clear, accurate and transparent manner, aiming to build close, strong and long-lasting relationships.

TRUST

We believe that fostering a climate of trust with our stakeholders is crucial to establishing stable and long term relations.

Our relations with stakeholders are based on values such as transparency, integrity and mutual respect.

COLLABORATE

It is our ambition to collaborate with Stakeholders to build strategic partnerships that bring together and share knowledge, skills and tools, thus promoting the creation of shared value in a differentiating manner.

INITIATIVES WITH STAKEHOLDERS

Several initiatives were undertaken by EDP with relevant stakeholders during 2013, namely:

Corporate Initiatives:

- **Round of Conversations with Stakeholders** - This initiative began last year and was continued this year. Its aim is to promote discussion between the macrostructure of EDP and external guests on materially significant issues. Two rounds were held in 2013: with the National Association of Portuguese Municipalities and with Professor Marcelo Rebelo de Sousa.
- **Conference by António Mexia at Lisbon Technical University (IST)** – The CEO took part in this initiative of IST, aimed at students and professors, as part of the conference series in Portuguese universities. The debate focused on the strategic vision in the energy sector in Portugal.
- **Visit by the Economic and Public Works Committee to Alqueva** – The aim was to discover more about this hydro project of EDP and promote open and ongoing dialogue with this relevant stakeholder.
- **Consultation with External Stakeholders**– An annual process involving various groups of stakeholders, including Local Government, Universities, Business Associations, Suppliers, Members of Parliament and of the European Parliament, in order to discover their expectations, relevant issues and opinions on relations with EDP and its performance.
- **Consultation with Internal Stakeholders** - Systematic update of mapping of stakeholders, relevant and critical topics of the EDP Group.
- **Meetings of the Stakeholders' Management Committee**- Initiative intended to promote reflection and debate on the key challenges in relations with EDP's stakeholders and to subsequently establish a plan of action.

Throughout this report several operational initiatives are described, highlighting the relationship with the different segments of stakeholders. For further information: www.edp.pt> sustainability> stakeholders-

1.3.2. RELEVANT TOPICS AND MATERIALITY

EDP promotes stakeholder engagement through continuous participation processes, using various communication channels depending on the specific nature of the target audiences.

This ongoing dialogue with EDP's most significant stakeholders (through meetings, discussion rounds with the company macrostructure, questionnaires, consultations in-person, partnerships and other interactions) identifies the most relevant topics for the different segments mentioned above.

The conclusions of consultations organised by EDP with its stakeholders in 2013 are:

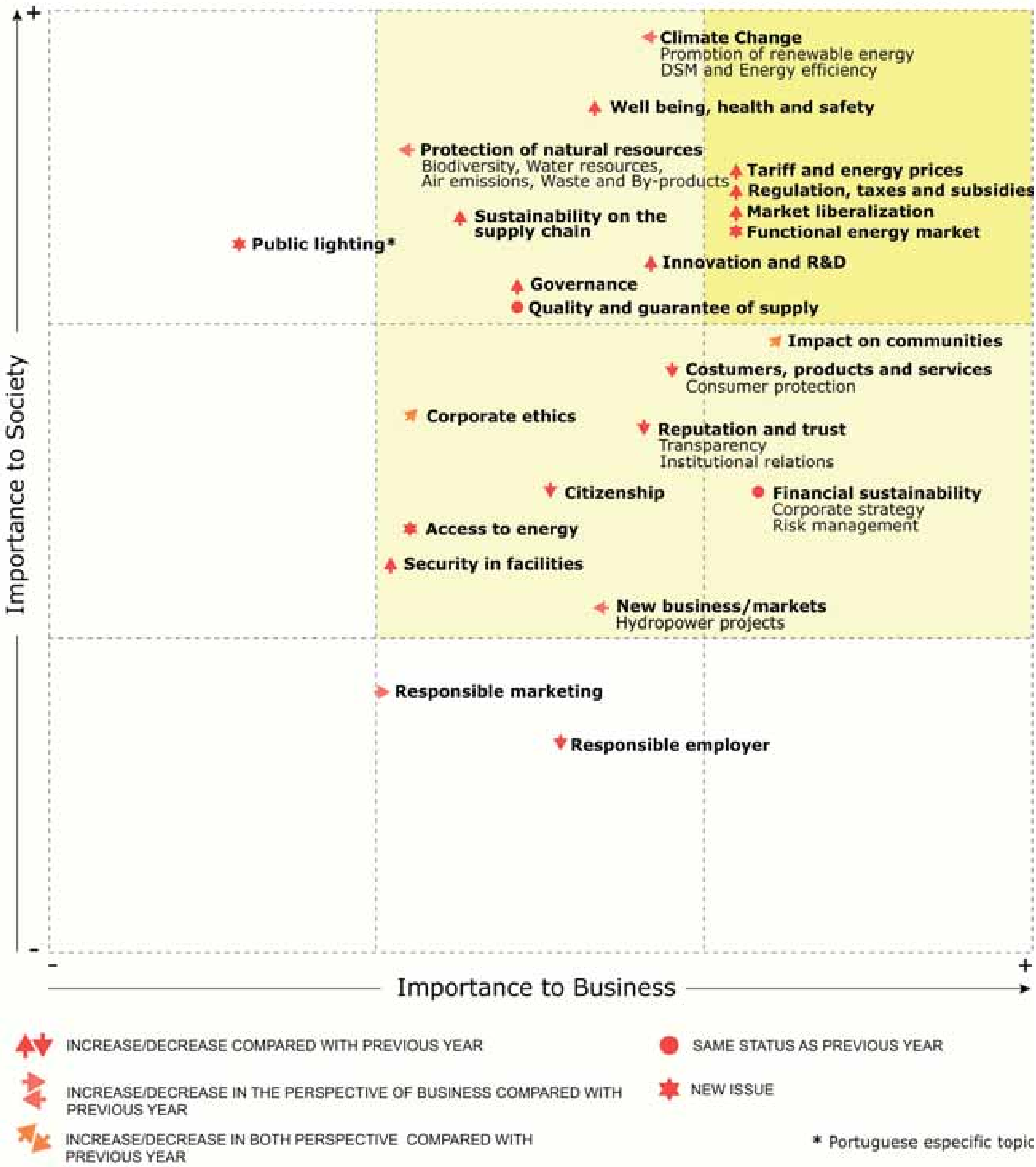
- **Value Chain segment**: tends to focus on the following topics as critical issues: tariffs and energy Prices, composition of the electricity bill, climate change (namely promoting energy efficiency in consumption), and innovation (specifically concerning smart grids).
- **Market Segment**: Critical issues are deemed to be financial sustainability issues (such as debt, the macroeconomic context, and the EDP Group strategy) and the regulatory framework.
- **Democracy segment**: identifies the most relevant topics as: Demand side management, investment in renewable energy, tariffs and energy price (namely the tariff deficit).
- **Territorial and Social Organisation**: places particular emphasis on topics such as public lighting, demand side management, investment in renewable energy, and tariffs and energy prices (in particular the tariff deficit).

MATERIALITY MATRIX

EDP, given the importance of identifying material issues due to the influence they have on the decisions, activities and performance of an organisation and its stakeholders, annually updates these issues and prioritises them according to relevance and meaning.

The EDP Group materiality matrix includes the issues considered to be relevant for society and for the business, according to the Accoultability's standards.

The "relevant for society" arm incorporates the following analysis: regulation, benchmark, international studies, ESG (environmental, social and governance) investor surveys and ascertaining the expectations of the different EDP stakeholders; the "relevant for business" arm was evaluated based on interviews with managers and supervising officers of different areas of EDP.



This matrix supports the preparation of the annual report, both in the definition of its index and the selection of the content. Simultaneously, is used to support EDP's agenda for sustainability. Further information on the process can be found in the annex (page 312)

1.4. STRATEGIC AGENDA

STRATEGIC AGENDA FOR 2012-2015

At the Investors Day held in May 2012, EDP presented its strategic agenda for 2012-2015, marked by the beginning of a new cycle, which will focus on cash-flow generation and on the creation of new growth opportunities. In this event, EDP highlighted the appropriateness of the 2006 defined strategy and presented the following priorities for the period of 2012-2015:

Controlled Risk:

- Proactive management of the legal/regulatory agenda, keeping EDP's unique low risk business profile;
- Competitive refinancing and accelerated deleveraging ensuring the increase of cash-flow generation;

Superior Efficiency:

- Focus on opex and capex efficiency creating sustained long-term growth opportunities;

Focused Growth:

- Growth oriented to value creation, ensuring a stable and attractive shareholders' return.

Transversely to its strategy, the successful execution of the strategic partnership established at the end of 2011 with China Three Gorges (CTG), the biggest Chinese clean energy group, was also defined as a priority to EDP. Under this partnership, not only CTG will invest €2 billion until 2015 in stakes in renewable energy projects but it also has a strong funding commitment by a Chinese financial institution with EDP, at a corporate level, by an amount of up to €2 billion.

	STRATEGIC PRIORITIES	BUSINESS PLAN 2012-2015 HIGHLIGHTS		STRATEGIC PRIORITIES
CONTROLLED RISK	**1.** Proactive management of the legal/regulatory agenda, keeping EDP's unique low risk business profile **2.** Competitive refinancing and accelerated deleveraging ensuring the increase of cash-flow generation	**Keep unique low risk business profile**		**5.** Sucessful partnership with CTG
		.Disciplined investment program	> Capex <50% of EBITDA (1)	
		.Significant business growth	> EBITDA CAGR 11-15:-5% (€4,5-4,7 bn)	
		.More efficient operations	> €130M/year OPEX III savings in 2015	
		.Accelerated deleverageing process	> Adjusted Net Debt(2) /EBITDA <3,0x in 2015	
		Increase cash-flow generation		
		.Greener generation mix	> > 70% clean installed capacity in 2015	
		.High weight of regulated business	> -85% of EBITDA in 2015	
SUPERIOR EFFICIENCY	**3.** Focus on opex and capex efficiency creating sustained long-term growth and opportunities	.Diversified internacional footprint	> > 60% of EBITDA outside Portugal in 2015	
		Create sustained long-term growth opportunities		
FOCUSED GROWTH	**4.** Growth oriented to value creation, ensuring a stable and attractive shareholders' return	.Focused investment in existing growth	> Hydro, Renewables na Brazil	
		.New geographies/technologies	> i.e. adjacent markets, off-shore and solarPV	
		Deliver stable and attractive shareholders' return	> Dividends: *Payout ratio* between 55%-65% (3)	
		.Appropriate shareholrders' remuneration	> Net Profit CAGR 11-15: 0-3%	

(1) For the complete Business Plan period
(2) Excludes Regulatory Receivables
(3) Based on recurrent Net Profit. 2011's dividend per share as floor

FULFILMENT OF STRATEGIC PRIORITIES

The **management of the legal/regulatory agenda** has been a top priority for EDP. In Iberia, the focus has been in the measures proposed by regulators on both sides of the borders to fight the tariff deficit and in the fiscal changes in Portugal. EDP has assumed a proactive position, contributing to solutions that aim the system's sustainability. In Brazil, EDP has followed attentively the search for regulatory solutions that allow the regular electricity distribution activity's development, in a context of high purchase prices as a result of the unfavourable hydrological regime in the last two years. The regulatory impacts, the energy purchase price volatility in Brazil and the Brazilian Real depreciation in the last two years have been penalizing the earnings' growth, which stand below the goals defined on May 2012.

Nevertheless, EDP maintains a clearly distinctive low risk profile, expressed both in the weight of 90% of regulated activities in 2013, higher than the Business Plan target (85%) and in the 69% of renewable installed capacity, close to the 2015's target of 70%. The low risk profile has enabled EDP to mitigate the previous negative impacts.

In the **competitive refinancing and accelerated deleveraging** some decisive steps were taken during 2013. Although the target of Adjusted Net Debt/EBITDA of 3.0x is now more difficult to achieve mainly due to the regulatory and fiscal impacts, by the end of 2013 were concluded asset sales amounting to €1.5 billion, including agreements with CTG and other minority interest sales in wind farms. Also during 2013, EDP management announced the 2014 and 2015 investment target reduction from €2 billion/year to €1.7 billion in 2014 and €1.5 billion euro in 2015 and sold more than one billion euros of tariff deficit in Portugal. Regarding funding, EDP issued about €3 billion of new debt during 2013, which allowed to lengthen the maturity profile and cover most of the funding needs until the end of 2015.

In a period of great uncertainty, the **focus on the Opex and Capex efficiency** has been a constant, attested by the successfully anticipation of OPEX III efficiency program results. The €120 million of savings in 2013, allowed not only to achieve the year's goal but also to anticipate the €115 million of savings for 2014. Regarding the Capex, there was a significant effort to reduce the value invested in relation to EBITDA, explicitly with a ratio of about 55% in the last two years and converging with the defined goal to the 2012-2015 average of 50%. The savings verified by the centralised procurement had also a decisive contribution (€207M in 2013).

In terms of **growth oriented to value creation**, after entry into service of Alqueva's repowering in 2012, there are 5 new hydroelectric power plants in construction in Portugal - Baixo Sabor, Foz Tua, Ribeiradio/Ermida, Venda Nova III and Salamonde II- with a total capacity of more than 1,400MW to be installed until 2016. Also during 2013, about 500MW of wind capacity were installed by EDP Renováveis. In Brazil, continued the construction of Jarí hydroelectric power plant (373MW) and started the construction works in Cachoeira Caldeirão hydroelectric power plant (219MW), backing a 68% investment in renewables in 2013, above the 60% goal defined in the Business Plan period. In achieving the goal of creating growth opportunities, during 2013, EDP signed long-term energy sale contracts matching 1,200MW in wind projects in the USA and 409.5MW for hydroelectric power plant São Manoel in Brazil, with start of operation scheduled to 2018 in a partnership with Companhia Furnas Centrais Eléctricas.

EDP has complied with its dividend distribution policy (payout ratio between 55% and 65%, with a minimum value of €18.5c per share), since the unitary dividend distributed in the last two years was €18.5c .

The **execution of the partnership with CTG** has also been a strategic management priority, with emphasis on the following facts:

- The sale of a 49% stake in EDP Renováveis Portugal was concluded in June 2013 with a final global price of €368 million;
- The agreement to sell a 50% stake in Cachoeira Caldeirão hydroelectric power plant to CTG for a price equivalent to the costs incurred by EDP Brasil and assuming a future co-investment commitment with and estimated value of BRL 294 million;
- The agreement to sell a 50% stake in Jarí hydroelectric power plant to CTG for BRL 490 million and assuming a future co-investment commitment with an estimated value of BRL 81 million;
- The agreement to sell to CTG 49% of the ENEOP consortium in 2015;
- Finally, in 2014, the agreement to sell to CTG a 33.3% stake of the company owning the development rights for São Manoel hydroelectric power plant.

These operations symbolize a significant progress in the strategic partnership, in particular by providing perceptibility to the target of one billion euros in CTG investments until the end of 2013.

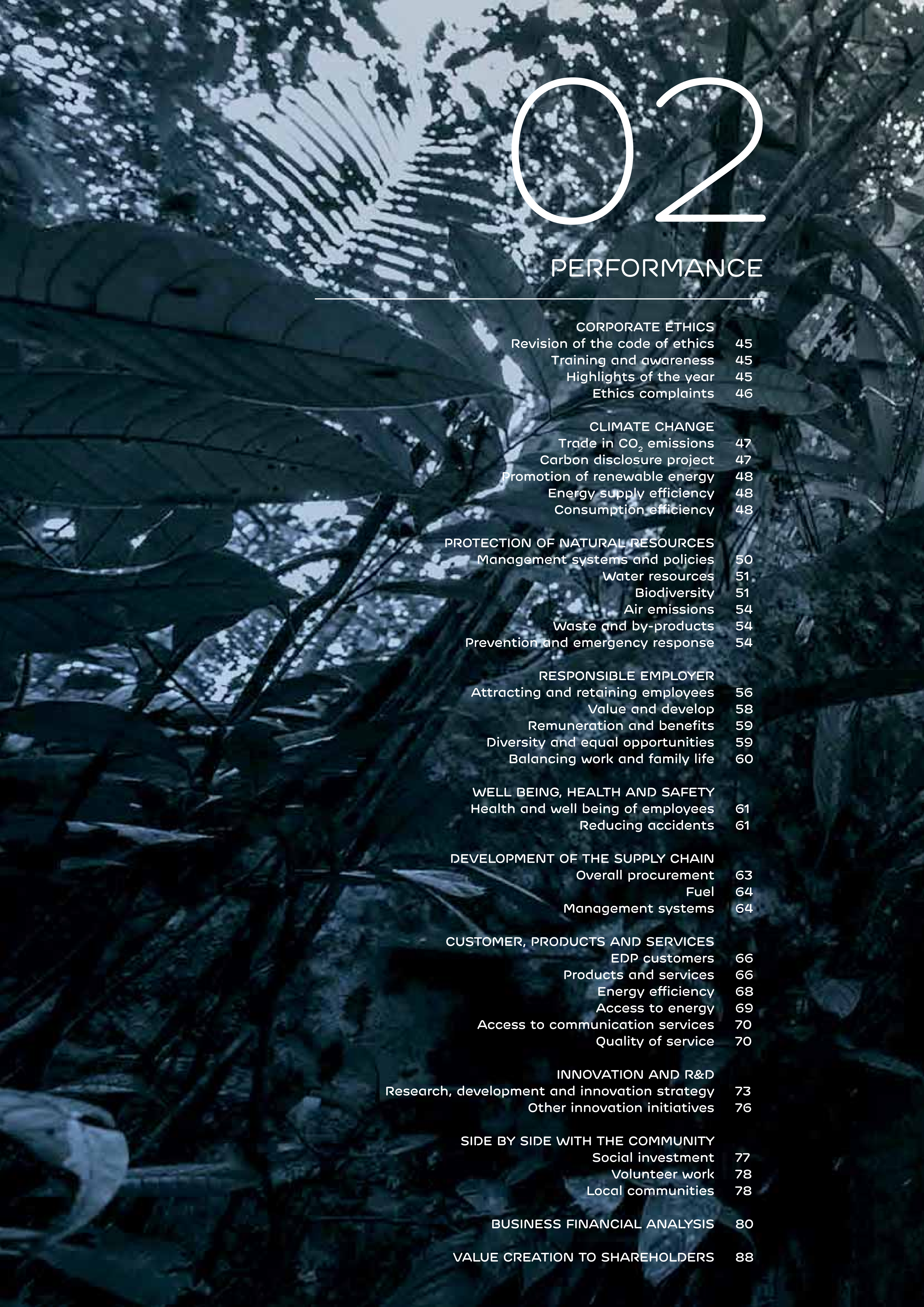
Along the defined strategy, EDP develops a corporate culture of continuous consolidation of employees' ethical values and of sustainability performance excellence, maintaining five lines of action for the period 2012-2015:

- Improve attractiveness and talent retention as well as ensure employee's motivation, on a phase of high renewal of employees;
- Strengthen the safety management mechanisms and promote the well-being of employees and service providers;
- Improve listening with stakeholders by collecting expectations and taking into account its consideration towards the company's strategy;
- Extend to the several stakeholders the application of tools that gather expectations, optimizing this way its consideration towards the company's strategy;
- Promote a proper management of long-term challenges to where the company will be exposed, by investing in R&D and Innovation.

The following chapter summarizes the status of EDP commitments, and specifies the objectives and future goals associated to the achievement of the strategic agenda and aligned with the Principles of Sustainable Development of the Group, demonstrating this way the company's commitment to meet its challenges.

1.5. OBJECTIVES AND GOALS

Objectives	Goals	Date	Status	Observation
1. ECONOMIC AND SOCIAL VALUE				
To focus the growth	EBITDA Average Annual Growth Rate: ~5% per year	2011-2015		For additional information consult 1.4. Strategic Agenda chapter
	Net Profit Average Annual Growth Rate between 0 and 3%	2011-2015		
	Payout ratio between 55% and 65% of the recurring net profit,with a minimum of EUR 0,185 per share	2012-2015		EUR 0,185 per share payed in 2013
To promote internal efficiency	Annual Mean Operational Investment of EUR 2,000 M	2012-2015		Operational investment of EUR 2,0M in 2013
To control risk exposure	Total investment on renewable energies (60 % annual average)	2012-2015		67,8% of operational investment in 2013
To improve the integration of sustainability practices in the internal management	Installed capacity of 26 GW	2015		23GW of installed capacity in 2013, 67% of which are renewables
	Renewable installed capacity of more than 70% of total installed capacity	2015		
	OPEX reduction of €75M in 2012 and EUR 130 M by 2015	2012-2015		For additional information consult 1.4. Strategic Agenda chapter
	Adjusted Net Debt/EBITDA ratio lower than 3,0x	2015		For additional information consult 1.4. Strategic Agenda chapter.
	Keep the SAM Gold Class	2015		
2. ECO-EFFICIENCY AND ENVIRONMENTAL PROTECTION				
To focus growth on a cleaner production	Until 2020, reduce CO_2 specific emissions by 70% in comparison with 2008 values	2020		Consult 2.2 Climate Change chapter
To Strenghten na appropriate environmental management of EDP's activities	Increase 1,300 MW of Installed Capacity certified according to ISO 14001m as well as 945 MVA (20 substations) in the Distribution activity	2013		Increase 25% of installed capacity and 15% of substations certified according with ISO 14001 in 2014
To promote best environmental practices through the value chain	Join Better Coal International Initiative	2013		For additional information consult 2.6 Supply Chain Sustainability chapter
3. INNOVATION				
To promote competitiveness and productivity through innovation	Maintain a financing budget of EUR 20M/year until 2015 for Research&Development projects	2015		For additional information consult 2.8 Innovation chapter
	Extend Inovgrid project to more 100 thousand clients in seven new places in Portugal	2015		For additional information consult 2.8 Innovation chapter
4. INTEGRITY AND GOOD GOVERNANCE				
To Strenghten the ethics in all EDP's employees' culture	Maintaining the incorporation of the World Most Ethical Companies list by Ethisphere Institute	2015		EDP has been included in this ranking since 2012
	Identify and assess ethical risks of EDP Group	2014	NEW	
5. TRANSPARENCY AND DIALOGUE				
To report transparently and ensure an open and trusting relationship with stakeholders.	Set up a Stakeholder Board, as an external advisery corporate board to support EDP's Strategy	2014	NEW	
	Complete the report of GHG emissions, scope 3	2015		For additional information consult 2.2 Climate Change chapter
	Report in accordance to the new Global Reporting Initiative Standards - G4	2015	NEW	
6. HUMAN CAPITAL AND DIVERSITY				
To work towards "Zero accidents, no pernal harm"	Reduce the frequency of on-duty accidents with EDP employees and service providers by 5% compared with 2013	2014		For additional information consult 2.5 Heath and Safety chapter
To implement an action plan for the Diversity Policy	Between 10 and 15 initiatives	2013-2015		For additional information consult 2.4 Responsible Employer chapter
Extend EDP's training model to the Group	Implement EDP's University in Brazil	2014	NEW	
To keep a high level of employee satisfaction	Maintaining employees's Global Satisfaction above 80%	2013		For additional information consult 2.4 Responsible Employer chapter
7. ACCESS TO ENERGY				
To keep or improve the quality levels o technical and commercial services provided to our clients	Ensure that ICEIT and EIDC are above the levels set by Regulators	2013-2015		For additional information consult 2.7 Client and Product chapter
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		Annual goal, approved by the General Assembly
	Increase the number of volunteering partnerships by 50% until 2015, compared to 2012	2012-2015		For additional information consult 2.9 Side by Side with Community chapter
	Relaunch the Social Stock Exchange, reaching EUR 2,5 M and 10 client companies	2015	NEW	



02

PERFORMANCE

> BRAZIL
OCTÁVIO FRIAS
DE OLIVEIRA BRIDGE
Coordinates:
23°36'46.3"S 46°41'53.6"W
Time of day: 9 AM

2.1. CORPORATE ETHICS

EDP has been progressively consolidating its "ethics performance management system" in order to ensure:

- A high degree of individual ethical awareness;
- Minimising the risk of bad ethical practices; and
- Maintaining a culture that generates transparency, trust and responsibility for the consequences of decisions and acts.

Significant developments occurred during 2013, which are summarised in this report and detailed in the published Annual Report of the Ethics Ombudsman (www.edp.pt> edp> corporate governance> ethics)

"It is my belief that the success of EDP is based on relationships of trust which we have learned to establish with all our stakeholders, over time. These relationships are certainly an important part of our heritage, today."

António Mexia

CEO

2.1.1. REVISION OF THE CODE OF ETHICS

EDP Code of Ethics sets out the ethical principles and limits of EDP operations anywhere in the world as well as the commitments it makes to stakeholders. The EDP Code of Ethics was revised in 2013. It had last been revised in 2005. The aim of the revision was to clarify these principles and commitments, detail certain topics that have, in the meantime, acquired special relevance for the business and standardise them in the context of the Group's various business units' operation. This revision was approved by the General and Supervisory Board in the last quarter of 2013. Its extensive disclosure among internal and external stakeholders will occur during 2014.

2.1.2. TRAINING AND AWARENESS

The topic of business ethics was included, as planned, in the induction training provided to new employees admitted in 2013. A specific training/awareness raising module was developed with the active participation of the Ethics Ombudsman. The preparation of the training/awareness raising of suppliers underwent a change of schedule, and its implementation is envisaged during 2014.

EDP continued to support the AESE/EDP "Ethics in business and society" chair, forming part of the advanced courses and Master's degree courses organised by different educational institutions. This chair allows EDP to share its knowledge and experience in the field of business ethics.

EDP actively participated in the "gestão transparente.org" [transparent management.org] initiative in 2013, which is now available in english to strengthen its dissemination along the supply chain. The Practical Guide to Managing the Risk of Corruption aims to build the capacity of businesses and organisations to assess the risks of corruption in business contexts and promote best practices for transparency.

2.1.3. HIGHLIGHTS OF THE YEAR

The external assessment and benchmarking of the maturity of EDP's ethical performance management system gave the maximum score for "Prevention of bribery" on the FTSE4Good index, while maintaining a position of note in the "Codes of Conduct/Compliance/Corruption and bribery" criteria of the Dow Jones Sustainability indices.

A Cooperation Protocol was concluded with the Applied Economics and Management Studies Centre of the Portuguese Catholic University, with the aim of supporting the improvement of EDP's ethical performance management system and to report on and disseminate good practices in business ethics. This protocol has a medium-term perspective (2013-2015) and it reinforces articulation between the Company and the University in an area of great importance for both corporate management and also for higher education teaching.

EDP was included on the list of the "World's Most Ethical Companies" in 2013, for the second consecutive year, following the assessment conducted by the Ethisphere Institute of the USA. In the comparative analysis with the previous year, the indicator of the maturity of EDP's ethical performance management system calculated by this institution shows an increase of about 15%, which is significantly higher than the average for listed companies in the same period.

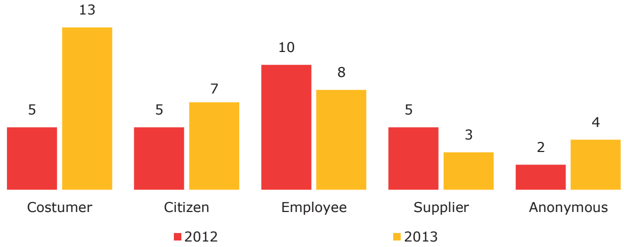
EDP Brasil has also maintained the Ethical Seal awarded by the General Comptroller's Office, since 2011. It will undergo renewal assessment in 2014.

EDP published the Annual Ethics Ombudsman's Report for the first time in 2013. This report seeks to make a significant contribution to increasing transparency as regards the integrity and ethical quality of the management decisions and actions of Group employees and, ultimately, to raise the confidence deposited in the company by different stakeholders (further information at www.edp.pt> about edp> corporate governance> ethics> ethics ombudsman).

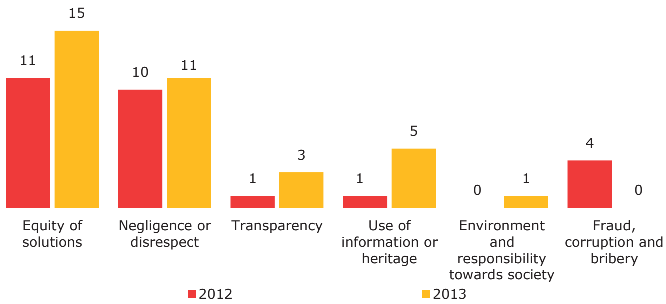
EDP established a Corporate Ethical Performance Index (**Ethicis**) in 2013, as set out in the Rules of the Code of Ethics. The value for 2013 will provide the benchmark for assessing progress and planning improvements in this field. More information on the **Ethicis Index** is available at www.edp.pt> about edp> corporate governance> ethics

2.1.4. ETHICS COMPLAINTS

COMPLAINS SUBMITTED TO ETHICAL COMMITTEE, BY ORIGIN (No.)



COMPLAINS SUBMITTED TO ETHICAL COMMITTEE, BY ISSUE (No.)



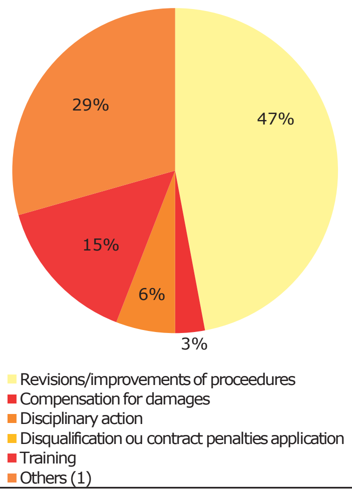
185 complaints were recorded in 2013 in the Group's different ethics complaints communication channels (a decrease of 11% from 2012). 60% of all recorded complaints originated in Portugal, with 7% originating in Spain and 33% in Brazil.

Only 35 of these complaints gave rise to proceedings submitted to the Ethics Committee of EDP, in accordance with the regulations (standard proceedings). All the other complaints were expeditiously processed by the business units involved as they were not considered to be of significant ethical dimension.

The number of standard proceedings opened in 2013 increased by about 30% from the previous year.

An analysis of the source of these proceedings shows that Customers are the most significant source (37%) closely followed by employees (23%). This result is a reversal of the order of the previous year, possibly due to the acceleration of the energy market liberalisation process in Portugal.

ACTION SET BY THE ETHICAL COMMITTEE



(1) Includes monitoring of processes performance, evaluation of initiatives effectiveness, participation to authorities for criminal investigation

As regards the classification of the complaint subjects, the categories "equity of solutions" (about 43%) and "negligence or disregard" (31%) are still the most significant of all complaints submitted to the Ethics Committee.

27 complaint proceedings were terminated in 2013, resulting in the following decisions of the Ethics Committee: 18 were considered upheld (67%); 7 were unfounded (26%); and 2 were inconclusive (7%).

The action taken following the appraisal of these proceedings is primarily addressed at the review and improvement of procedures and the training/capacity building of employees or suppliers. A significant number of actions classified as "other" are also recorded. This "other" category includes: monitoring the performance of processes, assessing the effectiveness of initiatives, reporting to criminal investigation authority, etc.

It is expected that the implementation of the action defined by the Ethics Committee and the initiatives planned for the communication of the new EDP Code of Ethics and the training/awareness raising addressed at employees and suppliers that will occur in 2014 may contribute to the improvement of the Group's ethical performance, in accordance with the management objectives established for this area.

2.2. CLIMATE CHANGE

	Unit	2013 Group	2013 Portugal	2013 Spain	2013 Brazil (1)	2013 USA	2013 Rest of Europe	2012 Group	2012 Portugal	2012 Spain	2012 Brazil	2012 USA	2012 Rest of Europe
Primary Energy Consumption	**TJ**	**170,978**	**91,599**	**79,291**	**80**	**5**	**3**	**197,723**	**108,426**	**89,219**	**69**	**6**	**3**
Coal	TJ	131,247	76,311	54,936	n/a	n/a	n/a	144,504	82,939	61,565	n/a	n/a	n/a
Fuel Oil	TJ	399	271	128	n/a	n/a	n/a	648	503	145	n/a	n/a	n/a
Natural Gas	TJ	23,050	11,668	11,379	n/a	3	0	39,908	21,535	18,369	n/a	3	1
Blast Furnace Gas	TJ	10,719	n/a	10,719	n/a	n/a	n/a	7,181	n/a	7,181	n/a	n/a	n/a
Coke Gas	TJ	842	n/a	842	n/a	n/a	n/a	608	n/a	608	n/a	n/a	n/a
Diesel Oil	TJ	96	6	90	n/a	n/a	n/a	142	8	134	n/a	n/a	n/a
Forest waste	TJ	3,183	3,183	0	n/a	n/a	n/a	3,278	3,278	0	n/a	n/a	n/a
Iron and Steel industry gas	TJ	1,173	n/a	1,173	n/a	n/a	n/a	1,198	n/a	1,198	n/a	n/a	n/a
Fuel for vehicle fleet	TJ	268	160	23	80	2	3	257	163	21	69	2	2
Electricity Consumption													
Generation internal consumption	MWh	2,783,524	2,134,348	598,184	18,519	23,990	8,484	2,604,713	1,921,076	635,458	19,976	22,724	5,478
Administrative services	MWh	36,842	23,001	4,938	7,511	1,249	143	40,960	21,471	7,069	11,050	1,238	133
Grid losses	%	9.9	11.2	4.0	11.6	n/a	n/a	9.0	8.4	3.6	11.7	n/a	n/a
GHG emissions													
Direct Emissions (scope 1)	kt CO_{2eq}	16,669	7,861	8,801	6	0	1	18,046	9,026	9,013	5	0	0
Indirect emissions (scope 2)	kt CO_{2eq}	2,328	1,899	122	290	14	3	1,455	1,106	133	202	13	2
Other indirect emissions (scope 3)	kt CO_{2eq}	17,775	11,875	3,953	1,947	n/a	n/a	24,887	18,407	5,221	1,260	n/a	n/a
Avoid CO_2	**kt CO_2**	**31,666**	**12,842**	**6,537**	**2,933**	**7,274**	**2,079**	**22,024**	**5,523**	**4,971**	**2,632**	**7,304**	**1,594**

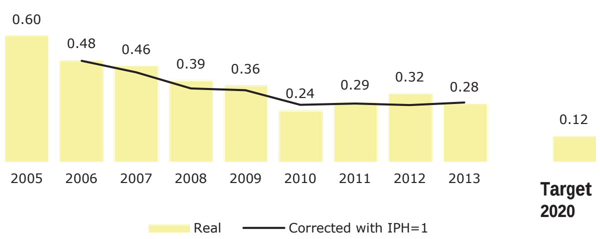
(1) Pecém Powerplant has not been considered for the purposes of detailed environment information. The primary energy consumption was 13,201TJ, with a CO_2 emission of 876 kt.

EDP remains strongly committed to fighting Climate Change on two different fronts: mitigation and adaptation. In terms of mitigation, the stand-out fact in 2013 on the supply side is the increase in the installed capacity of hydroelectric, wind and solar energy power stations (more 435 MW).EDP has also been promoting initiatives to improve energy efficiency and enhance the provision of energy services on the demand side.

In terms of adaptation, EDP has been increasing the resilience of processes and assets to extreme weather conditions

The market factors that limited the energy sector performance in 2013 (see page 29), combined with favorable weather conditions for the operation of hydroelectric and wind energy power stations, particularly on the Iberian Peninsula, led to the overall improvement of the energy and environmental performance of supply of the EDP Group compared to 2012: strong increase in generation from renewable sources and reduction of absolute and specific CO_2 emissions.

SPECIFIC CO_2 EMISSIONS (tCO_2/MWh) AND REDUCTION TARGETS



2.2.1. TRADE IN CO_2 EMISSIONS

The allocation of emissions allowances for the 2013-2020 period began to be partially made in auction, in accordance with Directive 2009/29/EC, which regulates the 3rd phase of the EU ETS - European Emission Trading System. In the case of the EDP Group, the power stations covered by the EU ETS produced 16.6 Mton of CO_2 in 2013, which is an 8% decrease compared to 2012. Overall specific emissions fell from 0.323 tCO_2/MWh in 2012 to 0.276 tCO_2/MWh in 2013, due to the strong increase in generation from renewable origin.

EDP continued with the same strategy of CO_2 portfolio management as that adopted in previous years for coverage of exposure through the use of allowances and also carbon credits acquired in both the primary market and secondary market, minimising its exposure to market risk. Moreover, EDP has been promoting voluntary CDM projects (Clean Development Mechanism), particularly in Brazil.

2.2.2. CARBON DISCLOSURE PROJECT

The Carbon Disclosure Project is a project that has become a global benchmark in business reporting of direct and indirect CO_{2eq} emissions. EDP scored 97/100 in 2013 in terms of reporting and a B grade in performance, achieving the best score for reporting in Portugal and the fourth best in the universe of world electricity utilities. The document is annually published in November in www.cdp.net and can be consulted afterwards on www.edp.pt> sustainability> environment> climate change> carbon disclosure project.

The table shows the direct (scope 1) and indirect (scope 2 and 3) emissions, broken down by categories and calculated according to the methodology defined in Greenhouse Gas (GHG) Protocol.

The EDP Group calculated scope 3 emissions for the first time in 2013, through the "Corporate Value Chain (Scope 3) Accounting and Reporting Standard" of the Protocol, which defines a methodology for evaluating indirect emissions caused by the activity of the company upstream and downstream. The application of this new methodology resulted in a substantial increase in the value of scope 3 emissions reported in 2012, from 1.4 $MtCO_{2eq}$ to 24.9 $MtCO_{2eq}$, due to the inclusion of all materially relevant categories under this Protocol (see table). Scope 3 emissions in 2013 decreased to 17.8 $MtCO_{2eq}$, mainly due to the lower acquisition of power to other companies for distribution.

CO_2 eq. EMISSIONS (kt)

		2013						2012					
	Unit	Group	Portugal	Spain	Brazil	USA	Rest of Europe	Grupo	Portugal	Spain	Brazil	USA	Rest of Europe
Scope 1													
Stationary combustion	kt	16,634.7	7,842.0	8,792.7	0.0	n/a	n/a	18,004.7	9,010.6	8,994.1	0.0	n/a	n/a
SF6 Emissions	kt	9.2	7.0	0.9	1.1	n/a	0.2	6.8	3.3	2.5	1.0	n/a	0.1
Company fleet	kt	18.8	11.8	1.7	5.0	0.1	0.2	18.2	12.0	1.6	4.2	0.2	0.2
Natural gas consumption	kt	1.1	0.1	0.8	n/a	0.2	0.0	3.8	0.1	3.5	n/a	0.2	0.1
Natural gas losses	kt	5.2	0.5	4.7	n/a	n/a	n/a	12.1	0.3	11.8	n/a	n/a	n/a
Scope 2													
Electricity consumption in office buildings	kt	9.6	6.9	1.3	0.7	0.7	0.0	8.8	4.9	2.4	0.8	0.7	0.0
Electricity losses	kt	1,852.7	1,472.8	92.2	287.7	n/a	n.a.	1,157.3	854.2	103.6	199.5	n/a	n/a
Renewable plants self-consumption	kt	465.8	419.3	28.4	1.8	13.3	3.0	288.6	246.4	27.0	1.4	11.9	1.9
Scope 3 (1)													
Purchased goods and services (C01)	kt	7,164.2	4,205.5	1,047.0	1,911.8	n/a	n/a	13,070.6	10,343.5	1,533.6	1,193.5	n/a	n/a
Fuel and energy related activities (C03)	kt	2,145.7	1,035.8	1,110.0	n/a	n/a	n/a	3,163.8	1,605.4	1,558.4	n.a.	n/a	n/a
Upstream transportation and distribution (C04)	kt	1,428.2	867.0	525.5	35.7	n/a	n/a	1,580.8	893.5	621.3	66.0	n/a	n/a
Use of sold products (C11)	kt	7,036.8	5,766.5	1,270.3	n/a	n/a	n/a	7,072.0	5,564.6	1,507.4	n/a	n/a	n/a

(1) Scope 3 methodology changed in 2013

2.2.3. PROMOTION OF RENEWABLE ENERGY

EDP continued to focus on the use of renewable energy sources as an important vector of its strategy to fight climate change. It added approximately 435 MW of renewable energy production to its portfolio in 2013, which totalled 15,716 MW from renewable sources at the end of the year. The fact that 2013 was particularly favourable on the Iberian Peninsula in terms of hydrological and wind values also contributed to a strong increase in electricity generation from renewable sources: 41.7 TWh in 2013, compared to 33.1 TWh in 2012.

CO_2 EMISSIONS AVOIDED

The use of renewable energy sources for electricity generation in the EDP Group has the environmental benefit of avoiding the use of fossil fuels to produce the same energy and hence reduce Green House Gases emissions. The strategy of investing in renewable sources in recent years has led to a progressive increase in CO_2 emissions avoided, defined as emissions that would have occurred if the electricity of renewable origin had been produced in conventional thermoelectric power stations. Around 31.7 million tons of CO_2 were avoided in 2013, 44% up on 2012 (more information in page 25).

2.2.4. ENERGY SUPPLY EFFICIENCY

Certification of the Energy Management System

EDP Espanha obtained the certification of the integrated Energy Management System and Environmental Management System, according to ISO 50.001 standard in the head office at Oviedo.

Additionally, the activity of EDP Empresa de Servicios Energéticos, S.L. was also certified.

The above-stated circumstances would also lead to a significant improvement of the electricity generated /primary energy ratio, compared with 2012 and despite the increased use of coal-fired power stations compared to natural gas combined cycle power stations. This improvement of the ratio increased the overall efficiency of the EDP Group power stations.

EFFICIENCY IN ENERGY SUPPLY

	Unit	2013	2012	2011	2010
Primary energy from fossil origin	TJ	170,383	197,389	192,654	176,167
Primary energy from renewable origin	TJ	146,486	118,585	130,258	135,569
Electric production (1)	GWh	58,587	53,428	57,181	58,092
Steam generation (CHP)	GWh	1,588	2,254	2,159	2,042
Efficiency - Coal and fuel oil	%	36.1	36.2	35.9	36.1
Efficiency - CCGT	%	48.4	50.5	51.9	53.0
Efficiency - CHP and waste	%	72.1	76.0	73.3	77.9
Efficiency - Biomass	%	21.8	22.6	21.2	22.1
Global efficiency	%	68.4	63.4	66.2	69.4

(1) Not include Pecém and Trillo power plant.

2.2.5. CONSUMPTION EFFICIENCY

The promotion of improved energy efficiency in consumption is another of the arms of strategy to fight climate change. In this context, EDP continued to develop a vast array of customer-oriented initiatives in the different countries where it operates, whether voluntarily or through the provision of energy services, which are described on page 68.

2.3. PROTECTION OF NATURAL RESOURCES

	Unit	2013 Group	2013 Portugal	2013 Spain	2013 Brazil (1)	2013 USA	2013 ROE	2012 Group	2012 Portugal	2012 Spain	2012 Brazil	2012 USA	2012 ROE
Environmental Certification (ISO 14001)													
Production facilities certified	#	268	99	112	6	0	51	235	89	107	4	0	35
Net maximum installed capacity certified	MW	17,144	8,678	5,931	1,506	0	1,029	17,665	9,547	5,831	1,448	0	838
Net maximum installed capacity certified	%	76	91	99	80	0	76	76	91	97	70	0	88
Substations certified	#	154	93	56	5	n/a	n/a	135	73	57	5	n/a	n/a
Installed capacity of substations certified	MVA	8,686	3,167	5,235	284	n/a	n/a	7,843	2,414	5,145	284	n/a	n/a
Installed capacity of substations certified	%	30	19	100	4	n/a	n/a	27	14	100	4	n/a	n/a
Gas distribution certified	%	100	100	100	n/a	n/a	n/a	100	100	100	n/a	n/a	n/a
Revenues from certified installations	%	33	20	64	15	0	98	34	29	52	19	0	94
Total Emissions													
CO_2 (2)	kt	16,635	7,842	8,793	n/a	n/a	n/a	18,005	9,011	8,994	n/a	n/a	n/a
SO_2	kt	13.8	4.1	9.7	n/a	n/a	n/a	16.0	3.8	12.2	n/a	n/a	n/a
NOx	kt	16.9	5.1	11.8	n/a	n/a	n/a	16.0	4.5	11.5	n/a	n/a	n/a
Particles	kt	0.7	0.1	0.6	n/a	n/a	n/a	0.8	0.2	0.6	n/a	n/a	n/a
Mercury	kg	232	21	211	n/a	n/a	n/a	37	19	18	n/a	n/a	n/a
SF6	kg	403	307	43	47	0	6	296	144	110	42	0	0
Overall specific emissions													
CO_2	g/kWh	276	331	932	n/a	n/a	n/a	323	487	854	n/a	n/a	n/a
SO_2	g/kWh	0	0	1	n/a	n/a	n/a	0	0	1	n/a	n/a	n/a
NOx	g/kWh	0	0	1	n/a	n/a	n/a	0	0	1	n/a	n/a	n/a
Particles	g/kWh	0	0	0	n/a	n/a	n/a	0	0	0	n/a	n/a	n/a
Water collected by source													
Ocean	10^3x m^3	1,586,479	1,119,362	467,117	n.a.	n/a	n/a	1,591,399	1,155,309	436,090	n.a.	n/a	n/a
River or stream	10^3x m^3	16,116	4,315	11,775	26	n/a	n/a	22,572	11,244	11,320	8	n/a	n/a
Reservoir	10^3x m^3	162	162	0	n/a	n/a	n/a	174	174	0	n/a	n/a	n/a
Artesian well	10^3x m^3	105	105	n/a	n/a	n/a	n/a	116	116	n/a	n/a	n/a	n/a
Well	10^3x m^3	57	7	0	48	2	0	46	9	0	35	2	0
Municipal Services	10^3x m^3	3,195	2,418	697	76	3	1	4,011	3,130	802	69	9	0
Other private entity	10^3x m^3	3,338	2,222	1,116	n/a	0	0	4,353	3,210	1,143	n/a	0	0
Use of water													
Cooling water	10^3x m^3	1,601,224	1,123,873	477,351	n/a	n/a	n/a	1,613,929	1,166,998	446,930	n/a	n/a	n/a
Row water	10^3x m^3	6,455	4,568	1,887	n/a	n/a	n/a	8,394	6,028	2,366	n/a	n/a	n/a
Potable water	10^3x m^3	347	149	42	150	5	1	307	165	30	102	11	1
Wastewater													
Wastewater from generation with treatment	m^3	2,793	921	1,872	n/a	n/a	n/a	4,083	1,227	2,856	n/a	n/a	n/a
Discharge into sea	m^3	1,588,206	1,120,023	468,183	n/a	n/a	n/a	1,593,328	1,156,257	437,070	n/a	n/a	n/a
Discharge into inland and estuary water	m^3	6,542	2,035	4,507	n/a	n/a	n/a	14,182	7,636	6,546	n/a	n/a	n/a
Waste sent to final disposal													
Total waste	t	399,426	91,774	289,789	17,330	482	51	647,166	252,570	380,653	13,326	547	71
Total hazard waste	t	11,886	6,603	2,952	2,089	241	23	4,765	2,888	1,385	169	276	47
Recovered Waste	%	59	38	63	99	76	71	65	46	76	100	75	95
Main waste categories													
Fly ash	t	267,037	34,912	232,125	n/a	n/a	n/a	416,435	121,065	295,371	n/a	n/a	n/a
Used oils	t	659	279	181	67	128	3	698	135	273	127	132	31
PCB	t	95	47	48	0	0	0	181	118	37	26	0	0
Metals	t	2,114	434	162	1,432	87	0	2,817	615	373	1,758	72	0
Gypsum	t	26,112	18,094	8,018	n/a	n/a	n/a	25,415	2,382	23,033	n/a	n/a	n/a
By-products													
Gypsum	t	157,721	112,568	45,152	n/a	n/a	n/a	112,830	74,883	37,947	n/a	n/a	n/a
Ash and Slag	t	216,619	216,619	0	n/a	n/a	n/a	189,870	189,870	0	n/a	n/a	n/a
Distribution in protected areas													
High voltage distribution grid in protected areas	km	1,117	902	102	113	n/a	n/a	1,112	898	102	112	n/a	n/a
Medium voltage distribution grid in protected areas	km	13,332	8,765	744	3,823	n/a	n/a	13,451	8,683	765	4,003	n/a	n/a
Subestations in protected areas	#	36	20	8	8	n/a	n/a	39	18	9	12	n/a	n/a
Environmental Invesment and Expenses		0	0	0	0	0	0	0	0	0	0	0	0
Investment	'000€	43,510	20,066	3,401	17,854	375	1,814	31,637	n/k	n/k	n/k	n/k	n/k
Expenses	'000€	57,971	20,514	35,424	1,479	73	481	48,877	n/k	n/k	n/k	n/k	n/k
Compliance													
Environmental fines and penalties	'000€	236	25	211	0	0	0	2,218	0	2,218	0	0	0
Environmental complains	#	273	53	128	46	30	16	286	70	135	40	24	17

(1) Pecém Power plant has not been considered for the purposes of detailed environment information. The CO_2 emission was 876 kt.
(2) Excludes fleet and consumption and loss of natural gas. This information is included in GHG emission on page 47.

2.3.1. MANAGEMENT SYSTEMS AND POLICIES

Decommissioning of Thermoelectric Power Plants

In recent years, EDP has been undertaking in Portugal the decommissioning of the three thermal power plants in the final stages of their service life, a total of 1,712 MW, with conventional steam turbine technology that mainly used fuel oil.

The renewal of its thermal plants requires special attention at this stage that includes the decommissioning, demolition and dismantling of the facilities and environmental upgrading of the site.

Work monitoring plans are defined in order to discover and minimize the associated environmental impacts and appropriate measures are taken in an attempt to offset those impacts where they are significant and cannot be minimized to acceptable levels.

The decommissioning of the Carregado Thermoelectric Power Plant began in 2013 and the decommissioning of the Setúbal Thermoelectric Power Plant is almost completed.

The latter process included the decommissioning of the well-known "Setúbal Greenhouses" that ensured the landscape recovery and integration of the new developments under construction. Continuity of this procedure is now ensured by a contract already agreed between the Institute for Nature and Forestry Conservation (ICNF) and EDP.

EDP is committed to the ongoing improvement in its environmental performance through its Environmental Policy, in particular by preventing pollution and minimising its impacts, meeting the requirements of environmental laws applicable to the company's different activities, and other voluntary commitments (www. edp.pt> sustainability> environment> environmental policy).

A corporate environmental management system (SIGAC) has been implemented and certified since 2008, according to ISO 14001. This system covers "the corporate management of environmental policies and strategic plans for the environment, environmental information and the environmental performance of the EDP Group organisations '"This system regulates and promotes the harmonisation and extension of the environmental certification of facilities and activities, whether through the ISO 14001 standard or the European Community Eco-Management and Audit Scheme (EMAS).

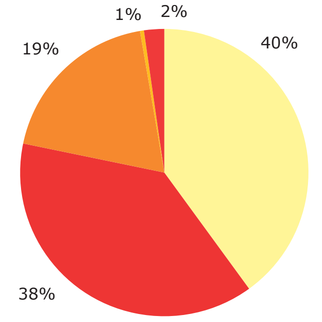
The effort to environmentally certify Group facilities and activities is mainly focused on the operating activities, with the design, construction and decommissioning phases managed according to their different specifications and controlled under the SIGAC. An exception to this rule is the electricity distribution design activity in Portugal, which is already certified.

The overall objectives of extending certification in 2013 have been met. The EDP Group currently has 76% of net installed power generation capacity covered by certified environmental management systems, corresponding to 75% of its generation facilities. The EDP Group has 82% and 29% of net installed capacity in Portugal and Spain, respectively, covered by EMAS system registration. In relation to electricity distribution, the EDP Group has 30% of substations' transformation capacity covered by certified environmental management systems, representing 25% of all substations.

Operational objectives and targets are annually defined, associated with the environmental management systems and incorporated in the Group's Environment and Sustainability Operational Plan. These objectives and targets of all generation centres with EMAS registration can be viewed at www.edp.pt> sustainability> environment> management systems, and in the relevant Environmental Statements.

ENVIRONMENTAL INVESTMENT AND COSTS

ENVIRONMENTAL INVESTMENTS AND EXPENSES



Environmental expenditure and investment amounted to EUR 101,481,000, up 26% compared to 2012. The increased investment is mainly focused on the generation activity and in particular environmental minimisation and offsetting measures arising from new hydroelectric projects in Portugal. A detailed breakdown by environmental item is provided in section 52, page 285.

The company also incurred costs with fines and other penalties for non-compliance with environmental law in 2009, about EUR 236,000, in part explained by a failure to meet air pollution limits and effluent quality at the Sines power station and mainly due to compensations for spills that occurred in 2012 in Aboño powerplant.

2.3.2. WATER RESOURCES

Water is an essential resource for EDP's activity. A Corporate Water Management Policy was published in 2012, which aims to promote the sustainable management of this resource and also assess the exposure of the company's activities to water stress.

In the different Group's business, in electricity generation from thermal sources water is mainly intended for use in cooling circuits (99.6%) and it is subsequently returned to the environment at a slightly higher temperature. The temperature of wastewater in 2013 remained within the limits established in the various environmental permits.

The quality of effluent externally disposed of is periodically monitored in accordance with the provisions of the relevant environmental permits and law. Detailed information at www.edp.pt> sustainability> environment> performance.

As part of its operational management, EDP has implemented several initiatives at its generation centres to reduce water consumption and increase efficiency in the use of this resource, which have been contributing to the continuous improvement of their management, as seen in the indicators shown.

EDP publishes the Water Disclosure Project, since 2008, where the initiatives at course are described in greater detail. This report is available in October in www.cdp.net and afterwards it can be consulted on www.edp.pt> sustainability> environment> water> water disclosure project.

Global Water Tool

EDP Group used the Global Water Tool, developed by the World Business Council for Sustainable Development, to identify potentially water stress regions of its facilities. It concluded that the only EDP facility located in a water stress areas is the Sierra de Tercia Cogeneration Power Station in Murcia, which corresponds to approximately 0.07% of the Group's installed capacity. The power station was built to reduce the high pollution impact of the surrounding pig farms by consuming the residues of that industry and thereby reducing the large impact on the surrounding environment. It was equipped with the best water management processes, such as reusing effluent treatment condensate and reusing a part of the drained water for irrigating adjacent fields.

2.3.3. BIODIVERSITY

EDP MANAGEMENT IN PROTECTED AREAS

		Unit	Portugal	Spain	Brazil
Distribution grids					
HV	Overhead	km	888	101	113
	Underground	km	14	1	0
MV	Overhead	km	7,878	702	3,820
	Underground	km	887	42	3
Substations		#	20	8	8
Generation activity (1)					
Flooded areas by reservoirs		ha	3,074	260	0 (2)

(1) The affected areas relating to wind farms are available at: http://www.edpr.com/sustainability/environment-and-climate-change/biodiversity/protected-areas/

(2) Despite not being legally constituted (see online glossary), the location of these production centers requires a close monitoring, given the high ecological sensitivity of its location (see text).

EDP has defined a Biodiversity Policy since 2007, which sets out its management practices aimed at achieving an overall positive balance between the negative impacts associated with its operations and the measures it fosters and implements to minimise, offset and support the development of scientific knowledge. It annually publishes a biodiversity report, highlighting a number of ongoing initiatives. This report is available at www.edp.pt> sustainability> environment> biodiversity.

GENERATION ACTIVITY

Biodiversity is generally addressed in business operations in the certified environmental management systems. In the design and/or construction of new generation centres, in particular hydroelectric plants in Portugal and in Brazil, the focus is on minimising and offsetting the impact on biodiversity. The impacts mainly arise from the areas to be flooded, the physical barriers to be built and the substantial alteration from flowing water to standing water, creating changes and new ecosystem equilibriums. The construction of new wind farms is also closely monitored, especially the impact on birdlife and bat populations and the disturbance of habitats that have previously been those most protected by Mankind.

In Brazil, the hydroelectric power plants are located in the Amazon and Atlantic Forest and Scrublands biomes, which are considered biodiversity hot spots due to their ecological sensitivity, additional effort in close monitoring is required given the high degree of endemism and danger of extinction of species.

We highlight, in 2013, the hydroelectric power plants that follows:

BAIXO SABOR

This plant, located on the Special Protection Site and Zone of the Rivers Sabor and Maçãs - Natura 2000 Network – was the focus of a wide range of mitigation, offsetting and long-term monitoring measures. Most of the actions defined in those measures were implemented in 2013 and are at an advanced state of conclusion.

EDP was able to rely on the independent technical and scientific consultancy of CIBIO - Biodiversity and Genetic Resources Study Centre, Porto University, to ensure the ecological effectiveness of the measures to be implemented. CIBIO monitored the advance of the construction work (see highlighted box).

Technical-Scientific Consultancy Agreement

EDP established a scientific and technical consultancy agreement with CIBIO -UP (Biodiversity and Genetic Resources Study Centre, Porto University) under the principles of its Biodiversity Policy. The aim is to enhance the effectiveness of the biodiversity conservation measures on the regional scale in the context of sustainable environmental and socio-economic development for the local populations. This Agreement was initially established for the Baixo Sabor hydroelectric project, and it has since been extended to Foz Tua.

Fundamental requirements of the agreement:

• High technical and scientific capacity, ensuring the quality and appropriate articulation of baseline studies, the action programmes to be prepared and their subsequent implementation in the field;

• Independent review of the products of the partnership;

• Adaptive Management Approach, assuming that the technical and scientific knowledge is limited and regular adjustment is required, resulting from the learning generated by the programmes to monitor its eco-efficiency;

• Consistency in data collection from the different teams, made operational through an Integrated Information System, a repository of information that is intended to be guaranteed over a time period of several decades;

• Supplementary scientific research programme associated with this large-scale environmental experience, through which it may be possible to establish causal links between the project interventions and their consequences in environmental and socio-economic terms.

The following initiatives are to be highlighted in this year:

- **Flora and habitat:** planting and increasing the density of local species (holm oak/zimbral and riparian vegetation) over about 270 ha, and specific interventions in surrounding areas with priority habitats to protect them and reduce fire hazards, over an area of approximately 600 ha.

- **Fauna:** creation and improvement of shelters for important species of bats; improving the habitat of the Iberian wolf through the promotion of natural prey, reducing human disturbance and reducing conflict with local populations; improving the habitat of rupiculous birdlife, and encouraging wild prey species, providing supplementary food (e.g. feeders for scavenger birds) and direct reinforcement of food in the breeding season to low productivity mating pairs; creation and improvement of reptile habitats (e.g. building walls) and amphibian habitats (e.g.ponds); and transfer of nymphs (aquatic insects) and the creation of protection zones for bivalve populations and resident fish without the influence of the future reservoir.

FOZ TUA

It is in the construction phase. The Foz Tua project is the result of a concession awarded by tender to EDP - Gestão da Produção de Energia, SA, under the National Programme for Dams of High Hydroelectric Potential (PNBEPH) launched in 2007 by the Portuguese state. It had previously undergone a strategic environmental assessment (SEA).The subsequent Environmental Impact Assessment (EIA) process identified its impact in detail, assessing its environmental feasibility and defining the relevant mitigation and offsetting measures.

In order to ensure the ecological effectiveness of the impact mitigation measures on ~457 ha of priority habitats, impact minimisation and compensation included a set of measures to maintain and/or restore habitats of the same classification, totalling 686 ha. These measures have already been planned and include measures to reduce the risk of fire, creating a network of visitable mini-reserves and preparing literature and a field guide for the vegetation of the Tua Valley. Habitat restoration is also directly related to other compensatory measures, such as those aimed at wildlife. The landscape restoration plan envisages the natural recolonisation of areas with conditions for colonisation by Rare or endangered of extinction species.

EDP also contributes 3.0% of the average annual net generation value to the Biodiversity and Nature Conservation Fund (a public fund).The creation of the Vale do Tua Regional Nature Park in 2013 guarantees that a significant part of those funds is directly invested in the region, upon the Protocol signed, in 2012, between the Regional Agency of Vale do Tua and EDPs Biodiversity Fund for the concession/exploration period.

RIBEIRADIO-ERMIDA

No significant negative impact is envisaged for the Vouga Site, so the planned measures comprise the reconversion of the habitat downstream of the future dam, which are in the design/establishment phase: removal of Sernada weir; building a passage way for ichthyofauna at Carvoeiro weir; plan for collecting fish downstream of Grela weir, subsequent transport and release into tributaries downstream and upstream of the dam.

VENDA NOVA III AND SALAMONDE II

The environmental impacts are of much less significance due to the nature of the projects. However, several significant environmental factors are evaluated and undergo minimisation, offsetting and monitoring action.

The Integrated Plan for the Control of *mimosa*. (an invasive specie) with the common name of mimosa) and the restoration of *habitats* are of note at Salamonde II. These were initiated during the construction stage and will extend to the operating stage, covering a total area of 60,000 m^2 over the two stages. In addition to this Plan there is a pilot project to minimize and control the erosive effects on the zones of the banks of the Salamonde and Caniçada reservoirs between high and low water levels.

Santo António do Jari and Cachoeira Caldeirão

Both plants are located in Brazil, in the state of Amapá, and are currently under construction. They jointly cover an area of 87 km² in zones of high biodiversity, 42 km² and 33.5 km² respectively, since they are located in the Amazon region, which is considered the world's most biodiverse region. Moreover, Cachoeira Caldeirão also contains 14.5 km² in protected areas: 3 km² in the Amapá State Forest (FLOTA) and 11.5 km² in the Private Seringal Triunfo Nature Reserve.

One highlight at Santo António do Jari, besides the monitoring and rescue of fauna, is the development of the programme to save germoplasms and reforestation with native species, a measure related to relocations, where EDP pledged to rebuild the new environment that will be like that of the original community.

WIND FARMS

The offsetting and monitoring of the impact arising from the construction and operation of wind farms is implemented through partnerships established with environmental NGO's and focus mostly on birds and bats. However, many of the initiatives directly benefit other groups of local fauna.

The partnership with the Castilla y León Natural Heritage Foundation (Spain), for example, has some notable projects for the protection and restoration of habitats:

- Creation of a wetland system that provides shelter and food for migratory birds crossing the Iberian Peninsula, which also benefits many amphibians and reptiles;
- The restoration of several natural ponds at Carcedo de Burgos;
- The building of an environmental interpretation centre at Aliseda de Tormes;
- The adaptation of the trails at Lagunas glaciares de Neila Nature Park and signage with rules for public use;
- Monitoring the Dupont's Lark in the area of Medinaceli (Spain) and the monitoring, conservation and improvement of habitats of the Black Stork, Black Vulture, Spanish Imperial Eagle, and other birds of prey in the province of Ávila (Spain)

DISTRIBUTION ACTIVITY

In Portugal, continuity was given to the 2013 Environmental Promotion Programme, which among other environmental projects, included the PENAS Project - Specific National Programme for Wild Birds. In 2013, with an overall budget of EUR 609,000 and which included:

- The correction of potentially dangerous power lines; 38.8 km of power lines of a planned total of 68.8 km were corrected;
- White stork nests; work was carried out on 166 nests;
- Assessment of the working life of the anti-electrocution equipment installed in 2012;
- Review of the risk maps for the targeted species: imperial eagle, black vulture, Bonelli's eagle and osprey; and
- Conclusion of the great bustard collision charter that will be available as a first version during the first quarter of 2014.

The completion of the construction work of the substations of North Gijón and Rojales is to be highlighted in Spain, both with environmental monitoring and improvement projects for the Genestoso-Leitariegos and Beleño-Camporriondi distribution lines. The latter are included in areas where brown bears are potentially present. The brown bear is an endangered species, and the works had to be suspended as replanning was required.

OTHER INITIATIVES

The Fundación HC Energía undertakes general projects for the rehabilitation of protected natural areas, which include planting trees, fish restocking in Asturian rivers and collaboration with the Brown Bear Foundation.

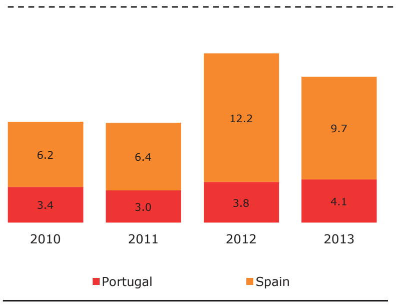
The new Environmental Impact Assessment law in Spain (Ley 21/2013, 9/12) means that new projects shall provide for the implementation of compensatory measures when located within the Rede Natura 2000 network. This law establishes the creation of Nature Conservation Banks to generate credits to which project developers may voluntarily contribute as a mechanism of compensation, repair or restoration of the net loss of natural assets, in accordance with regulations.

2.3.4. AIR EMISSIONS

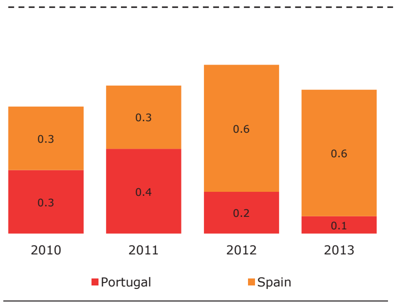
One of the most significant environmental aspects of EDP Group business activities is air emissions arising from combustion to generate electricity by thermal means. These aspects are continuously and/or periodically monitored in order to verify compliance with the values established in legislation.

The reduction of SO_2 and particles emissions occurred due to market factors, which influenced the performance of the energy sector, and an increase in the renewable energy generation. The details of air emissions by facility can be consulted at www.edp.pt> about edp> business units> electricity generation.

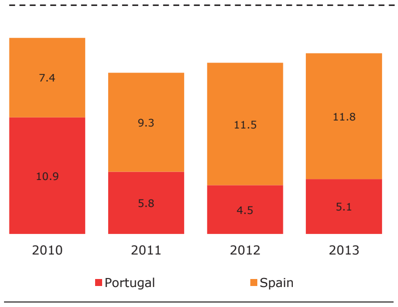
TOTAL OF SO_2 EMISSIONS (kt)



TOTAL OF PARTICLES EMISSIONS (kt)



TOTAL NO_x EMISSIONS (kt)



2.3.5. WASTE AND BY-PRODUCTS

Waste management by EDP follows the procedures of the environmental management systems, which continually seek to reduce their production at source and their hazardous nature, as well as increase the percentage of waste channeled for energy recovery. The total waste sent to final disposal reduced significantly due to less thermal generation.

EDP's generation activities produce large quantities of fly ash and slag from the burning of coal and also gypsum from the desulphurisation of air emissions, also at coal-fired power stations. The byproducts sold during the year increased significantly due to the new markets found.

Equipment contaminated with PCBs at concentrations below 500 ppm may remain in operation until the end of its useful life, under existing legislation. However, EDP is bringing forward its disposal, giving priority to this type of equipment in equipment replacement plans. 95 tons of waste containing PCBs were sent for final disposal in 2013.

2.3.6. PREVENTION AND EMERGENCY RESPONSE

EDP has procedures for the identification and handling of near misses. This operates as a preventive process, aiming to prevent and minimise potential negative impacts. All facilities also have emergency plans, which identify the risks that can occur, how to act and the human and material resources available on-site. They ensure that employees or contractors are aware of these practices. The facilities test their emergency plans through regular drills (additional information in page 62).

An environmental "near miss" occurred at the Setúbal Power Station in 2013, during a fuel oil transfer operation. No damage to the surrounding environment occurred because the implemented mechanisms allowed the situation to be managed.

2.4. RESPONSIBLE EMPLOYER

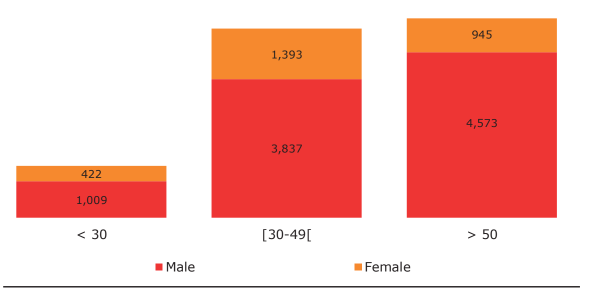
		2013						2012					
	Unit	Group (1)(2)	Portugal (2)	Spain	Brazil (1)	USA	Rest of Europe	Group	Portugal (2)	Spain	Brazil (2)	USA	Rest of Europe
Employment													
Employees (2)	#	12,179	6,983	1,935	2,796	300	165	12,275	7,195	1,972	2,669	291	148
Executive Board of Directors	#	7	7	0	0	0	0	7	7	0	0	0	0
Senior Management	#	761	447	158	77	53	26	724	434	154	74	47	15
Specialists	#	4,365	2,080	956	986	214	129	4,223	2,023	965	901	211	123
Middle Technicians	#	167	167	0	0	0	0	207	207	0	0	0	0
Intermediate Technicians	#	67	67	0	0	0	0	71	71	0	0	0	0
Qualified and highly Qualified Professionals	#	6,609	4,027	821	1,718	33	10	6,891	4,317	853	1,678	33	10
Semi Qualified Professionals	#	203	188	0	15	0	0	152	136	0	16	0	0
Permanent	#	11,977	6,814	1,927	2,773	300	163	12,123	7,082	1,962	2,642	291	146
Fixed-term contract	#	147	138	7	0	0	2	97	83	9	3	0	2
Part-time	#	27	2	24	0	1	0	27	5	21	0	0	1
Male employees	%	77	79	75	76	67	67	78	80	75	77	2	66
Executive Board of Directors	%	100	100	0	0	0	0	100	100	0	0	0	0
Senior Management	%	82	82	79	83	83	88	82	82	83	82	83	93
Specialists	%	69	70	73	63	72	66	70	70	73	66	70	67
Middle Technicians	%	87	87	0	0	0	0	89	89	0	0	0	0
Intermediate Technicians	%	84	84	0	0	0	0	85	85	0	0	0	0
Qualified and highly Qualified Professionals	%	82	83	77	83	3	20	82	83	77	83	3	10
Semi Qualified Professionals	%	90	90	0	80	0	0	85	86	0	75	0	0
Employees with special needs	#	197	120	17	60	0	0	194	108	16	70	0	0
Foreign employees	#	179	28	50	39	36	26	146	20	46	28	27	25
Turnover	%	6.16	4.39	1.95	12.94	11.51	10.86	5.57	2.68	2.63	14.07	14.96	19.19
New employees	#	713	205	28	419	37	24	741	173	50	433	47	38
Employees leaving	#	795	417	49	288	31	10	620	214	54	299	39	14
Employees' average age	years	46	49	45	38	39	35	46	49	44	39	38	34
Average age of new admissions	years	30	29	33	31	34	32	31	30	31	31	32	31
Average age of leaving	years	49	55	50	41	36	33	46	54	53	41	35	37
Seniority	years	23	33	23	12	3	3	20	31	23	14	3	2
M/F ratio of new admissions		2.69	4.70	1.10	2.40	1.80	1.70	2.76	2.20	2.13	3.37	2.92	1.38
Absenteeism rate	%	3.26	3.13	3.35	3.80	2.06	n/k	3.16	3.13	3.39	3.38	1.57	n/k
EDP mimimum wage/national minimum wage		n.a.	1.40	2.03	1.31	1.95	n.a.	n.a.	1.42	1.98	1.55	1.95	n.a.
Pay ratio by gender (M/F)		0.98	0.97	1.04	0.96	1.27	1.45	0.98	0.97	1.05	0.94	1.27	1.41
Employees entitled to parental leave	#	290	113	87	56	24	10	386	161	110	91	14	10
Employees that took parental leave	#	287	112	85	56	24	10	379	161	105	91	14	8
Retention rate of employees who took parental leave	%	97	100	100	84	100	90	96	100	100	82	100	100
Training													
Total hours of training	hours	410,734	155,086	77,309	170,509	2,304	5,525	503,272	208,070	70,419	218,085	3,558	3,141
Environment	hours	4,938	2,088	1,091	1,212	0	547	4,639	1,806	1,417	1,316	84	16
Sustainable development	hours	884	557	267	60	0	0	967	891	16	60	0	0
Ethics	hours	206	26	0	180	0	0	195	98	85	0	12	0
Quality	hours	7,831	6,323	180	1,328	0	0	9,036	6,574	250	2,212	0	0
Languages	hours	31,875	10,463	20,428	566	24	394	32,618	10,473	18,241	3,784	0	120
Health and Safety	hours	84,058	15,937	11,741	54,892	535	954	67,887	26,808	9,260	31,041	389	389
Information systems	hours	24,103	12,768	7,325	3,580	112	318	23,240	15,581	4,991	2,480	188	0
Other	hours	256,839	106,924	36,278	108,691	1,633	3,312	364,691	145,840	36,159	177,192	2,885	2,616
Average training per employee (h/p)	h/p	34	22	40	61	8	33	41	29	36	82	12	21
Executive Board of Directors	h/p	32	33	47	18	2	17	31	40	28	7	5	2
Senior Management	h/p	41	43	47	36	8	37	46	50	38	60	7	20
Specialists	h/p	11	11	n.a.	n.a.	n.a.	n.a.	18	18	n.a.	n.a.	n.a.	n.a.
Middle Technicians	h/p	14	14	n.a.	n.a.	n.a.	n.a.	22	22	n.a.	n.a.	n.a.	n.a.
Intermediate Technicians	h/p	29	9	30	76	13	36	40	19	35	97	55	71
Qualified and highly Qualified Professionals	h/p	63	57	n.a.	132	n.a.	n.a.	19	9	n.a.	97	n.a.	n.a.
Semi Qualified Professionals													
Collective employment agreements	%	82	80	86	94	0	36	83	83	87	94	0	36
Trade union membership	%	38	61	21	n.a.	0	0	51	64	21	44	0	0
Union Structures	#	37	23	4	7	0	3	36	24	4	8	0	0
Hours lost due to strikes	hours	1,764	1,720	44	0	0	0	8,475	4,278	4,197	0	0	0
Staff engaged in further study	#	18	18	n/k	n/k	n/k	n/k	13	13	n/k	n/k	n/k	n/k
Professional Internships	#	239	96	0	143	0	0	348	184	0	164	0	0
Academic internships	#	730	212	468	0	24	26	505	203	277	0	15	10

(1) Pecém power plant has not been considered for the purposes of detailed human resources (135 employees).
(2) Includes information regarding na expatriate employee, presently in the People's Republic of China.

EDP makes the commitment to its employees to combine ethical conduct and professional objectivity with giving merit to work, promoting the development of skills and merit and the articulation of the balance between personal and professional life.

The human resources policies cover areas such as attractiveness, enhancement and development, recognition, diversity, work/life balance, health and safety, innovation, opportunity management, volunteering and personal data protection.

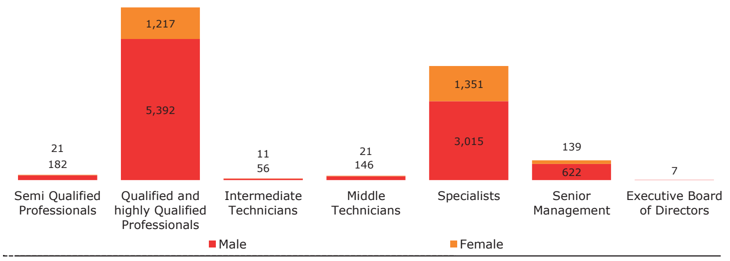
DISTRIBUTION OF EMPLOYEES BY AGE GROUP (No.)



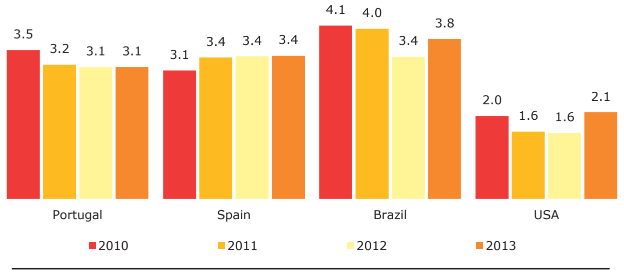
The details of the business organisation model, employee benefits and initiatives in progress, among other information on the social performance of EDP are available in the Social Report. This report is available at www.edp.pt> edp> about edp> human resources.

The number of employees decreased slightly from 12,275 to 12,179. This reduction is due to the number of employees retiring in Portugal, only partially offset by new hires. On the other hand, there was a slight increase in the business of both EDP Renováveis and in Brazil, justified by organic growth. Turnover in 2013 increased slightly from 5.6% to 6.2% due to increased number of employees leaving the Group. In 2013, 10 local hiring for senior management positions occurred, in a total of 614 contracts for permanent staff.

DISTRIBUTION OF EMPLOYEES BY PROFESSIONAL CATEGORY (No.)



ABSENTISM RATE BY COUNTRY (%)



LABOUR RELATIONS

EDP has a regular relationship with official employees' entities and representatives – Workers' Committees and Trade Unions - for the introduction, modification or termination of standards or regulatory procedures, and as regards negotiations for the review and update of legal regulations.

73 individual meetings with unions and 30 meetings with all the unions present were held during the year to ensure the adequacy of internal regulations and legislative standards in Portugal.

Meetings with social partners and trade unions representing about 61% of employees were and continue to be held in order to negotiate the new Collective Labour Agreement (CLA) for EDP in Portugal.

During 2013, there was a flick of pressure on labour relations within the negotiation process of revising the Agreement of HC Energía, a process which was concluded with no incidents. In the remaing geographies there was no kind of labour dispute for internal reasons of the company.

The collective legal instruments in place in the countries where EDP operates do not include a specific clause to set the deadline for communicating operational changes to company employees that may impact on them. Nevertheless, EDP announces organisational changes that impact on employees, which go beyond the requirements of national labour law in some countries. Communications are sent to unions, workers' committees and employees in Portugal at least 30 days beforehand. The communication of organisational changes in Brazil is initially made by the unions, followed by communication by EDP of the changes relative to each phase of the negotiations and a deadline is set for the clarification of doubts and inquiries. The minimum period in other locations is defined in national law.

2.4.1. ATTRACTING AND RETAINING EMPLOYEES

ATTRACTIVITY

EDP has promoted the development of some practices and consolidated its relationship with institutions which are its main sources of recruitment. It has also established partnerships with various national and international associations and communities, including Best - Board of European Students of Technology and CEMS - Community of European Management School.

The following attraction programmes developed in 2013 are of note:

- ***IST Management Challenge***, a strategy and management competition, supported by EDP and organised by SDG – Simuladores e Modelos de Gestão, in partnership with the Instituto Superior Técnico, of the Lisbon Technical University. Around 150 students took part, with 8 teams of students qualifying for the Global Management Challenge 2014, where they will be supported by EDP;
- ***Global Management Challenge***, a business simulation organised by SDG, where each team must run a business with the aim of getting the highest price for its shares on the Stock Exchange. In the 2013 edition, about 500 teams took part and EDP supported 20 of them, one of which won the National Final of the competition and will represent Portugal in the International Final of the 2013 edition, to be held in Sochi, Russia;
- ***PowerTrade* Universidades,** a game that simulates the electricity market in a competitive environment, directed at final year students of Engineering, Management and Economics Master's Degrees. The qualifying teams will present a business case of one of the Group companies at the simulation stage, which is then presented to an EDP jury. The members of the winning team of the 2013 competition, from Instituto Superior Técnico, were awarded work placements in EDP. Work placements were also awarded to other participants who stood out for their performance, given the potential identified in the 2013 competition;
- ***FabLab Challenge*,** a competition aimed at final year students of renowned secondary school or vocational technical courses. The students are challenged to create a renewable and/or energy efficiency project, developing a prototype of it in EDP's FabLab. The winning team of the 2013 competition, from the electrical systems technical course of Rio Maior Vocational School, was awarded apprenticeships;

- **Workshop "Promover o Saber"**, Workshop, an initiative designed by EDP with the aim of contributing to the development of skills among students of technical courses, secondary schools or renowned vocational schools, specifically in preparation for entering the labour market. 5 sessions were held during 2013 involving about 80 students from various schools in Portugal;
- **EDP University Challenge**, a college annual contest that encourages interaction between universities and companies through the allocation of scholarships. In 2013, eight students were awarded, three in Portugal and five in Spain;
- **Partnership with CEMS** - Community of European Management Schools, under which are annually offered internships in different geographies for the students of the Master of International Management. Over the past two years, this partnership has resulted in the hiring of 1 employee.

RECRUITMENT AND SELECTION

EDP considers in the recruitment and selection process not only the specific skills defined for the role but also behavioural skills, on the basis of organisational culture. The implementation of this process has been based on the development of practices, the highlights of which in 2013 were:

- **Programa ON TOP -** EDP *Recruitment Program* aims to attract and capture young people with potential, making EDP known to students and promoting the company's proximity with the school community. In Portugal, the company was present in 9 job fairs in benchmark universities and in Talent City, which currently has more than 48,000 users, and it also lectured to several key segments. In Brazil, it allowed the business proximity to 44 trainees, of whom 27% were admitted;
- **EDP *Trainee Program*** is a recruitment program of young professionals, preceded by a trainee program aiming to provide young people with an across-the-board view of EDP over 20 months. It rests on three fundamental pillars: training, job rotation and project development. The first edition ended with the hiring of 15 young high potential people for the staff of EDP. The 2nd edition of the programme will be Iberian in scope and will have 25 vacancies.

Technical Academy of the Energy Sector

With the aim of encouraging the "know-how", according to the different work profiles of a technical nature and to assign qualification certificates, EDP set up the Technical Academy of the Energy Sector, along with other business partners and the Portuguese Institute of Employment and Professional Training.

This project will ensure the hiring of trained personnel to carry out the work in power distribution networks with the required high quality standards, foster the creation of qualified employment and create conditions to confirm the conversion of professionals in the areas of energy, through certification of technical skills acquired.

INDUCTION AND INTEGRATION

EDP has devoted special attention to the arrival of new staff, fixed-term employees, interns and expats, ensuring the best conditions so that the induction and integration of each employee has a positive impact on their professional life in EDP. The 205 new employees who joined the company in 2013 in Portugal have undertaken a number of activities included in the Induction and Integration Programme over their 1st year, aimed at imparting knowledge about the business, the assimilation of the values and culture and promoting networking that enhances synergies. These activities of a corporate nature are complemented by specific initiatives in each business area where the employee is located.

WORK PLACEMENTS IN EDP

EDP conducts annual recruitment and selection processes to award work placements, enhancing the identification of future employees with growth potential, who may contribute to the development of the business. 969 work placements were organised in 2013. 680 of those were school/curricular placements, 239 were vocational work placement and 50 were summer work placements.

CAREER DEVELOPMENT

An integrated career management model was launched in 2013 in order to identify, describe and publicise the set of functional profiles/families existing in the company, aligning them with the value chain of the business. This model also aims to create a framework to support decisions on the development and mobility of staff, allowing people to adapt to business needs and serving as input for other human resource management processes. It began in Portugal and it is planned to extend its scope to other geographical areas during 2014.

MOBILITY

Internal Mobility is considered by EDP to be strategic, as it allows culture and knowledge to be strengthened while promoting interaction between employees with different backgrounds and experiences, valuing the employee by enhancing their skills and preparing them to take on new challenges and responsibilities. Globally, in EDP, 823 cases of mobility (of which 67% intra-company, inter-company 31% and same geography and geographies between 2%), corresponding to 7% of all employees were registered. About 70 campaigns were opened, in Portugal, with a very diverse range of vacancies in varied functional areas.

EMPLOYEE SATISFACTION

Valuing experience

The 3rd edition of the Valuing Experience Programme was held in 2013, which is addressed at employees with over 30 years service in the EDP Group, and which aims to recognise their accumulated experience, enhancing knowledge sharing in the organization. The Programme has involved more than 900 employees, resulting in 500 initiatives to share experience and knowledge of the companies and the Group. It also aims to extend this initiative to more than 3,000 eligible employees in EDP.

In February 2013, the Valuing Experience Programme won an award at the «SEDES 2012 Excellence» awards, page 17.

EDP conducts employee climate studies every 2 years to collect, record and analyse the opinions and motivations of employees and, based on the findings, propose actions to improve the areas with the greatest potential for improvement and development. A study of employee satisfaction was conducted in 2013, covering the entire population of the company. Levels of participation in the study were 89%. The slight decrease in the Overall Satisfaction Index from 81 in 2011 to 80 points in 2013 is due mainly to decreased levels of employee satisfaction in Europe, related to external factors outside the company, in particular the negative economic environment that has assailed Europe in recent years. In addition to the study of the internal climate, external satisfaction studies of employees are conducted annually by various businesses in order to complement the analysis carried out internally and follow the best international practices in human resources.

2.4.2. VALUE AND DEVELOP

TRAINING

Coaching – people development tool

Coaching in EDP develops through 3 different practices:

- Leadership style: preparing and making leaders aware of coaching for the management of their teams through the design and implementation of specific training for different leadership levels;
- Internal Coaching: launch of the Internal Coaching Programme certifying employees as coaches to be available for the development needs of different segments
- External Coaching: pool de external coaches, identified according to criteria of excellence, experience and diversity, ensuring the best fit with the Executive Coaching goals and fit with the coachee.

EDP undertook a reorganisation of the training area, centralising the training management activities and documentation and specialised information services in the EDP University (UEDP). The training for non-university graduate staff prior to 2013 was based on the catalogue of training solutions managed by one of the group companies. In 2013, with the centralisation of all training activities in UEDP, the work began to launch in the UEDP schools a structured training offer addressed to non-university graduate staff, which is expected to be implemented in 2014.

There has also been the full implementation in Portugal of the Campus Online platform and additional Content Management and Pedagogical Support services, enabling the growth of distance learning. This focus aims to allow flexible access to training, learning according to individual rhythms and capacities, self-education, the reduction of costs and facilitate knowledge sharing and interaction among EDP employees.

The preparatory work for the qualification of technicians was also developed, in activities considered a priority for the operation of the electricity distribution grid and training courses were held to train trainers in order to facilitate the creation in the market of educational supply in this field.

ASSESSMENT OF POTENTIAL AND PERFORMANCE

The Assessment of Potential and Performance is a structuring tool for the management of people, which is essentially based on two dimensions: Skills Assessment, which considers the behaviour that contributes to the actual achievement of the vision, values, principles and strategy of the company and the Assessment of Goals/KPI that measure the actual contribution of the employee to the results.

In 2013, the assessment was extended 270º to all senior managers and operating technical managers, reinforcing the importance of feedback from various stakeholders. This model went on to have an e-learning course available to all employees in 2013, allowing in a quick and affordable way to train supervisors and employees regarding the process and its implementation.

CAREER AND SUCCESSION

The succession plan of the company was created in 2009. It identifies potential successors for the senior management roles of the EDP Group and it constitutes a management and decision support tool that is annually updated on a multi-company and multi-country philosophy and with the active involvement of the Executive Board of Directors.

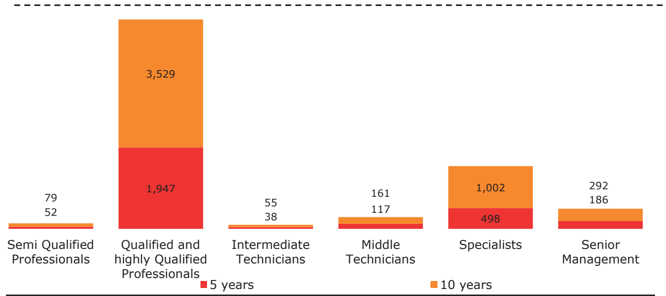
LEADERSHIP

EDP has consistently invested in training and support for the exercise of leadership. The "EDP Leader Guide" was updated in 2013 in the light of current practices. It is a manual that gathers information about the EDP Leader profile and key Human Resources processes. The Lead Now Programme was also designed and implemented. This programme is aimed at leaders recently appointed to senior positions and it aims to support the transition, raising awareness and adjustment to a new role in the team.

EXIT MANAGEMENT

795 employees left EDP in 2013, with an average age of 49 years and an average seniority of 23 years. 2,873 and 5,136 employees of the current total of 12,179 are eligible for retirement in the next 5 and 10 years, respectively.

EMPLOYEES ELIGIBLE FOR RETIREMENT (No.)



For a number of years the company has offered outplacement support to employees who have taken early retirement. Over a period of one year employees are supported in reflecting, analysing and defining new and interesting life proposals.

Certificate of Retirement Responsibility

The Portuguese Association of Investment Funds, Pensions and Wealth has promoted the 1st round of awards of "Certificates of Retirement Responsibility", valued by the Portuguese Insurance authority. The aim is to identify the pension funds that would ensure adequate supplementary values of the values of the pension to be drawn after the period of active life.

The criteria for the award of the “Certificate of Retirement Responsibility” include:

- The recognition of the principle of universality, i.e. the inclusion of all workers in access to benefits attributed by the pension fund.
- The allocation of rights acquired by the pension plans to certify, which promotes labour mobility and reduces the risks of not achieving the pension expectations created among workers.

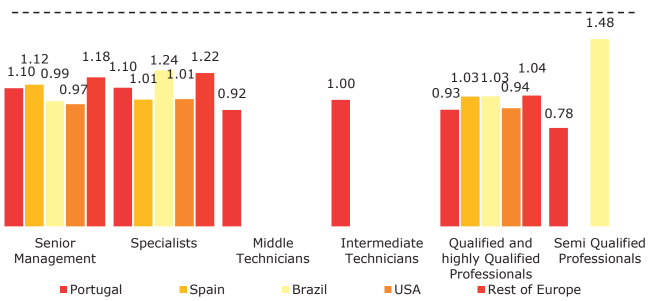
EDP was awarded the certificate as it is one of the companies that develops good market practices in a context of promotion of the habit of saving for retirement.

2.4.3. REMUNERATION AND BENEFITS

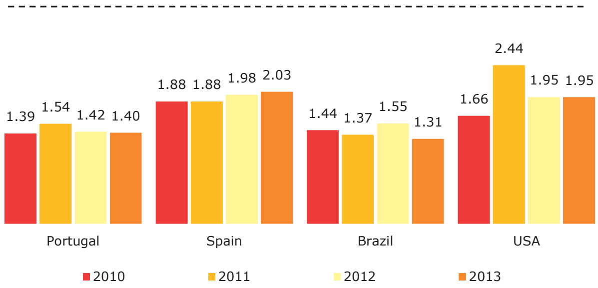
In terms of compensation and benefits the company recognises and establishes the principle of internal equity and external competitiveness, i.e. it seeks to differentiate according to the contribution/remuneration relationship, positioning itself as a reference in the market in terms of remuneration policy.

On the other hand, it recognises the merits of its employees, either by assigning Prize Distribution Results and Merit awards. Concerning social benefits, EDP highlights retirement and health care protection: pension plans and medical plans for all employees. Additionally, concerning the family axis, EDP helps supporting the studies of employees’ children.

SALARY RATIO M/F BY PROFESSIONAL CATEGORY



RATIO EDP MINIMUM WAGE AND NATIONAL MINIMUM WAGE (x)



2.4.4. DIVERSITY AND EQUAL OPPORTUNITIES

DIVERSITY

Under the approval of the Diversity Policy in 2013, EDP made a public commitment to (www.edp.pt> about edp> principles and policies):

- Promote mutual respect and equal opportunities vis-à-vis diversity;
- Recognise differences as a source of strengthening human potential and valuing diversity in the organisation, in management and strategy;

- Adoption of positive discrimination measures and raising awareness internally and in the community with a view to the actual implementation and effectiveness of the diversity policy.

An Action Plan was also approved with a set of measures to implement in the three year period 2013-2015, consisting of 4 areas in terms of diversity (gender equality, people with disabilities, nationality and integration of socially vulnerable people), already partially implemented.

In terms of Gender Equality, taking into account that the number of women is 23% of all employees (22% in 2012), measures were developed in order to support the career development of women, including:

- Membership of the European Professional Women's Network - EPWN, which promotes the professional development of women through networking and sharing of knowledge;
- Participation of female employees in Corporate Development Programmes, ensuring at least the proportionality that exists in the target audience.

Also in this field, EDP joined the Business Forum on Gender Equality (IGEN), promoted by CITE - Commission for Equality in Labour and Employment, where it also made a commitment to promote good practices in gender equality.

In relation to disabled persons, the EDP Group currently has 197 employees with some level of disability; a measure was launched for the identification of vacancies for external recruitment that can be occupied by such persons.

Another measure developed in 2013 was the introduction of the theme of diversity in the training courses on organisational culture aimed at managers.

In parallel, a question related to Diversity and Gender Equality was included in the Organisational Climate questionnaire, with 84% of employees agreeing or totally agreeing that "People of any age, sex, race, colour, sexual orientation/religion/politics are treated with the same fairness and respect in EDP”.

2.4.5. BALANCING WORK AND FAMILY LIFE

EDP is a responsible company and accordingly it promotes balance between the professional and personal life of its employees, aware that the professional, personal and family pillars all have great importance in people's lives.

EDP has developed the Conciliar Programme since 2007, in accordance with this commitment. This is an initiative that involves the gradual implementation of a set of policies and measures.

As a result of the work undertaken and the diversity and quality of the implemented measures, EDP is certified as a company promoting work-family balance and equality, by Fundación Más Familia. EDP Portugal, where 57.3% of Group employees work, obtained this certification on 18 January 2013. HC Energía, Naturgás and EDP Renováveis renewed the certification obtained between 2011 and 2012.

CORPORATE VOLUNTEERING

A fundamental pillar of EDP’s Conciliar Programme, the Volunteering Programme mobilised the participation of 1,869 employees in EDP volunteering initiatives in 2013, corresponding to 13,506 hours of volunteer service during working hours. The Volunteering Programme contributes to strengthening team spirit, fostering a culture of social responsibility and corporate citizenship and it is a way of deepening the relationship between the company and communities. Additional information on this topic can be found on page 78.

2.5. WELL BEING, HEALTH AND SAFETY

	Unit	2013 Group (1)	2013 Portugal	2013 Spain	2013 Brazil (1)	2013 USA	2013 Rest of Europe	2012 Group (1)	2012 Portugal	2012 Spain	2012 Brazil (1)	2012 USA	2012 Rest of Europe
Health and Safety													
Installed capacity certified by OSHAS 18.001	MW	16,354	7,900	5,900	1,477	0	1,077	16,679	8,939	5,798	1,446	0	496
Installed capacity certified by OSHAS 18.001	%	73	83	98	79	0	80	72	85	99	70	0	52
On-duty accidents	#	42	25	9	8	0	0	38	28	3	7	0	0
Fatal on-duty accidents	#	4	1	1	2	0	0	5	5	0	0	0	0
EDP frequency rate (Tf)		1.98	2.17	2.68	1.42	0.00	0.00	1.82	2.38	0.88	1.43	0.00	0.00
EDP severity rate (Tg)		128	169	179	32	0	0	109	171	13	44	0	0
Total days lost due to accidents	#	2,725	1,944	601	180	0	0	2,269	2,009	45	215	0	0
Occupational diseases	#	8	5	0	3	0	0	8	7	0	1	0	0
Rate of occupational diseases		0.70	0.17	0.00	0.53	0.00	0.00	0.29	0.42	0.00	0.21	0.00	0.00
Fatal accidents of contracted workers	#	8	5	0	3	0	0	13	8	0	5	0	0
Contracters working days	#	5,632,310	2,528,342	585,507	2,280,442	70,676	167,343	5,230,811	2,535,026	649,039	1,806,881	146,632	93,232
Contracters frequency rate (Tf)		4.95	6.38	2.78	4.28	3.54	0.75	5.35	6.95	5.39	2.97	3.41	10.73
EDP and contracters frequency rate (Tf total)		4.00	4.85	2.73	3.60	1.93	0.62	4.17	5.27	3.61	2.58	2.25	8.25
Fatal accidents envolving non workers (2)	#	7	4	0	3	0	0	8	0	0	8	0	0
Training													
Sessions	#	857	198	445	151	25	38	892	359	332	108	81	12
Employees	#	9,112	3,505	4,022	1,372	96	117	9,423	5,349	2,667	1,222	120	65
Hours of training	hours	84,058	15,937	11,741	54,892	535	954	67,887	26,808	9,260	31,041	389	389
Conctracters sessions	#	12,471	10,760	282	672	587	170	11,635	10,287	110	1,225	0	13
Contracters employees	#	58,359	37,766	751	16,012	3,227	603	40,971	40,423	482	n.d.	n.d.	66
Contracters hours of training	hours	207,271	46,386	760	149,069	10,648	408	973,674	45,999	737	926,907	0	31

(1) Pecém power plant has not been considered for the purposes of detailed health and safety.
(2) Accidents with people - the general public.

EDP annually evaluates its performance vis-à-vis the strategic objective: “Zero accidents, no personal harm”. EDP has built a culture of prevention and safety to ensure compliance with this commitment and it has adopted an occupational health and safety management system, based on the OSHAS 18001 standard, following the guidelines of the International Labour Organization and cemented in internal regulations.

The Corporate Safety Management System (CSMS) of EDP reflects its Safety Policy and reinforces the principle that occupational health and safety issues are managed according to common and harmonised criteria in the group companies and extended to service providers’ employees.

Each business unit locally adopts the Corporate Management System directly or takes it as a reference to develop its own safety management system, which is stand-alone or integrated with the environment and/or quality fields, taking into account the business activity.

The themes of prevention, safety, health and the wellbeing of employees are covered in the agreements concluded with trade unions.

Employees are involved in the management of occupational health and safety through representation on safety committees and sub-committees. During 2013, 540 meetings were held, with worker representativeness of 91%.

Further details of the most relevant activities and commitments made by the company can be found at www.edp.pt> sustainability> occupational health and safety.

2.5.1. HEALTH AND WELL BEING OF EMPLOYEES

EDP provides occupational and non-occupational health care under its commitment to the well-being, health and safety of employees. The "medical assistance" benefit is provided in all existing companies/countries for reasons related to employment contracts, general agreements and other applicable legislation, in particular fiscal and para-fiscal law. How this benefit is provided and its scale differs between companies. It extends to immediate family by rule, although the subsidization is lower than for employees.

An Alcohol Prevention and Control Policy Programme to inform and raise awareness was sponsored aiming the reduction of non-occupational hazards. 98 training sessions were conducted involving about 4,949 employees of EDP group companies in Portugal and employees of external service provider companies of the generation and distribution segments.

The company, aware of the importance of road accident prevention to the safety of its employees when travelling as part of their duties or commuting to work, has an ongoing road safety campaign that includes making information available and defensive driving and off-road driving courses.

Occupational Stress Management Programme

A study of the determining factors of psychosocial risks began in 2012, to act pre-emptively in reducing health risks and with the aim of launching an occupational stress management programme in EDP. This study is conducted in partnership with the Preventive Medicine Institute of the Lisbon School of Medicine.

The aim of this programme is to equip employees with the tools for balanced stress management. The diagnostic phase occurred in 2012, covering a sample of about 5,000 people, and the 2nd and 3rd phases occurred in 2013, in a universe of about 5,800 people.

The results of the psychosocial risk assessment programmes of Portugal and Spain do not indicate psychosocial determining factors in the companies which could point to the existence of health and safety hazards for employees.

2.5.2 REDUCING ACCIDENTS

The implementation of the company’s annual occupational health and safety programme was based on a set of actions aimed at preventing the occurrence of occupational accidents. The annual programme led to a reduction in the frequency rates and severity of accidents and occupational diseases, and it included the education and training of the employees of EDP and service providers, the constant evaluation and control of occupational hazards and the implementation of an internal and external audit and inspection plan vis-à-vis the premises and construction projects of EDP.

Unfortunately, we mourn the occurrence of 4 fatal accidents involving EDP employees as a result of aeronautical, electrical, trapped and road accidents.

Regarding service providers, there were the occurrence of eight fatalities, of which five in Portugal, two of electrical nature, one by falling from height, one from an object fall and one from an object impact. Three occurred in Brazil, one of electrical nature, one by falling from height and one fall from a tree.There were 42 occupational accidents involving EDP employees (4 more than in 2012), there were 224 occupational accidents involving one or more days of absence among the group of service providers employees. 197 cases of near misses were reported. These numbers are associated with construction works of big hydroelectric power plants and with the high turnover of service provider's employees.

7 fatal accidents of electrical origin were recorded on EDP premises or equipment, involving persons unconnected to the company's business activity, which are related to situations of civil works in the proximity of power lines in tension (5) and intrusion (2).

TRAINNING AND AWARENESS

The analysis of registered performance reflects, on the one hand, the results of actions and initiatives taken during the year in strengthening preventive action among services providers, particularly in the fields of training and awareness, assessment and control of risks and the increase of audits programme and inspections and, secondly, the need for priority actions for continued realization of thematic workshops on prevention and safety with the participation of service providers.

EDP is committed to ensuring that employees and service providers have adequate conditions for sustainable development in terms of occupational safety.

In harmony with this commitment, EDP employees and the employees of contractors and subcontractors are provided the necessary training for carrying out their tasks in safe conditions.The employees of EDP and of contractors and subcontractors, in addition to these training courses, take part in activities that promote safe behaviour and prevent the specific risks of certain activities or facilities.

489 first aid training courses were held for the employees of EDP and contractors and subcontractors. Moreover, 708 information courses were held, in collaboration with firefighting services, vocational and secondary schools, employers' associations and trade unions, on procedures to follow when fighting fires in electrical installations, in gas networks and systems or locations in their vicinity, as well as the precautions to take when handling electrical equipment.

Various initiatives were organised to inform and raise the awareness of civil society on the generation and distribution of electricity and the care to take when in the vicinity of electrical infrastructure.

PREPARATION FOR EMERGENCY RESPONSE

241 simulation exercises concerning the management of emergency situations (41 in Portugal, 107 in Spain, 31 in Brazil, 37 in the USA and 25 in other countries) were performed in various industrial and administrative facilities and active construction sites. The aim of these drills was to test the effectiveness of the respective emergency plans. External entities were also involved in these drills, such as civil defence forces, fire services and the police and public safety authorities.

2.6. SUSTAINABILITY OF THE SUPPLY CHAIN

The performance of suppliers is essential to the success of the EDP Group. The relationship based on trust, collaboration and the creation of values shared with suppliers results in the joint capacity to innovate, strengthen Corporate Social Responsibility policy and improve the quality of service provided to customers. This significantly contributes to EDP keeping the leadership in its areas of operation and it is a factor inducing competitiveness in the markets in which it operates.

The EDP Group's overall procurement activity in 2013 totalled EUR 2,661 million. Negotiation savings exceeded EUR 200 million. These figures do not include the purchase of fuel for energy production or the purchase of electricity in the market.

2.6.1. OVERALL PROCUREMENT

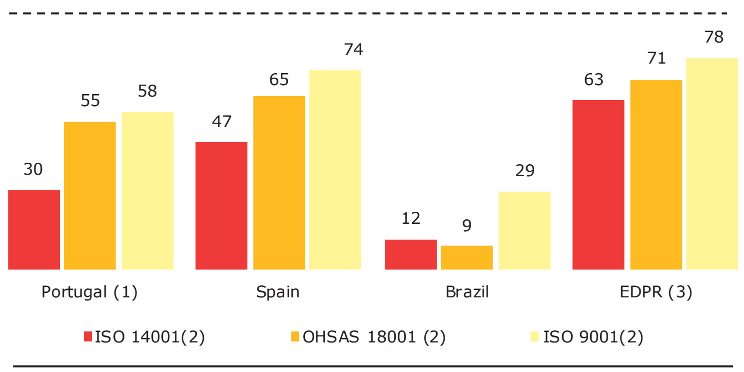
LOCAL SUPPLIES

	Unit	Group	Portugal	Spain	Brazil [1]	EDPR EU	EDPR NA
Suppliers							
Suppliers	#	19,034	5,726	2,994	3,868	2,322	4,124
Local	%	97	93	98	99	97	99
Foreign	%	3	7	2	1	3	1
Turnover							
Turnover	000€	2,661	1,090	235	387	518	431
Local	%	92	94	95	100	76	98
Foreign	%	8	6	5	0	24	2

(1) Include EDP Renováveis Brasil.

Due to the size, nature and recurrence of many of the EDP Group's acquisitions, there is a very positive influence on the local economy by promoting the quality and competitiveness of economic agents in the regions where it is present. The distribution of this activity follows the Group's business in the countries where it operates. The volume of purchases from local suppliers accounted for approximately 92% of total procurement in 2013.

CERTIFIED SUPPLIERS (%)



(1) Number of suppliers registered with the Corporate Supplier Registration System of the EDP Group.
(2) No information is available of EDPR NA.
(3) Include only EDPR EU.

In 2013, about 60% of suppliers delivering over EUR 75,000 in goods and services were registered on the Suppliers Registration System. Of these, 55% have quality management systems that have been certified by independent parties. For environmental management and safety systems, 31% and 45% of companies are certified, respectively.

2.6.2. FUEL

bettercoal
defining standards.refining practice

EDP joined **Bettercoal**, an international initiative to promote best practices and the integration of sustainability principles in the coal supply chain.

Bettercoal is a non-profit association created in 2012 by a group of companies of the electricity sector. Its mission is to promote the continuous improvement of environmental, social and ethical practices in the coal supply chain through the involvement of the different interested parties in complying with a code of conduct.

This code requires that mining companies comply with the rules of performance and conduct, the use of management systems, and there is the reporting and disclosure of good ethical practices, compliance with human and labour rights, health and safety prevention, and the management of social and environmental impacts.

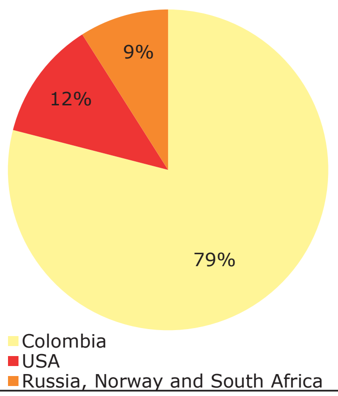
The practices and performance of the mining companies will be audited in order to ensure compliance with the code and, if necessary, corrective and improvement plans will be established.

The members of Bettercoal are currently, and besides EDP, Dong, DRAX, EDF, Enel, E.ON, Gas Natural Fenosa GDF Suez, RWE and also Vattenfall.

In 2013, EDP purchased EUR 1,069 million in natural gas to operate in the spanish market and 266 million for the Portuguese market. Purchases of LPG amounted to EUR 1.66 million exclusively for the portuguese market. In respect to coal, the acquisition in Spain amounted to EUR 66 million and Portugal to EUR 202 million.

In the past year, EDP maintained its strategy of sourcing coal primarily through long-term contracts, and buying on the spot market to ensure coverage of specific needs. This sourcing was undertaken with the best practices of the market as benchmarks, such as SCoTA (Standard Coal Trading Agreement) for coal. In order to minimise risks, EDP has also sought to procure coal with shipping included or transportation and delivery to site, using the API#2 index as a reference for the price of imported coal, performing hedging operations through derivatives transactions.

COAL ORIGIN



The qualification of counterparties is undertaken before the contracting phase. This involves an economic, financial, logistics, environmental and social evaluation. In relation to coal, the counterparties are primarily headquartered or have representation in the UK, Ireland and Switzerland, although 79% of the coal purchased by EDP in 2013 originated from Colombia (67% in 2012). Moreover, only 52% of the coal was purchased directly from producers. The rest was acquired on the market from various types of intermediaries. Accordingly, counterparties are assessed through a combination of procedures, including the identification of producers with OHSAS and ISO certification and Sustainability Reports, and traders with advanced CSR policies, those listed on the 2013 DJSI electricity and form part of the Bettercoal initiative. EDP also joined Bettercoal in November 2013, aiming to promote progress in the implementation of mining best practices by strengthening local audits and the widespread standardisation of assessment criteria. (see highlight box).

2.6.3. MANAGEMENT SYSTEMS

EDP has an Integrated Supplier Management System using Supplier Relationship Management (SRM) tools. The adopted model is based on five different phases: Registration, Selection, Evaluation, Management and Development. This relationship solution fosters proximity with the different partners, permitting the sharing of methodologies and promoting closer relations between both parties. The suppliers' familiarity with the company's business fosters better purchase terms and optimises the entire supply process. EDP is implementing in this area a risk analysis method for strategic suppliers that allows it to identify critical situations or supply disruptions in time and ensure the continuity of contracted supplies.

The system for finding, selecting and segmenting suppliers of the EDP Group – the Supplier Registration System (SRF), enables it to take clear, transparent, efficient action, fostering win-win partnerships.

The SRF is based on a philosophy of centralisation and sharing of available information in the suppliers' database, which is centrally checked, managed and maintained and is made available to the members of the community – Achilles. In 2013, this database reached 23,059 registered companies, more 13% than in 2012.

Registered companies also enjoy a number of advantages, such as:

- Equal opportunities for equivalent/separate business areas;

- Increased business opportunities;
- Guarantee that their customers have quick and reliable access to the information;
- Single registration visible to several companies;
- No need to present various kinds of documentation when applying for contracts or pre-tender qualification.

For registered suppliers, SRF has a questionnaire on Corporate Social Responsibility, which aims to evaluate suppliers practices in these matters and support procurement management teams in operational decisions. 47% of the registered suppliers in this system and with contracts with EDP, submitted their answers on the questionnaire.

ELECTRONIC TRADING

Sinergie - Supply Integration for Energy (www.sinergie.edp.pt) is a corporate-wide web platform fully developed by the EDP Group procurement team. It aims to streamline the relationship between the procurement areas of the Group and the market in a simple and secure manner.

In the events of EDP Group Electronic Queries, suppliers may submit their proposals online in a simple and direct manner that optimises time through Sinergie. Electronic queries are only available to suppliers registered in the Suppliers' Registration System of the EDP Group.

Electronic trading allows the EDP Group's suppliers to assess their performance against the market in real time, and take part in web-based trading from anywhere in the world. Electronic trading also allows suppliers to achieve, in a swift manner, an increase in their sales to the EDP Group.

ASSESSMENT

The EDP has developed formal mechanisms for assessing their supply chain: o Sistema de Avaliação de Fornecedores (SAF), in Europe, e o Índice de Desempenho de Fornecedores (IDF), in Brazil. These systems aim to mitigate risks and improve performance in the supply chain. Consequently, the evaluation systems optimize the selection of suppliers and encourage their commitment to the best international practices and procedures.

Thus , both the SAF as the IDF , although with particular variants, allow the evaluation of the supplier performance in the areas of Certification , Innovation , Logistics , Sustainability and Quality through specific forms, with the appropriate criteria, on services (enforcement, prevention and safety, environment and compliance) and on materials supply (receiving, inspection, complaints and behavior of the product) .

Fundamental part of the suppliers assessment lies in conducting assessments with the consequent identification of improvement programs, involvement of the entities and monitoring progress. In 2013, in the Iberian Peninsula, EDP ensured the review of 458 suppliers and 456 audits. For 107 of these suppliers were identified the need of improvements.

EDPARTNERS PROGRAMME

One year after the creation of the EDPartners Awards (www.edpartners.edp.pt), which gave accolades to the top domestic suppliers in various categories, the EDP Group decided to promote two roadshows believing that business opportunities in the near future will be concentrated in the Asian and Latin American markets. This initiative aimed to promote the internationalisation of suppliers by ensuring special contacts that promote new business in emerging markets, whether through the export of goods and services or in the establishment of joint ventures.

The event in São Paulo, with the support of EDP Brasil, attracted about 40 Portuguese and 42 Brazilian companies operating in various areas of the power sector. Presentations and discussions focused on the Brazilian market occurred over the three days of the event. More than 150 networking meetings were registered.

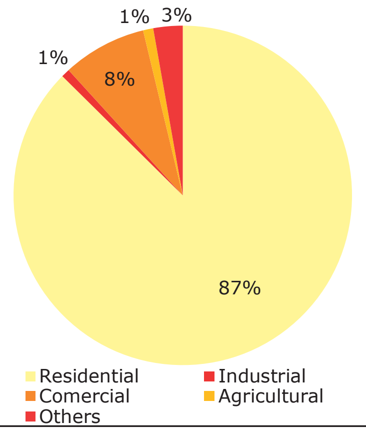
In Beijing, China, where EDP's relations with the market and Chinese companies are strengthened through its main shareholder, China Three Gorges, the event was accompanied at the highest level by representatives of the Chinese state and the Portuguese State. 45 Portuguese and 49 Chinese companies attended the event, operating in various sectors ranging from the financial industry to the metalworking and engineering sector, from information technology to marketing. Companies had the opportunity to present their business, create a network of contacts and develop business and partnership opportunities, during the two-day event. 127 networking meetings between Portuguese companies and their Chinese counterparts were registered.

The second phase of the roadshow is to monitor the results of these meetings to discover the success stories and assess the possibility of similar initiatives in the future.

2.7. CUSTOMER, PRODUCTS AND SERVICES

2.7.1 EDP CUSTOMERS

DISTRIBUTION OF CLIENTS BY TYPE OF USE



The EDP Group supplies electricity to end consumers in three countries - Portugal, Spain and Brazil. It ended 2013 with 9.880.899 electricity customers and 1.171.184 gas customers.

In Portugal, there is an ongoing process of extinction of transitional regulated tariffs for electricity and natural gas (in regulated markets), which should be completed by the end of 2015. There is the expectation that all customers will have exercised their right of choice by the end of this period regarding the suppliers operating in the liberalised electricity and gas markets. EDP retained the leadership in the liberalised electricity market at the end of 2013, both in terms of number of customers and also consumption. On the other hand, concerning natural gas free market, EDP won the lead of costumers.

In Spain, EDP continued its organic growth process, which included starting operations in Barcelona. It ended the year with approximately 1.118.056 electricity customers and 796.196 natural gas customers.

EDP is present in the electricity supply segment of the liberalised and regulated markets in Brazil (through the Bandeirante and Escelsa suppliers). The liberalised market has an insignificant number of customers (around 500).

COSTUMERS AND ENERGY BY TYPE OF COMMERCIALIZATION

		2013				2012			
	Unit	Group	Portugal	Spain	Brazil (1)	Group	Portugal	Spain	Brazil (1)
Electricity									
Nº of Costumers	#	9,880,899	5,717,678	1,118,056	3,045,165	9,866,839	5,884,442	1,048,430	2,933,967
Last resort (2)	#	7,107,435	3,806,832	255,761	3,044,842	8,242,565	5,031,323	277,527	2,933,715
Liberalised	#	2,773,464	1,910,846	862,295	323	1,624,274	853,119	770,903	252
EDP market share (3)	%	n/a	84.2	9.8	n/k	n/a	80.2	9.2	n/a
Energy	GWh	73,879	27,105	18,400	28,374	76,726	29,603	20,251	26,872
Last resort (2)	GWh	30,607	14,016	608	15,983	36,094	19,767	709	15,618
Liberalised	GWh	43,272	13,089	17,792	12,391	40,632	9,835	19,543	11,254
EDP market share (3)	%	n/a	44.2	9.6	n/k	n/a	39.5	9.9	n/a
Gas									
Nº of Costumers	#	1,171,184	374,988	796,196	n/a	1,090,874	318,552	772,322	n/a
Last resort (2)	#	223,040	151,085	71,955	n/a	350,588	262,993	87,595	n/a
Liberalised	#	948,144	223,903	724,241	n/a	740,286	55,559	684,727	n/a
EDP market share (3)	%	n/a	43.9	10.7	n/a	n.a.	42.9	10.4	n/a
Energy	GWh	24,149	6,290	17,859	n/a	29,048	7,464	21,584	n/a
Last resort (2)	GWh	1,329	975	354	n/a	1,682	1,349	333	n/a
Liberalised	GWh	22,820	5,315	17,505	n/a	27,366	6,115	21,251	n/a
EDP market share (3)	%	n/a	14.5	5.2	n/a	n/a	16.2	5.9	n/a

(1) Excludes generation internal consumption and supplies.
(2) In Portugal includes commercialization in a regulated market, still in effect.
(3) EDP market share in liberalised market.

2.7.2 PRODUCTS AND SERVICES

EDP intends to create smart and sustainable energy solutions, made available in a simple and engaging manner that promotes the well-being of customers. EDP offers a wide range of competitive products and services that are developed with the needs of its residential and business customers in mind.

EDP provides on the Iberian Peninsula (Portugal and Spain) an extensive range of products and services (www.energia.edp.pt and www.edpenergia.es), in addition to electricity and natural gas supplied in the regulated market. Moreover, all electricity in Spain supplied to domestic costumers and smal businesses have a certificate of origin for energy from 100% renewable sources. Corporate costumers only have acced to the certificate when required. In Brazil, EDP has sought to expand its offer beyond the supply of electricity in the regulated market. It already provides a varied set of services for both the residential segment and the business segment. These services include some that are in great demand, such as feasibility analysis, risk management, infrastructure services – construction, distribution lines and substations. Go to the www.edp.com.br for more information about these products and services.

COSTUMERS AND ENERGY BY PRODUCT AND SERVICE

		2013			
	Unit	Group	Portugal	Spain	Brazil
Green electricity					
Costumers	#	586,115	4,934	581,181	n/a
Sold green energy (1)	GWh	4,934	11	4,923	n/a
Telemetering					
Adherent customers	#	308,097	57,262	227,118	23,717
Electronic bill					
Adherent customers	#	1,337,812	979,020	355,262	3,530

(1) In USA all electricity sold is certified as green electricity. In 2013 the value was 10.146 GWh.

RESIDENTIAL AND SMALL BUSINESS CUSTOMERS

EDP provides a wide range of products and services for this segment. The latest of these and/or those that most contribute to more sustainable use of resources are highlighted.

PORTUGAL

EDP customers, besides the specifics of each product and service, also have the possibility of being part of EDP Community, providing an exclusive set of benefits from the network of partners of EDP spread from the north to south of the country, including exclusive discounts on various goods and services. The EDP Community also provides a set of useful tools for small businesses for the promotion and dissemination of their business.

Casa e Negócio Total	Casa Verde	Funciona, Funciona Plus Funciona Negócios	Re:Dy
Joint gas and electricity product	Electricity product generated from 100% renewable energy sources	Revision of system and maintenance of gas and electricity equipment.	Launched at end of 2013. It is a system that manages, monitors and measures energy use.

SPAIN

The product highlights made available in this segment in the Spanish market for domestic and small business customers are:

Fórmula Gás e Luz Funciona	Powerhome	Funciona, Funciona Clima	Car-e
Joint gas and electricity and Funciona service product.	Device that optimizes contracted power to a minimum, allowing energy savings.	Revision of system and maintenance of gas and electricity equipment, including air conditioning.	A solution for charging electric vehicles, with installation of a charging point in single-family units.

Customers benefit from a points programme when purchasing these products and services. This programme offers exclusive rewards for being EDP customers, including the possibility of contributing to social causes.

BUSINESS CUSTOMERS

PORTUGAL

In this segment, EDP offers a customised proposal for electricity, natural gas and services appropriate to the needs of each company, in particular energy efficiency solutions tailored to the specifics of each company (e.g. cost reductions and energy savings, improved operation and safety of electrical systems). The following products are of note:

Empresa Verde	Ea:se light, standard and premium	Energy Audit	Integrated energy efficiency project
Supply of electricity from 100% renewable energy sources.	Service for the management of energy consumption, energy certification and technical services, with service levels tailored to the needs and profile of customers.	Detailed energy audit service, including technical site visits and spot measurements, including recommendation of energy efficiency measures.	Service of the design and implementation of integrated solutions for energy efficiency measures (turnkey service), that are economically feasible through the generated savings.

SPAIN

EDP offers customised electricity and natural gas supply proposals in this segment, which include:

Tariffs consult	Maintenance centers	Improving the quality of supply	Actir, Energy Audit, Óptimo, Telemedia
Service for the analysis and supply of the most suited solutions to save energy and reduce the energy bill.	Maintenance and servicing of all high voltage installations from a company.	Service that identifies quality anomalies and presents alternatives for improving energy supplies for businesses	Services that allow customers to consult real time information where and when they want, regarding consumption, billing, contracted power, learning about new products, analysis of consumption trends and contacting a personal manager.

2.7.3 ENERGY EFFICIENCY

Promoting energy efficiency in consumption is a commitment that EDP makes to its customers. In addition to energy efficiency products and services that are part of the business portfolio, EDP also supports energy savings measures, programmes and projects.

EDP has a special programme in Portugal to promote energy efficiency with, in particular, an exclusive web page for this theme - www.eco.edp.pt - where consumers can find, for example:

- Information and advice on energy efficiency;
- Energy efficiency and CO_2 emissions simulators;
- Practical guide for an efficient home.

The EDP Group's participation in the Plan for Promoting the Efficient Electricity Consumption (PPEC) promoted by the Energy Services Regulatory Authority (ERSE) is also of note. A new tender programme was launched in 2013 (PPEC 2013-2014). EDP had 16 measures approved, as part of its commitment to supporting families and businesses in saving energy, which corresponds to 40% of all approved measures. It is estimated, considering the lifetime of these measures, that their implementation will allow savings of about 508 GWh of energy and a reduction of 28,131 tons of carbon dioxide, a global benefit of about EUR 161 million. For more information about these measures, visit www.erse.pt/pt/planodepromocaodaeficiencianoconsumoppec/ppec1314/Paginas/default.aspx

Additionally, EDP also offers a free online service - Full Management - that enables customers to manage energy consumptions in https://energia.edp.pt/particulares/servicos/gestao-total.aspx.

EDP also has a programme to support the implementation of energy efficiency projects in Portuguese firms - Save to Compete (www.savetocompete.com/pt). Since its launch in Portugal, 164 applications were registered, 85 of which were completed and validated, and executed contracts in the amount of EUR 7.2 million. It is estimated that the programme will have prevented the emission of 7,300 tons of carbon dioxide by the end of 2013, to obtain a saving of 12 GWh in energy consumption and approximately EUR 2 million. These results are accounted online and can be found on the Save to Compete website. The success achieved in Portugal with this programme led to its launch in Spain, in Astúrias, in November 2013. It received 10 applications and 7 of those have been completed and validated.

In Spain, EDP also has a programme to promote energy efficiency, which can be consulted on the website: www.educacionedp.es/eficiencia. EDP continued to implement projects concerning public procurement in Spain. Of these, we highlight:

- Competition Mayor of Noja Municipal Council - conversion of diesel boilers in natural gas boilers, energy supply and maintenance of systems in public schools and sports halls;
- Open the Port Authority of Gijón (APG): Electrical service management of buildings located in the Port of Gijón, which will last until May 2014;
- Competition HEI Valladolid: implementation of energy efficiency measures, namely the transformation of premises diesel to natural gas, and improvements in lighting public buildings belonging to the autonomous community of Castile and León.

The investment in Brazil in electricity efficiency programmes in 2013 was EUR 8.5 million, with estimated energy savings of about 36GWh and 16MW less demand at peak periods. These demand management programmes include residential, commercial, institutional and industrial initiatives, which consist of demonstrating the importance to society and the economic feasibility of initiatives to combat the waste of energy and to improve the energy efficiency of equipment, processes and end uses of energy (www.edp.com.br/inovacao-sustentabilidade/programa-de-eficiencia-energetica). The highlights are:

- **Good energy in the community**: Conservation initiatives aimed at low income populations, through the donation of efficient equipment;

- **Good solar energy**: Conservation initiatives of conventional residential and low income populations, promoting the replacement of the traditional electric shower for solar heating systems with smart electric showers;
- **Good energy in schools**: Initiatives to train teachers to serve as multipliers of the concepts of energy conservation and the rational use of energy, among students of basic primary public education.

In order to improve equitable distribution and relieve pressure at times of peak consumption, EDP created some projects that help manage the everyday demand for energy.

In Portugal and Spain, part of the management of this demand is done by the existence of tariffs discriminated on the basis of demand: dual tarrif and triple tariff plans. These tariffs have different prices per kWh depending on usage in peak, off-peak and super off-peak periods.

EDP also continues to focus on the extension of the InovGrid project, currently being implemented in Portugal, Spain and Brazil (see additional information on page 74).

2.7.4 ACCESS TO ENERGY

EDP has allocated part of its investment in maintenance over the years to the universal contribution to access to energy and for upgrading grid infrastructure and the incorporation of technologies that enable higher supply quality.

The electrification of the areas where EDP operates in Portugal and Spain is almost completed, so EDP focuses on ensuring a quality service to all consumers.

In Brazil, where the distribution grid is less developed, EDP has been leading projects with the goal of mitigating the energy exclusion of communities in the country still without access to an electricity distribution grid. The **Portable Light Project** continued in 2013, coordinated by Instituto EDP Energias do Brasil in partnership with the Ideas NGO and funding from IDB. The project donated photovoltaic panels to isolated communities living in the Tapajós – Arapiuns Reserve in Pará. **The Dark Island Project** was also implemented, which aims to take energy to 2 communities of São José dos Campos, with 15 homes. An analysis was done of those homes and they were altered internally in order to receive the photovoltaic and solar heating system. The equipment was all donated, including efficient appliances such as refrigerators. In addition to the homes, 3 solar street lighting posts were also installed in the common area of this community.

Also to be highlighted this year are the activities of the **Cabiri Solar Village**, in Angola. This project consists of the implementation of sustainable energy solutions with the objective of meeting the basic needs of local populations - approximately 3,000 people, while respecting their social, environmental and cultural situation and promoting economic and social development. This project is a partnership between Fundação EDP and the Angolan company EIH - Energia Inovação Holding. The construction phase has already been completed, with 505 solar photovoltaic systems installed in 500 family houses and social facilities (school, health centre, training centre, community space and technical building) and 83 solar street lighting posts. Inauguration is expected during 2014.

SOCIAL TARIFF

In the supply activity in the countries where EDP operates there are social support plans for economically vulnerable customers.

Portugal has three distinct, but cumulative social supports: social tariffs for natural gas and electricity and the Extraordinary Social Support for the Energy Consumer (ASECE).

The Ministry of Industry has created a special rate for customers in Spain with installed capacity below 3 kVA and who are classified as socioeconomically deprived (the retired, unemployed and large families).

The social electricity tariff in Brazil is applied to low income families. These tariffs allow discounts that vary according to the conventional rate established for each company.

SOCIAL TARIFF AND SPECIAL NEEDS COSTUMERS AND ELECTRICITY COMMERCIALIZATION

		2013				2012			
	Unit	Group	Portugal	Spain	Brazil	Group	Portugal	Spain	Brazil
Social tariff									
Costumers	#	329,713	54,844	61,460	213,409	264,611	68,194	60,900	135,517
Commercialization electricity	MWh	571,989	110,505	114,587	346,897	487,591	148,953	115,170	223,469
Special needs									
Costumers	#	813	479	n/a	334	874	589	n/a	285

2.7.5 ACCESS TO COMMUNICATION SERVICES

Portugal:

• Bills and customer guides and energy efficiency information in Braille;

•Telephone line to access the services from abroad;

• E-mail address and a dedicated phone line for information and support on social tariffs and Extraordinary Social Support for Energy Consumers (ASECE).

• Sites according to WAI-AA standards (Web Accessibility Initiative – level AA).

• Mobile web page platform: www.energia.edp.pt.

Spain:

• Use of other languages besides Spanish for communications, including Basque and Catalan.

• Multilingual websites (Spanish, Basque and English)

• Sites according to WAI-AA standards (Web Accessibility Initiative – level AA).

Brazil:

• Virtual agency (online service) for consulting debits, issuing a 2nd copy of the bill, providing meter readings, view consumption history, among others (www.edpbandeirante.com.br and www.edpescelsa.com.br).

• Special telephone service for customers with hearing disabilities.

• Mobile web page platform: www.edp.com.br

All EDP customers benefit from a wide network of access channels to services, including stores, agents, telephone lines, mail and e-mail addresses, websites and mobile access through mobile applications for smartphones and tablets. Visit the following websites to find out more:

- http://energia.edp.pt
- www.edpenergia.es
- www.edp.com.br

EDP has some special initiatives to address the specific needs of certain customer segments.

PRODUCT SAFETY

The information for the safe use of energy is available in all countries on the companies' websites, small leaflets, Customer Guides, etc. Anyone can report either via internet or by telephone, situations that represent imminent danger of accidents, namely fallen power lines, electrical cabinets, etc.

In Brazil, in addition to safety information (the Good Energy in the Community Programme promotes conferences on safe consumption and the dangers and risks of the misuse of electricity). Apeals for safe behaviour are reinforced in the festive seasons. In 2013 this programme involved 610,000 customers. In education, the Good Energy programme was created for schools, which aims to convey an educational message through the participating students. 286 schools participated in 2013, training 1,500 teachers to pass the message on safety and responsible use of electricity to 122,000 students.

PRIVACY PRACTICES

Our commitment to information confidentiality and integrity is laid down in the code of ethics of EDP Group and the codes of conduct of our companies, as well as on EDP's information security policy. Also the contracts with Clients and our internal procedures – the main publicly available and accessible in our webpage – are established to guarantee care and protection of information and customer data.

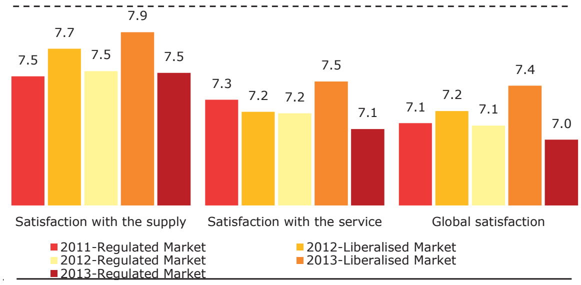
Customer permission is requested to record and use personal data and disclose it to third parties, for the purposes of market survey or direct marketing. More information about guaranteeing data privacy can be found at www.edp.pt> about edp> principles and policies.

During 2013, EDP Group paid 553 million euros of fines relating to treatment of customer data and privacy, the value corresponding to procedures already reported in previous years. EDP has changed the procedures on the framework of the relationship with commercial agents and Customers, strengthening the guarantee of confidentiality and data protection.

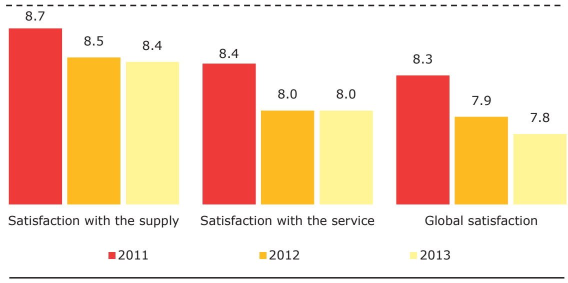
2.7.6 QUALITY OF SERVICE

EDP places great importance on the service provided, intending to ensure maximum customer satisfaction. Accordingly, EDP listens to its customers, conducting customer voice studies, in partnership with certified external entities. These studies are primarily aimed at hearing what customers think in terms of the quality of the services provided by EDP as well as the experience of customers during the services. Customer Experience is translated into a set of macro-indicators, which include overall satisfaction, satisfaction with energy supply (electricity and/or gas) and satisfaction with the service.

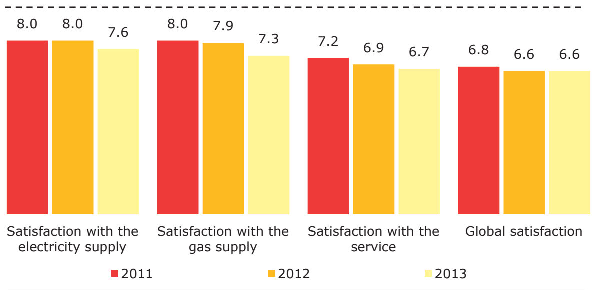
SATISFACTION INDICATORS
ELECTRICITY COSTUMERS - PORTUGAL



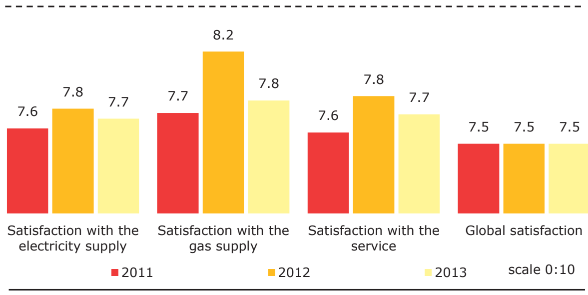
SATISFACTION INDICATORS
NATURAL GAS RESIDENTIAL CUSTOMERS
REGULATED MARKET - PORTUGAL



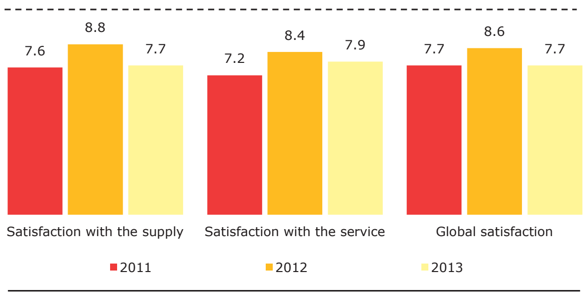
SATISFACTION INDICATORS
RESIDENTIAL CUSTOMERS - EDP ESPANHA



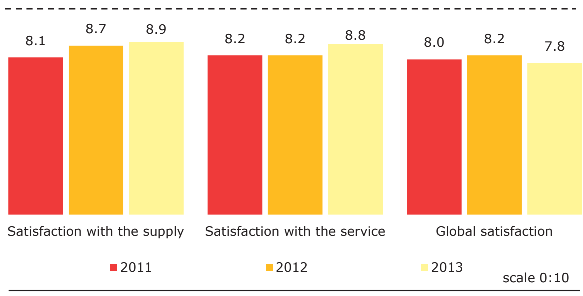
SATISFACTION INDICATORS
CORPORATE CUSTOMERS - EDP ESPANHA



SATISFACTION INDICATORS
ELECTRICITY RESIDENTIAL CUSTOMERS - BRASIL BANDEIRANTE



SATISFACTION INDICATORS
ELECTRICITY RESIDENTIAL CUSTOMERS - BRASIL ESCELSA



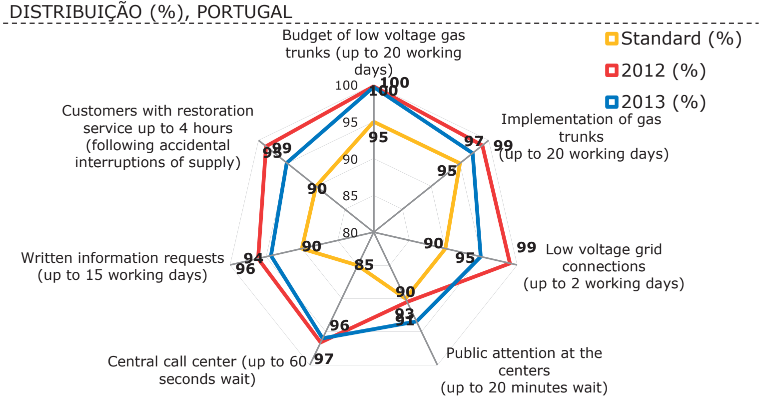
As a result of these studies EDP promoted initiatives mainly related with the different country websites' customer areas to facilitate the functionality and ease of access for customers.

EDP improved the layout and design of costumers reserved area, in Portugal, and also made video tutorials available with explanations of the key themes, such as reading the bill or how to take the meter reading. In Spain, new features were included such as the online delivery of meter readings, payments made in instalments, change of address and banking entity, as well as specific requests and queries about the Funciona service.

The TIEPI (Equivalent Interruption Time of Installed Capacity) for the distribution activity in Portugal was 84 minutes and 38 minutes in Spain. Both underwent increases from 2012 due to extreme weather conditions, particularly in January and December 2013. The 2013 figures are, however, an improvement on 2011. SAIFI (*System Average Interruption Frequency Index*) registered 2.01 disruptions in both domestic customers and small businesses (low voltage) and 2.00 for business customers (medium voltage) in Portugal.

Technical service quality indicators in Brazil are classified in two levels: DEC (Equivalent Duration of Interruption per Consumer) and FEC (Equivalent Frequency of Interruption per Consumer Unit). In 2013, EDP Bandeirante obtained a DEC result of 8 hours and FEC of 5.51 hours, which corresponds respectively to reductions of 15% and 9% from 2012. EDP Escelsa achieved a DEC of 9.67 hours, i.e. 2% less than the previous year; and a FEC of 5.78 hours, which is 9% less than the previous year.

GENERAL INDICATORS OF SERVICE QUALITY - EDP DISTRIBUIÇÃO (%), PORTUGAL



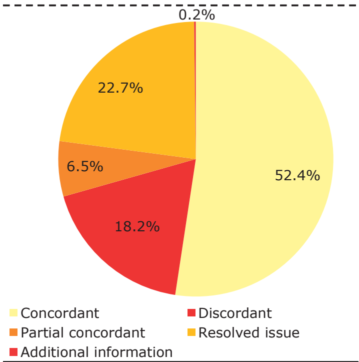
The quality of service provided to customers in 2013 by the operator of the distribution grid in Portugal were slightly lower than the previous year. In terms of service in call centres there was an improvement of 2%, from 91% to 93%. The telephone answering and budgets for line extension services for residential customers remained at the same level of service quality. Overall, EDP remains above the standard values in terms of the quality of service provided.

In Brazil, 69% of cases (average of the two distribution operators), the cuts due to non-payment were rewired in less than 24 hours. Detailed information can be found in the Annual Report of EDP in Brazil. In Spain, the percentage of compliance with the reconnections in less than 24 hours was 98%.

CUSTOMER OMBUDSMAN

The Customer Ombudsman was created in 2008. It is an external and independent entity, with the mission of building confidence in relations between the EDP Group companies and their customers. The main activity of this entity is to assess requests from customers that are not satisfied with the reply to their complaints. The opinions of the Ombudsman are based on transparent principles guided by criteria of fairness and the guiding frameworks adopted in the European Union. Customers may appeal directly to the Ombudsman via the website www.provedordocliente.edp.pt, and its powers can be found on page 124.

ORIENTATION OF OMBUDSMAN ANSWER



The Ombudsman received 2,261 requests for appraisal in 2013, 85% of which were complaints regarding electricity. Most requests (74%) concerned issues related to Supply and Meter readings/Invoicing/Bill Payments. By the end of 2013, 2,199 requests had been answered, with the Ombudsman concordant in 52.4% of cases.

Improvements have been made to the Ombudsman process and to the website to raise levels of overall customer satisfaction. Consequently, the customer response time was decreased by 5 working days which represents a reply time improvement of over 15%.

According to the satisfaction indicators and the number of incidents received by the Ombudsman, EDP developed programmes and initiatives in 2013 with an effective impact on increasing customer satisfaction.

2.8. INNOVATION AND R&D

2.8.1. RESEARCH & DEVELOPMENT AND INNOVATION STRATEGY

Continuous innovation is a core characteristic of the EDP Group. This positioning allows the Company to anticipate trends and customer needs and act quickly.

The EDP Group reorganised its area of innovation in 2013, creating four groups that embody the most relevant innovation themes for the Company and which promote greater proximity between the innovation areas and business units, namely:

- Clean and Flexible Generation
- Smart grids
- Customer Focused Solutions
- Innovative IT and data management

The EDP Group's expenses on R&D+i in 2013 was around EUR 31 million. This amount represents an estimate of EUR 24 million in Portugal for the development of ongoing projects in the previous year. It was calculated based on the estimated variation in responses to the National Technological and Scientific Potential Survey of the group companies. It should be noted that the calculation of the final figure for 2013 according to the methodology that has been followed since 2006, will be completed a few months after closing the company accounts. The referred amount includes the cost of R&D undertaken in Brazil and Spain, totalling approximately EUR 7 million.

CLEAN AND FLEXIBLE GENERATION

WIND ENERGY

EDP continued to invest in technology development for offshore wind power, which continues to grow and position itself as a possible path for expansion in the renewable generation field.

The most relevant initiative is the **WindFloat** project, which started in 2010 and is led by EDP in consortium with other companies (Principle Power, A. Silva Matos, InovCapital, Vestas and Repsol). This project is in the final demonstration phase. The reliability and performance of the implemented innovative technology has been proven - 2 MW wind turbine installed on a floating platform off the coast of Póvoa de Varzim. The machine had generated over 8 GWh by the end of 2013. Also noteworthy is the beginning of development of the pre-commercial stage, which will consist of the creation of a small wind farm with 3-5 WindFloats equipped with turbines each with a capacity of 5 to 8 MW.

EDP is also carrying out a project in the area of advanced maintenance of wind turbines, in partnership with the Fibersensing and Critical Materials companies.It comprises the application of optical sensors for the identification of problems in the blades of the wind turbines and their preventive maintenance.

SOLAR ENERGY

Several initiatives have been developed in the area of solar energy, to support decision-making and optimisation of conventional photovoltaic technologies, and to create technological options in this sector:

- **SunLab** Project:photovoltaic module testing in different climate conditions and different orientations, collecting data at the four mini-testing centres located in Portugal and beginning of internal analysis and dissemination of results.
- Completion of the first phase of a photovoltaic thin film demonstration project called **Crystalsol**, in partnership with the National Energy and Geology Laboratory (Portugal). Another project is also underway in Brazil to evaluate similar technology;
- Development of the technological component of EDP's offer for "Access to Energy" solutions based on decentralised PV solar power (further information on chap.Customers);
- In Brazil we developed a system of mini-grids powered by PV solar panels to supply isolated areas.

CARBON CAPTURE AND STORAGE

A cycle of projects was developed from 2006 to 2013 focusing on the issue of carbon capture and sequestration (CCS), given the importance of this issue for thermoelectric generation. These projects focused on the study of solutions that might combine the continued use of fossil fuels in electricity generation, such as coal and natural gas, with a drastic reduction of the carbon dioxide emissions that result from burning those fuels.

Those activities arise from taking part in the following international projects of the European Union's 7th R&D Framework Programme, concluded in 2013:

- **DECARBit** (http://decarbit.com/);
- **FLEXI BURN CFB** (www.vtt.fi/sites/flexiburncfb/);
- **COMET** (http://comet.lneg.pt/).

OPERATIONAL EFFICIENCY

The following projects in the area of flexible generation and high energy availability, developed in 2013 and continued in 2014, deserve note outside the context of CCS:

- **Pregas2013 -** Predicting and optimisingblast furnace gas consumption at the Sidergás cogeneration power plant;
- **Carbiotor2014 –**Testing the combustion of torrefied biomass at thermoelectric power stations.
- **Teca2014 -**Diagnosis and predict faults in combined cycle boilers
- **SAFEnergia**, in partnership with Instituto Soldadura e Qualidade to develop diagnostic and non-intrusive inspection technologies for use in thermoelectric power stations.
- Online smart system to assess the loss of service life of components of hydro-generators due to fatigue and changes in the generation system
- System for power transformers diagnosis with maintenance techniques based on condition and computational intelligence
- Smart geo-referenced supervision system for dam reservoirs through autonomous vehicle;
- Non-invasive and innovative geophysical method, to be incorporated in software for processing, analysis and modelling of artificial seismic vibrations to determine the physical parameters of dams;

ECOEFFICIENCY

The following projects should be highlighted in the area ofimproving eco-efficiency:

- **Multiyesos2015 -** Demonstrate new desulphurisationgypsum applications
- **AirQ2014 -** Detail air qualitypollution sources
- **Ashfoam2014 -** Use thermoelectric power station ash as an additive for the production of aluminium composites and foams
- Adequate methodologies for the prediction and rehabilitation of erosion phenomena, aimed at improving the performance of reservoirs for power generation;
- Risk analysis system for the sustainable handling of cyanobacteria in hydroelectric power station reservoirs;
- Artificial neural network for predicting siltation in hydroelectric reservoirs from hydro-sedimentology and bank erosion data;

SMART GRIDS

DISTRIBUTION TECHNOLOGY (INOVGRID)

InovGrid is EDP's smart grid project. The dual focus of the project on energy efficiency and facilitating the integration of renewable technology positions smart grids as the industry's response to the global challenge of sustainability.

Évora municipality in Portugal hosted the first field implementation of the InovGrid project which involved building the entire infrastructure that supports **InovCity**, allowing the population to have special access to a number of technological innovations. The infrastructure covers the entire municipality, which is about 32,000 electricity customers with an approximate annual consumption of 270 GWh. There are also around 140 medium voltage customers, with an annual consumption of 110 GWh.

The Evora InovCity's infrastructure covers the automatic collection of meter readings, the monitoring and automation of transformer stations, integration of consumer information in the central systems as well as the sharing of information with the customer.

The data collected in the second year of the project confirm a potential increase in energy efficiency of about 4%.

The InovGrid project is currently being extended to six new municipalities in Portugal in order to test different communication technologies, replicating the concept in areas with different socioeconomic conditions and specific grid characteristics, with the aim of increasing the integration of smart grids in the normal business processes.

In Spain, the municipality of Pola de Siero (Asturias) was selected as the InovGrid pilot project, the first village of the distribution network of HC Energía to have 100% of smart meters, for customers with installed power up to 15kW. The low-voltage network of the municipality has been adapted to enable the use of these meters functionalities.

In Brazil, the InovCity project started in 2010 in the municipality of São Paulo and is being replicated in two new municipalities of Espírito Santo state.

Moreover, a wide range of R&D projects have been supported aimed at better grid management and quality of service in various countries:

PORTUGAL

- The **PREDIS** project - Distributed Forecast of Real Time Consumption, for predicting low voltage loads, intends to visualise and predict consumption in real time, allowing optimised grid management;
- The **Synapse** Project allows us to anticipate supply or quality of service problems, allowing the faster restoration of electricity supply.

BRAZIL

- Pilot project for assessing consumer reaction to the prepayment system and the different low voltage rates in the smart grids environment;
- Development of new smart grid technologies to tackle new climate challenges;
- Electronic metering for electricity smart grids;
- Intelligent automated system for identifying and locating faults in electricity distribution;
- New paradigm for planning and managing the maintenance of distribution systems based on continuity indicators;
- Development of an intelligent electronic multi-function metering module, with measurement and management of energy quality parameters features.

SPAIN

- **RedOx2015 –**Development of a redox flow battery (35kW) with Spanish technology
- **Localiza2013 –**Development of an algorithm for locating short circuits in medium voltage grids
- **Libatt2014 –**Testing the functionalities of Lithium-ion batteries for low voltage customers

CUSTOMER FOCUSED SOLUTIONS

ENERGY EFFICIENCY

EDP, continuing its leadership in promoting energy efficiency in Portugal, has made a significant investment in the preparation of the **PPEC 2013-2014** tender, with 16 measures approved, including leading position in the domestic segment (86%), commerce and services (88%) and industry and agriculture (43%).

EDP has carried out studies to support the phase-out of high pressure mercury lamps for street lighting and their replacement by LED lamps, at competitive prices, with huge energy savings and better performance. It has developed prototypes of luminaires for this purpose.

EDP continued to develop several projects in the energy efficiency area, namely:

- **EnRiMa** - decision support system for managers of public buildings with poly-generation, in Spain;
- **Agrega2015 -** Dynamic modelling system for low voltage consumption clusters in Spain;
- **Home Energy Management** - service platform for home energy management. A campaign of pre-application was launched at the end of 2013, in Portugal, aimed at installing the platform in a limited number of customers from the first quarter of 2014;
- Product line for the optimisation and control of residential energy use in Brazil: **Smart TUG** - plug used to control residential appliances; **Smart Meter** - plug associated with low cost meter, for measuring active energy; **Home Display** - Multi-functional display which will be the interface of the consumer with the supplier;
- Intelligent device for reducing demand at peak hours in white goods equipment, in Brazil;
- Computational method and electronic device for collecting data to aid in the detection of street lighting energy losses, in Brazil;
- **Elenna2015 –** Creation of new energy advice techniques using plain language messages, in Spain.

ELECTRIC MOBILITY

The pilot phase of the electric mobility programme in Portugal (MOBI.E) continued in 2013, allowing to assess the adhesion of users to electric mobility and the equipment and systems developed for the project. SGORME – Sociedade Gestora de Operações da Rede de Mobilidade Eléctrica continued to manage the public charging network, in collaboration with all operators of electric charging infrastructure.

The **Opencharge** project will be concluded in March 2014, having developed a complete, ready for pre-production series of a robust pole loading and much lesser cost than all other solutions in the market. Two units have been installed in São Paulo, Brazil and 10 more are scheduled to be installed. The **Wallbox Opencharge** was also developed in order to support the EDP electrical mobility range of products, particularly in the residential market.

In Brazil, we proceeded to the evaluation of possible scenarios, experimentation and measuring the impacts of electric vehicles on the EDP distribution systems.

Moreover, EDP participated in working groups in this field, in particular the FOREVE forum in Spain.

INNOVATIVE ICT AND DATA MANAGEMENT

One of the four priority areas for innovation arising from the new operational framework is based on new developments in Information and Communication Technologies and how these can contribute in a profound and cross-cutting manner to meeting the challenges facing the energy sector. Some technologies and market trends were identified in this field:

- **Big Data** - enhances agility in the marketplace, operational optimisation and the creation of new products and services;
- **Searching** – leads to greater simplification and speed in internal and external access to information;
- **Cloud Computing** - enables flexible management of the IT infrastructure, speeding up the allocation of technical resources and reduce investments.

These trends allowed a number of initiatives to be launched during 2013, the most notable being:

- **PREDIS** – Distributed Forecast of Real Time Consumption (already mentioned in the smart grids section);
- **Big Data –** development of skills, which aims to indigenise EDP knowledge in relation to approaches, processes, technologies and architectures that allow the mass processing of large data volumes;
- **Get to know customers and the market better**, based on the development and incorporation of automatic processing solutions for unstructured data, based on external and internal sources.
- **SearchBox** – Optimise information searching in the Group, with the aim of providing the Group with advanced and smart information search engines using a common platform – **Intranet.Searching** – that leads to greater simplification and speed in accessing information, internally and externally.

2.8.2. OTHER INNOVATION INITIATIVES

EDP Ventures had already invested, by the end of 2013, more than EUR 16 million in innovative companies and funds in the cleantech area, particularly in Arquiled and Principle Power. It has also committed to an additional investment of around EUR 4 million in 2014.

In parallel, EDP has continued to develop a set of activities with a significant impact both internally and in relations with different partners. The following are some of the main initiatives developed in 2013:

- **EDP Starter -** With the aim of moving EDP closer to entrepreneurs and researchers, EDP created this innovative concept to support entrepreneurship at all stages of the value chain, from the idea to investment. EDP Starter is an incubator structure for accelerating great innovative ideas of small businesses. In 2013, EDP Starter supported the development of 12 new start-ups in the energy area, generating new jobs and contributing to the growth of the Portuguese business fabric and the implementation of national technology in international markets (http://www.edpstarter.com/);
- **Technological Observatory –** it aims to monitor and publicise technological development in the energy sector, focusing on "clean energy". The InovNotes website was developed for this purpose, for the publication of some of the studies conducted, e.g. "Potential of residential load management", in 2013 (inovnotes.edpinovacao.com);
- **EDP Inovação Prize** – Annual competition in Portugal and Brazil that encourages the development of innovative business projects in clean energy technology or other sustainable areas (e.g. smart cities).The team of the winning project receives a cash prize (BRL 100,000 in Brazil and EUR 50,000 in Portugal) to establish the company and implement the project (www.edpbr.com.br/premio and www.premioedpinovacao.edp.pt).

2.9. SIDE BY SIDE WITH THE COMMUNITY

EDP promotes and supports cultural and social initiatives with the aim of contributing to the sustainable development of societies, based on citizenship shared by all, and continuously strengthening its reputation. EDP, to achieve this, socially invests in communities and explains the results it intends to achieve, evaluating the projects it engages in. It has adopted and actively participates in the development of the LBG methodology - London Benchmarking Group, for this purpose (www.lbg-online.net).

2.9.1. SOCIAL INVESTMENT

Total voluntary Social Investment of the EDP Group in 2013 was EUR 27 million (see table) and involved more than two million people and 1,816 institutions. The collaboration with EDP helped, in many cases, leverage support of around EUR 1.2 million for third parties. The three EDP foundations absorbed a major part of the funds and projects, within the scope of their responsibilities, developing innovative community engagement policies and ensuring the expansion of the LBG methodology to all group countries. Voluntary Social Investment by the business units involves promoting and supporting significant social responsibility projects seeking rapprochement and dialogue with communities - a fundamental principle of EDP's intervention, and ensuring the territorial capillarity that the energy generation, distribution and sales activities actually possess.

About 85% of the overall investment was in the form of direct monetary contribution, 2% in the form of donations in kind and volunteers' time, provided during working hours, and 13 % corresponded to promotion costs and project management (see table).

Portugal absorbed 76% of all social investment. This share should be interpreted bearing in mind both the size of the heritage protected by EDP as well as the number of local communities connected to production centres. Moreover, at all group countries level, 84% of the investment has been allocated to strategic projects. Six per cent of the investment was assigned to projects underpinned by criteria of a more cyclical nature. Only 10% was associated in some way with promotional purposes of commercial interest for EDP.

Projects to improve the social well-being, education, health and regional development received close on 64% of total investment in 2013, i.e. projects primarily related to the reduction of regional disparities and the social integration of people with disabilities.

fundación edp

Fundación EDP was created on 5 November with the aim of coordinating and enhancing the patronage activity and socio-cultural activities of the business units of the EDP Group in Spain. The new foundation joins the group of large Spanish foundations since the value of social investment activities, that are now channelled through Fundación EDP, in 2013 amounted to EUR 3.8 million.

The defined objectives for Fundación EDP enable it to interact and work jointly with the other two foundations of the EDP Group - Instituto Brasil and Fundação EDP, and include the promotion, development and support of social, cultural, scientific, technological, educational, environmental, sporting, and protection of heritage initiatives, and also the promotion of the study, preservation and dissemination of cultural, scientific and technological heritage associated with energy.

The administration of the new foundation is chosen by the management of Hidroeléctrica del Cantábrico, Naturgas Energía Grupo, EDP Renováveis and EDP Energías de Portugal, Sucursal em Espanha. The directors are not paid wages.

www.edpenergia.es/institucional/es/fundacion-edp/

INVESTMENT IN THE COMMUNITY (€) [1]

	2013 [2]	2012	2011
Category	**23,349,361**	**14,831,512**	**20,397,239**
Nonstrategic investment	1,424,720	2,641,330	1,677,376
Strategic investment	19,485,248	10,626,216	14,220,185
Commercial initiative	2,439,393	1,563,966	4,493,958
Not applicable			5,720
Nature	**23,349,361**	**14,831,512**	**20,397,239**
Education	3,956,229	3,099,908	3,335,096
Health	1,836,327	1,118,569	723,878
Economic development	5,070,549	1,116,830	2,909,176
Environment	1,163,368	728,911	1,877,078
Art and culture	5,459,532	4,527,648	5,526,203
Social welfare	3,989,792	2,870,075	1,602,737
Emergency response	32,673	32,344	65,300
Others	1,840,891	1,337,228	4,357,773
Type	**23,349,361**	**14,831,512**	**20,397,239**
Cash contributions	22,807,123	14,535,732	18,889,685
Kind contributions	238,101	23,559	1,330,315
Working time contributions	304,137	272,220	177,239
Management costs	**3,625,300**	**2,652,758**	**306,851**
Total value of contributions (including management costs)	**26,974,661**	**17,484,270**	**20,704,090**

(1) Determined according to the LBG methodology.
(2) Not yet validated by Corporate Citizenship

2.9.2. VOLUNTEER WORK

The volunteering policy plays an irreplaceable role and one of great potential in the relationship between EDP and the Communities. EDP promotes the development and well-being of its employees and teams by encouraging volunteering, which also fosters a culture of social responsibility and corporate citizenship (additional information on page 60). Moreover, EDP volunteering is a means of building the capabilities of institutions of the Third Sector when it involves volunteering employees' skills. Lastly, the volunteering policy is an instrument for bringing EDP closer to the Communities and fostering links.

GCVC
GLOBAL CORPORATE VOLUNTEER COUNCIL
International Association for Volunteer Effort

EDP joined **GCVC/IAVE** in 2013, with the aim of sharing its experience and identifying the best practices for developing meritorious volunteering programmes. The International Association for Volunteer Effort (IAVE) was founded in 1970 by a group of volunteers from different areas. The organisation grew and became a global volunteering network present in 70 countries that seeks to promote, strengthen and enhance the development of volunteering worldwide. IAVE subsequently created a council, the Global Corporate Volunteering Council (GCVC), which encompasses the large companies with volunteering programmes that share the vision of "A world where the needs of a community are best met through the energy, passion and talent of the employees of locally operating international companies."

In the EDP Group as a whole, 255,644 people directly benefited from the activities of EDP Volunteering in 2013, and 15,519 people were indirectly benefited. A total of 1,763 EDP volunteers participated in these initiatives (3% higher than in 2012). They were joined by 3,636 volunteers who are not employed by EDP. This mobilisation generated 13,506 hours of voluntary work during working hours (29% higher than in 2012), which equates to an investment of EUR 410,636 by EDP in terms of company working hours.

Since its inception in 2011, the EDP Volunteering Programme has mobilised 11,229 interventions, granting 31,406 hours of volunteer work during working hours, which equates to EUR 866,000.

The results of the EDP Volunteering Programme earned the company three awards in 2013. On a nationwide scale, EDP won a Junior Achievement Portugal award, which is an association of companies that promotes entrepreneurship culture among students through corporate volunteering, and an award from the Meios e Publicidade magazine. On the international stage, EDP won an award from the Federation of European Business Communicators Associations (FEIEA).

EDP joined the Global Corporate Volunteering Council to ensure the best volunteering practices are adopted and to share experiences [see highlighted box]. In 2013, EDP recorded 37 signed partnership agreements, by setting targets directly linked to the Volunteering Programme as a means of ensuring the expansion of the model, the improvement of the processes and effectiveness of the results. This result meant the 2015 goal was achieved ahead of schedule. At the organisational level, the EDP business units consolidated strategies and reporting, validating processes, maximising resources and prioritising actions increasingly focused on volunteer skills, through cooperation between the Foundations and Human Resources departments.

An example of this strategy is the creation of an Electrician Volunteers Pool, together with EDP Distribuição. Launched as a pilot scheme in June 2013 with Santa Casa da Misericordia de Lisboa, EDP Distribuição expanded the pool to the entire country. It now has 22 volunteers and covers 10 locations. The creation of an Energy Auditor Volunteers Pool is planned for 2014, following the first pro bono energy audit of the Red Cross building in Porto.

Similarly, after the successful startup of the Lean volunteering of EDP Produção in 2012, which has taken the LEAN methodologies to schools, involving teachers, students, parents and school administrators, it is now underway in all the schools of the Abrigada schools group, involving about 70 teachers, 40 staff, 800 students and parents. The method is now starting up in two other school groups, in Constância and Figueira da Foz.

2.9.3. LOCAL COMMUNITIES

EDP aims to contribute to the development of the local communities territorially linked to generation centres. It promotes the strengthening of continuous and lasting relationships. A specific example of this volunteering policy for sharing with communities is the 101 projects supported by EDP as part of the agreement with the National Association of Portuguese Municipalities in the municipalities where ordinary status hydroelectric plants are sited. The funds for this programme totalled EUR 5 million in 2013. Another patent example is the "EDP Solidária Barragens" programme, designed to support social projects. It supported 10 projects in 2013, selected from 60 applications by regional welfare institutions, in a total of EUR 200,000.

EDP contributes, besides Voluntary Social Investment, with socio-environmental measures associated with the construction of new energy harnessing plants, which are not limited by but arise from binding commitments. In this context, EDP ensures the involvement of local communities in a process of continuous dialogue and it seeks to integrate their expectations in the definition of the measures, (www.a-nossa-energia.edp.pt). EDP focuses on programmes targeting local development priorities, aiming to maximise the results. The local development programmes of the Sabor and Tua regions are an example of this, which enabled the creation of 85 new companies and more than 100 new jobs in 2013.Furthermore, about 30% of the workers/subcontracted services for the construction projects were of local origin, in the same period.

Support was also provided to an entrepreneurship training project that encompassed 123 students, with the purpose of fostering the economic development of the region. In another field, the “Novos Povoadores” project attracted two families to settle in Alijó. In parallel, an organisation of producers was created in connection with the "Sustentabilidade Rural" project and another one is in the process of establishment, aimed at the production and marketing of stone fruit and vegetables. An initiative to regularly supply households with baskets of countryside produce for general consumption and Easter and Christmas hampers was also implemented. More than 1,600 deliveries were made in 2013.

The Christmas campaign was launched in coordination with all the countries in which the EDP Group operates, to promote a more humane Christmas, distributing affection to children and the institutionalised elderly. This campaign ran from 9 December 2013 to 10 January 2014.

Overall, 96 initiatives were implemented, involving 89 institutions and directly benefiting a total of 7,704 people. 908 volunteers provided 5,494 hours of voluntary work. The initiatives were very diverse, such as team initiatives in Brazil or collecting donations for a village in Honduras, carried out by EDP Renováveis, to which 863 employees made a donation. The collection of donations allowed cash amounts and needy equipment to be offered to the institutions in the amount of EUR 63,883.

IMPACTS ON COMMUNITIES

EDP will identify the individual communities affected by projects in developing communities and establish close relationships with them, solving any problems they might have.

A set of actions has been developed to perform this, which are divided into 3 major groups, namely:

1. INFORMATION

- Sessions for project presentations
- Interviews published in the media on relevant themes;
- Leaflets providing information about projects, or on specific issues;
- Warnings and notices posted in specific locations;
- Placards and information boards.

2. CONSULTATION

- Surveys of local populations and studies of social habits, conducted by specialised institutions;
- E-mail addresses and telephone contacts for Public clarification;
- Information kiosks offering in-person customer service.

3. PARTNERSHIP

- Public sessions (often in cooperation with local government);
- Negotiation and consensus meetings with segments of the community.

In addition to the referred initiatives, various environmental impacts shall be monitored during the construction, particularly those impacting on local populations. If any unusual situations are recorded, strict environmental monitoring of the project is imposed.

Lastly, it should be noted that most operating generation centres have Environmental Management Systems (EMS) certified by the ISO 14001 standard and registered under EMAS regulations. These systems also include the management of local communities.

EDP seeks to achieve the lowest possible social and environmental impact through its operations. To achieve this objective, the company uses methods of assessing impacts and to find out about the expectations of the people involved, and establishes programmes to mitigate the negative effects. Distribution lines and hydroelectric plants construction projects in 2013 entailed the development of plans for the relocation of families, involving the affected communities, municipalities and EDP. Examples of this are:

- The Itapeti São José Overhead Distribution Line, Brazil, entailed the relocation of 18 families. In partnership with the Mogi das Cruzes municipal council, which built the new housing development, EDP provided the electricity infrastructure (construction of the secondary network and branch lines to the distribution poles) for the new homes;
- The new Jari hydroelectric plant in the municipality of Santo Antônio do Jari, Brazil, involves the construction of a new village to provide homes to the 34 families of the village of Iratapuru. The new village will be provided with basic sanitation, power and health, security and leisure facilities;
- The Cachoeira Caldeirão hydroelectric development at Amapá, Brazil, will flood about 2,600 hectares of land. The relocation of 244 families is forecast, 102 to the rural area and 142 to the urban area of Porto Grande. This comprises a significant relocation programme.

2.10. BUSINESS FINANCIAL ANALYSIS

EDP GROUP

In 2013, the EDP Group's net profit attributable to EDP Shareholders reached EUR 1,005 million, compared with EUR 1,012 million in 2012. Net profit decreased 1%, supported by a 3% decrease in EBIT.

INCOME STATEMENT – EDP GROUP

EUR Million	2013	2012	Δ %
Gross Profit	5,551	5,428	2%
Net Operating costs	1,934	1,800	7%
EBITDA	3,617	3,628	-0%
EBIT	2,085	2,143	-3%
Net Profit for the period	1,194	1,182	1%
Net Profit attributable to EDP shareholders	1,005	1,012	-1%
Non-controlling interests	189	170	11%

EDP Consolidated EBITDA was kept almost stable in 2013 (-0.3% year-on-year), at EUR 3,617 million, despite the regulatory changes (-EUR 201 million, mainly in Spain) and the decommissioning of Setúbal fuel oil plant in 2013 (-EUR 98 million year-on-year). EBITDA resilience was grounded on: (i) operations in Brazil (+EUR 47 million), deepened by significant recovery of past tariff deviations in distribution, (ii) wind operations (+EUR 81 million excluding the EUR 71 million hit from regulatory changes), backed by capacity additions and higher average load factors; and (iii) liberalised activities, on strong hydro resources and higher revenues obtained from energy management. Also, Forex had a negative impact of EUR 97 million backed by 13% depreciation of the Brazilian real and by 3% depreciation of US dollar, both versus the Euro. EBITDA adjusted for Forex impact would have grown by 2%.

EBITDA

EUR Million	2013	2012	Δ %
LT Contracted Generation	726	802	-9%
Liberalised Activities Iberia	349	316	11%
Regulated Networks Iberia	1,023	1,057	-3%
Wind Power	947	938	1%
Brazil	582	535	9%
Other	(11)	(20)	42%
Consolidated	**3,617**	**3,628**	**-0%**

EDP continues to diversify its portfolio geographically: in 2013, Portugal accounted for 44% of the group's EBITDA, Spain for 25%, Brazil for 16%, United States of America for 10% and the Rest of Europe (excluding Iberia) accounted for 5% of EBITDA.

EDP Group's net operating costs increase by 7% year-on-year, to EUR 1,934 million in 2013. EDP Group's controllable operating costs (supply and services, personnel costs and costs with social benefits) fell by 2% year-on-year, to EUR 1,573 million in 2013, backed by the successful execution of our corporate efficiency program OPEX III. Other net operating costs rose by EUR 161m year-on-year, to EUR 361 million in 2013, mainly including: i) new taxes, namely in Spain (EUR 121 million); ii) EUR 43 million of penalties at Pecém I; iii) a EUR 56 million gain on the sale of gas assets in Spain and iv) EUR 13 million year-on-year from higher gains with the sale of real estate in Brazil.

Net depreciation and amortisation (net of compensation from depreciation and amortisation of subsidised assets) increased by 1% to EUR 1,477 million in 2013, reflecting: i) +EUR 26 million at EDP Brasil driven by both Pecém I coal plant commissioning and an impact from the accelerated depreciation of some distribution assets; ii) new hydro capacity in Portugal; and iii) a EUR 31 million impairment at most of our co-generation and waste facilities in Spain, following the announced regulatory cuts; which were mostly compensated by iii) -EUR 15 million at EDP Renováveis on the back of lower impairments (EUR 53 million in 2012 versus EUR 20 million in 2013); and iv) the combined effects of the decommissioning of our Setubal fuel-oil power plant in Portugal, the sale of our Soporgen cogeneration facility in Portugal, fewer working hours at our coal plants in Spain and a 10 years extension (from 25 to 35 years) of the useful life of our CCTGs.

Financial results, EUR 32m lower year-on-year at -EUR 737million in 2013, reflect a EUR 0.2 billion increase in the average net debt and a 40bp year-on-year rise in average cost of debt (to 4.4% in 2013).

Non-controlling interests went up 11% year-on-year to EUR 189 million in 2013, driven by higher net profit at the level of EDP Renováveis and by EDP Renováveis sale of minority stakes in wind farms to Borealis (Vento II), China Three Gorges (EDP Renováveis Portugal) and Fiera Axium (Wheat Field).

Consolidated capex decreased 2% year-on-year to EUR 1,978 million in 2013. Note that in January 2013, EDP Renováveis cashed-in a EUR 91 million cash-grant in the United States of America related to Marble River wind farm installed in the fourth quarter of 2012). Excluding this impact, consolidated capex went up 3% year-on-year to EUR 2,069 million, driven by a 7% increase in expansion capex, translating the on-going construction of new hydro and wind capacity. Maintenance capex fell 5% year-on-year to EUR 656 million in 2013, reflecting lower needs for both investments at our Iberian regulated networks and maintenance works at our Spanish thermal plants.

CAPEX

EUR Million	2013	2012	Δ %
Long-Term Contracted Generation Iberia	57	44	29%
Liberalised Activities Iberia	531	524	1%
Regulated Networks Iberia	387	404	-4%
Wind & Solar Power	536	606	-12%
Brazil	426	388	10%
Other	41	44	-7%
EDP Group	**1,978**	**2,011**	**-2%**
Expansion Capex	**1,322**	**1,319**	**0%**
Maintenance Capex	**656**	**692**	**-5%**

Capex in hydro capacity in Portugal totalled EUR 455 million in 2013, which was devoted to the on-going construction of new hydro plants Baixo Sabor Ribeiradio-Ermida, Foz Tua and repowering of Venda Nova III and Salamonde II, with installed capacity of 173 MW, 81MW, 252 MW, 756 MW and 207 MW, respectively. It is expected that Baixo Sabor and Ribeiradio-Ermida enter into operation in the fourth quarter of 2014, Venda Nova III and Salamonde in the second quarter of 2015 and Foz Tua in the second quarter of 2016.

Capex in new wind and solar capacity, at EDP Renováveis level, totalled EUR 536 million, or EUR 627 million excluding the EUR 91 million cash-grant received in January 2013. This capex was allocated to capacity additions in 2013 (+50MW of solar in Romania and +387MW of wind, from which 357MW were installed in Europe and 30MW regard to EDP Renováveis's first wind project in Canada) and to the 224MW of capacity under construction, most of which in the United States of America (200MW).

In Brazil, capex totalled EUR 426 million in 2013, the bulk of which (71%) devoted to new generation capacity: EUR 44 million invested in Pecém I, our 360MW coal plant which was commissioned in the second quarter of 2013; and EUR 257 million invested in new hydro plants, namely Jari (373MW due in January 2015) and Cachoeira Caldeirão (219MW due in January 2017).

NET DEBT

EDP Group's consolidated net debt at the December 2013 amounted to EUR 17,451 million, resulting from a gross nominal debt of EUR 19,792 million deducted mainly by an amount of cash and equivalents of EUR 2,180 million, which was held, mainly, at EDP S.A., EDP Finance BV and other (EUR 1,624 million), Group's Brazilian subsidiaries (EUR 291 million), and EDP Renováveis (EUR 265 million), and collateral deposits in the amount of (EUR 449 million).

When compared to December 2012, the Group's net debt was nearly EUR 782 million lower, mostly due to securitization of electricity tariff deficit and the reclassification of Cachoeira Caldeirão and Jari as assets for sale and consequent deconsolidation of its debt (BRL 1,057 million).

In terms of maturity, EDP Group's consolidated debt breaks down into 19% in short-term and 81% in medium and long-term, with an average maturity of 4 years.

EDP maintained in 2013 its policy of centralizing funding at EDP S.A., EDP Finance BV and EDP Sucursal, which represented 88% of the Group's consolidated debt. The remainder consists of debt contracted by the Brazilian holdings (7%) and project finance debt (mainly from the subsidiaries of the EDP Renewables Group – 4%, and EDP Produção Group - 1%).

Regarding the loan markets, in January 2013, EDP Finance B.V. entered into a new Term Loan Facility, in the amount of EUR 1,600 million with a tenor of 5 years and involving a syndicate of 16 banks. The facility was fully drawn during the year mostly to refinance two facilities that had been raised in 2006 and 2008 and matured in April and November.

In the second semester of 2013, EDP Finance BV issued in September a 7 year bond in the amount of EUR 750 million and in November a long 7 year in the amount of EUR 600 million bond. These issues allowed EDP to reach different markets and investors and to strengthen its liquidity position.

During 2013 the Group received EUR 487 million from the FADE, the Spanish Electricity Deficit Amortisation Fund, through its subsidiary Hidroeléctrica Del Cantábrico S.A. for the securitization of the Spanish Tariff Deficit.

In Portugal, EDP sold a portion of approximately EUR 440.5 million, and the respective interest, of the 2012 tariff deficit and EUR 149.8 million of the 2011 tariff deficit and has entered into an agreement for the assignment, by means of a true sale without recourse to Tagus – Sociedade de Titularização de Créditos, S.A., of a portion of the 2012 Tariff Deficit, and respective interest, for an amount of EUR 450 million.

In January 2013, the Group contracted a project finance for Romania in the total amount of EUR 50 million, with maturity of 14 years and contracted a project finance for Poland in the total amount of PLN 136 million, with maturity of 15 years.

Maintaining a prudent financial management policy, by December 2013 EDP had access to EUR 2,159 million of available credit lines and EUR 100 million of commercial paper with underwriting commitment, fully available. It is the Group’s policy to diversify its liquidity sources through high credit standing banks.

Additionally the Group has a EUR 1,000 million Euro Commercial Paper programme (ECP) at EDP SA level and a EUR 500 million “Pagarés” programme at HC Energia. Both programmes are not committed, being used for the Group short term treasury management. As at 31 December, the total amount issued of ECP and “Pagarés” amounted to EUR 107.5 million.

In 2013, the average cost of debt of the EDP Group was 4.4% per year and approximately 47% of its debt and borrowings had a fixed rate.

In terms of currencies, Euro continues to be the main funding currency of EDP at 75%. The USD financing contracted to fund the capex of the Group’s US subsidiary justifies the exposure to USD of 17%.

RATING

In March 2013, following the revision of the sovereign rating, Standard & Poor's (“S&P”) affirmed EDP’s rating at “BB+” revising its outlook from negative to stable. In September, S&P placed its ‘‘BB+’’ long-term corporate credit and issue ratings on EDP on CreditWatch with negative implications. At the same time, S&P affirmed short-term corporate credit debt ratings on EDP at ‘‘B’’. The negative CreditWatch placement mirrors that on the Republic of Portugal, on 18 September, since by S&P’s rating criteria, sovereign risk is a key factor that influences utilities’ credit strength. After year end, in January 2014, S&P affirmed its 'BB+' long-term and ‘B’ short-term corporate credit ratings on EDP and removed the long-term ratings from CreditWatch with negative implications. The outlook is stable. The affirmation and removal from CreditWatch follows S&P’s similar action on Portugal, on January 17^{th}, 2014. A lowering of S&P’s long-term rating on Portugal by up to two notches would leave the rating on EDP unchanged, all else remaining equal.

In June and again in November 2013 Moody's Investors Service Limited (“Moody’s”) affirmed EDP’s rating at “Ba1” with negative Outlook.

In July 2013, Fitch Ratings (“Fitch”) placed all utilities with sizeable exposure to Spain, including EDP, on Rating Watch Negative, following the Spanish Government’s announcement, on July 12th, of proposed new regulatory measures to permanently resolve the excess cost or tariff deficit generated by the Spanish electricity system. In January 2014, Fitch has maintained EDP on Rating Watch Negative.

EDP’s credit rating stands as of December 2013 two notches above the Republic of Portugal by Moody’s and one notch by Standard and Poor’s and by Fitch.

LONG-TERM CONTRACTED GENERATION IN IBERIA

EBITDA from long-term contracted generation was 9% lower year-on-year at EUR 726 million in 2013 as higher mini-hydro output stemming from rainy weather in 2013 (+EUR 32 million in 2013), was offset by the end of Setúbal fuel oil plant PPA in Dec-12 (EBITDA: EUR 98 million in 2012); and the sale of Soporgen’s cogeneration plant (EBITDA: EUR 12 million in 2012).

Gross profit from PPA/CMEC dropped by EUR 131 million in 2013 to EUR 769 million, following the end of Setúbal PPA (EUR 113 million in 2012).

The annual deviation between market gross profit under CMECs assumptions and gross profit under current market conditions (‘revisibility’) amounted EUR 129 million in 2013: EUR 116 million in the first half of 2013 and

EUR 13 million in the second half of 2013, mainly driven by low spot prices. Deviation at hydro plants totalled EUR 37 million as the impact from a production 14% above CMEC's reference was overwhelmed by an average realised price 22% below CMEC's reference. In turn, market gross profit at our Sines coal plant stood EUR 92 million below the CMEC's reference, due to shorter volumes and average clean dark spread below the CMEC's reference, by 15% and 14%, respectively.

Gross profit from production under the special regime rose by EUR 25 million, to EUR 113 million in 2013, propelled by a 131% surge in mini-hydro's output which more than compensated the sale of Soporgen's 67MW cogeneration plant in January 2013 (EUR 14 million gross profit in 2012).

LIBERALISED ACTIVITIES IN IBERIA

EBITDA from liberalised activities in Iberia rose by 11% in 2013, to EUR 349 million. Despite the adverse regulatory and market environment, EBITDA growth was prompted by: i) doubling hydro output, propelled by rainy weather in 2013 versus 2012, which justified a 16% drop in the average generation cost; ii) 3% fall in average cost of electricity purchases in the wholesale market due to adequate management of volatility in the energy markets and iii) higher volumes and average selling prices to final clients: +5% and +3%, respectively. In terms of regulation, EBITDA was hit by EUR 78 million of new generation taxes in Spain in 2013, no capacity payments in Portugal in 2013 versus EUR 7 million in 2012 and by a EUR 9 million reduction in capacity payment in Spain.

In the electricity business, gross profit in the electricity business went up 11%, to EUR 825m in 2013, driven by a higher average unit margin which rose from EUR 11.4/MWh in 2012 to EUR 13.4/MWh in 2013.

Volumes sold rose by 3% to 45TWh in 2013, reflecting a 5% increase in volumes sold to retail and 1% increase in volumes sold in wholesale market. Average sourcing cost fell by 6% year-on-year following the combined impact from lower generation costs (-16%) on higher hydro volumes and cheaper electricity purchases (-3%). Average selling price was 1% lower in 2013, as higher average selling prices to retail clients offset the 9% fall in the average selling price in wholesale markets.

In the liberalised generation activity in the Iberian market, output from our generation plants (unadjusted for hydro pumping) was 1% higher in 2013, at 13.3TWh, since the surge in hydro output (+2.2TWh) offset the fall in CCGT (-1.7TWh) and coal (-0.3TWh). Average production cost dropped by 18%, to EUR 32/MWh in 2013, reflecting an increase in the contribution from hydro (cheaper technology). As from 1-January-2013, there are no CO_2 free allowances for the power sector and all emission allowances are to be bought in the market.

Output from our coal plants fell 5% in 2013, backed by strong hydro and wind resources in Iberia during the year. Average load factor was 2pp lower, at 50% in 2013. Generation from Spanish domestic coal amounted to 648GWh in 2013 versus 1,044GWh in 2012. Average production cost rose by 9%, to EUR 40/MWh due to higher CO_2 costs following the end of free allowances.

Output from our CCGTs retreated by 54% in 2013, driven by lower demand for thermal production and low competitiveness of gas versus coal, implying a 5pp decline in average load factor, to 4% in 2013. Average production cost rose to EUR 106/MWh in 2013, mostly driven by a lower dilution of gas procurement fixed costs.

Output from our Hydro generation doubled in 2013, propelled by both rainy weather conditions and additional capacity (Alqueva II). Despite higher volumes of pumping (840GWh in 2013 versus 626GWh in 2012), the average cost of hydro production fell 56% to EUR 4.2/MWh, reflecting stronger hydro resources. Pumping activity was concentrated at Alqueva plant.

Regarding regulation, in Portugal, CCGT's capacity payments were interrupted as from 1-June-2012 (EUR 7 million in 2012) and are due to be replaced by lower incentives as from the year after the end of Portugal's bailout program. In Spain, the government approved in December 2012 several taxes aimed at ensuring the sustainability of the electricity sector, including a 7% tax on revenues and different taxes on gas/coal consumption, water use and nuclear waste. Following the RDL9/2013, the government submitted to the Spanish Regulator a set of Royal Decrees drafts which define namely: i) changes in the remuneration rules for ancillary services; ii) cut in the capacity payment from EUR 26/kW to EUR 10/kW although doubling the remaining payment period; and iii) change in the availability incentive mechanism.

In the electricity supply business in Spain, electricity volume supplied to our clients in the free market fell by 9% in 2013, to 17.8TWh, despite a 12% increase in the number of clients supplied, following EDP's strategy to focus on the most attractive customer segments. Market share was 2pp lower year-on-year, at 10% in 2013.

In the electricity supply business in Portugal, electricity volume supplied to EDP clients in the free market in Portugal increased by 33% year-on-year, to 13.1TWh in 2013, propelled by a 124% expansion of our client base. EDP's market share in the free market rose from 40% in 2012 to 44% in 2013, in line with EDP's strategy to focus on the more attractive residential/SMEs segments.

Our gas sourcing activity in 2013 was based on an annual 4.2bcm portfolio of long term contracts, whose flexibility has been enhanced through several contract renegotiations including changes in take or pay levels.

Moreover, rather than using volumes available solely for electricity generation and for the sale to clients in the free market, EDP has chosen to divert part of its take-or-pay gas volumes to wholesale markets, where prices are significantly higher. As a result, our gas consumption declined 12% to 39TWh (3.3bcm) in 2013 supported by a 51% drop in consumption by our gas fired power plants which more than offset the 6% increase in volumes sold to clients.

Volumes of gas supplied to our clients in the liberalised market in Spain rose by 4%, to 28.6TWh in 2013, following the 3% expansion in the client portfolio. Market share decline 1pp to 5% in 2013.

Volumes of gas supplied to our clients in the liberalised market in Portugal was 13% lower in 2013, at 5.3TWh, reflecting weaker volume in the industrial segment, stemming from the loss of one large client (cogeneration plant) in the third quarter of 2013. This was partially compensated by the volume increase in the residential segment following the gas market liberalisation. The strong pace of gas supply liberalisation, along with our successful dual offer (electricity + gas) to residential clients, prompted a jump in the number of clients from 56,000 in December 2012 to 224,000 in December 2013.

In accordance with the rules and calendar defined for the liberalisation of electricity supply in Portugal, the electricity last resort supplier (EDP Serviço Universal) can no longer accept new customers (with the exception of those entitled to the social tariff). Additionally, all remaining consumers under the regulated tariff will have to move to the free market until the end of the on-going transitory period: until December 2014 for clients with contracted power above 10.35 kVA and until December 2015 for clients with contracted power below 10.35 kVA. During the transitory period, the regulator may update the transitory tariff every quarter to promote the switch to the free market. In this context, the switching of electricity consumers to the free market during the fourth quarter of 2012 and 2013 was very strong. During 2013, the numbers of consumers in the free market doubled, to 2.3 million and as of December 2013 84% of B2B clients and 37% of residential consumers were already in the liberalised market, corresponding to 73% of total consumption.

REGULATED NETWORKS IN IBERIA

Regulated networks activity in Iberia includes our activities of distribution of electricity and gas in Portugal and Spain and our activity of transport of gas in Spain.

EBITDA from regulated networks in Iberia was 3% lower year-on-year (-EUR 34 million), at EUR 1,023 million in 2013, mainly driven by: i) lower regulated revenues, namely in the electricity distribution in Portugal based on a lower regulated rate of return on assets (-EUR 44 million, stemming from a return on RAB of 8.56% in 2013 versus 10.05% in 2012); ii) application of Law 9/2013 in Spain in the second half of 2013 resulted in a EUR 9 million negative impact in EBITDA for electricity distribution in Spain; iii) -EUR 5 million in gas distribution on no inflation indexing in 2013; which was partially compensated by tight cost control focused on OPEX efficiency.

Regulatory receivables in Iberia include tariff adjustment in electricity and gas in Portugal and Spain and the revisibility component associated to CMEC. Regulatory receivables in Iberia from regulated activity increased by EUR 65 million in 2013, from EUR 2,621 million in December 2012 to EUR 2,686 million in December 2013, driven by a EUR 225 million increase in Portugal and a EUR 160 million decrease in Spain.

EBITDA from electricity distribution and last resort supply activities in Portugal fell 5% year-on-year (-EUR 32 million) to EUR 619 million in 2013, mainly impacted by a decline in the regulated rate of return on assets from 10.05% in 2012 to 8.56% in 2013. This decline, derived from the decline of Portuguese Republic 5-year CDS, resulted in a EUR 44 million erosion in gross profit.

Last resort supplier regulated revenues decreased by 12% (-EUR 11 million), to EUR 82 million in 2013, reflecting the fast consumers' switching to the free market. As part of the rules and calendar defined for the phasing out of regulated tariffs in Portugal, EDP Serviço Universal can no longer accept new clients as from 1 January 2013, while the regulator can apply quarterly tariff increases in order to encourage clients' transfer to a liberalised supplier. The volume of electricity supplied by last resort supplier fell 29% year-on-year, to 14.0TWh in 2013 due to clients' migration to the liberalised market. Total clients supplied declined 1,224 thousands year-on-year to 3,807 thousands in December 2013.

On 15 December 2013, ERSE published a final version of tariffs and regulated revenues for 2014 for our electricity distribution and last resort supply activities in Portugal setting a 2.8% average annual increase for electricity tariffs in Portugal.

EBITDA from our electricity distribution activity in Spain was 9% lower year-on-year, at EUR 118 million in 2013, reflecting flat regulated revenues (in the wake of different regulatory initiatives throughout 2013) and a lower impact from the application of IFRIC18 (-EUR 16 million year-on-year, largely due to EUR 15 million income in the third quarter of 2012 following the commissioning of the substation in Gijón (Asturias)). Electricity distributed by EDP España, mostly in the region of Asturias, increased by 2% to 9.1TWh in 2013.

EBITDA from regulated gas distribution in Spain amounted to EUR 237 million in 2013 (+EUR 22 million year-on-year), supported by: (i) a EUR 56 million gain stemming from the sale of our transmission gas assets to Enagas in the first quarter of 2013; (ii) -EUR 27 million derived from the de-consolidation of gas transmission assets; and (iii) regulated revenues in the distribution business 1% lower year-on-year.

Regulated revenues declined by 14% (-EUR 32 million) to EUR 203 million, mainly due to the disposal of gas transmission assets (-EUR 31 million) and lack of inflation indexing (-EUR 5 million). The volume of gas distributed was 8% lower year-on-year, at 52TWh, dragged by lower activity by some industrial clients.

EBITDA from gas distribution in Portugal was 19% lower year-on-year (-EUR 12 million), at EUR 50 million, essentially due to a EUR 13 million positive impact from the agreement for the economic and financial balance of the concession (July 2012).

Notwithstanding the 6% growth in the number of supply points prompted by the continuing effort of new client connection in the region operated by EDP, volume distributed fell by 5% year-on-year, driven by the loss of one large client to the very high pressure grid.

On 14 June 2013, ERSE published the new regulatory framework defined for the regulatory period from July 2013 to June 2016. ERSE set: (i) a 3.9% increase in the average last resort supply tariff as from 1 July 13 until 30 June 2014; (ii) rate of return on assets of 9% (on a preliminary basis); (iii) regulated revenues of EUR 65 million for the first regulatory year. It should be noted that for the new regulatory period, ERSE indexed the regulated rate of return on assets to the average of Portuguese Republic 5-year bond yield between 1-October and 30- September prior to the beginning of each regulatory year, with a floor at 7.83% and cap at 11%.

EDP RENOVÁVEIS

EDP Renováveis owns and operates EDP Group wind and solar power assets and develops projects for new renewable capacity. The two main markets in which EDP Renováveis operates are the United States of America (35% of EDP Renováveis' EBITDA in 2013) and Spain (33%). Other markets include Portugal (14%), France, Poland, Romania, Belgium, Italy and Brazil (the latter 6 representing 18% of EDP Renováveis' EBITDA in 2013).

EDP Renováveis' EBITDA rose 1% year-on-year (+EUR 9 million) to EUR 947 million in 2013 driven by strong load factor in Iberia in 2013, negative regulatory developments in Spain and higher installed capacity but lower prices in Poland and Romania. EBITDA in 2013 includes the negative cumulative impact of EUR 71 million related to all 2013 Spanish regulatory changes. Forex impact on EBITDA totaled -EUR 13 million due to a 3% depreciation of US dollar and Brazilian real versus Euro.

In the United States, installed capacity totaled 3.6 GW as of December 2013, stable year-on-year. Electricity output increased by 2% year-on-year, reaching 10.1 TWh as higher average installed capacity in operation during the period offset the lower load factor year-on-year. Average selling price (excluding revenues from PTCs) for energy sold through PPA/hedged increased 1% year-on-year to USD53/MWh resulting from the contracted price escalators and the contribution of new PPAs in the period. Average selling price for merchant wind farms improved 2% year-on-year to USD32/MWh, following an increase in wholesale electricity prices. Overall, average selling price in the United States increased 3% year-on-year to USD49/MWh in 2013. Gross profit (including revenues from PTCs) increased by 4% to USD 648 million, while EBITDA rose USD 42 million year-on-year to USD 450 million in 2013 including the USD 18 million one off impact from the restructuring of the off-taking volumes of a long-term PPA for 200MW (from 100% to 80%). It should be noted that in the fourth quarter of 2013, EDP Renováveis concluded the sale of a 49% equity stake in a 97MW wind farms' portfolio to Fiera Axium.

In Spain, in the first half of 2013, all the wind energy produced in Spain was remunerated according to the Feed-in Tariff of the RD661/2007. In July 2013, the Spanish Government announced the RDL 9/2013, setting changes for renewable assets' remuneration scheme. The proposal for a new mechanism is available for consultation but its entry into force is still pending.

In Spain, EDP Renováveis' EBITDA decreased by 8% to EUR 320 million year-on-year in 2013 negatively impacted by EUR 32 million from the 7% tax over sales in Spain introduced in January 2013 and EUR 17 million related to changes in remuneration framework for renewable assets, introduced in July 2013 and pending for approval. Average load factor improved 3pp year-on-year to 29% in 2013, while electricity generated went up by 14% year-on-year to 5.8TWh in 2013 on the back of stronger wind resource. Average selling price reached €80/MWh, down 7% year-on-year driven by the end of the transitory regime and changes in regulation (all capacity in fixed tariff option) and cumulative changes in regulation during the year.

In Portugal, EDP Renováveis' EBITDA increased by 9% year-on-year to EUR 129 million in 2013, up EUR 11 million year-on-year. Wind production increased 10% year-on-year to 1,593GWh following an increase of average load factor by 3pp to 29%. Average tariff decreased by 3% year-on-year to EUR 99/MWh due to negative correlation between prices and annual working hours. Still in Portugal, EDP Renováveis holds an equity stake in ENEOP consortium (equity consolidated), licensed to build 1,335MW of wind capacity (535MW attributable to EDP Renováveis). In June 2013, EDP Renováveis completed the sale of a 49% equity stake, and a 25% of the shareholders loans in EDP Renováveis Portugal (excluding ENEOP) to China Three Gorges, for EUR 368 million. As of December 2013, ENEOP had an installed capacity of 1,138MW (455MW attributable to EDP Renováveis). In December 2013, EDP Renováveis signed a Memorandum of Understanding with CTG for the sale of 49% in EDP Renováveis' 40% share in ENEOP consortium whose conclusion is expected in 2015.

In European markets out of Iberia, gross profit increased 19% to EUR 217 million due to a 23% year-on-year increase of output to 2,132GWh in 2013 following a 42% or 403MW increase of installed capacity over the last 12 months. However, EBITDA decreased by 6% year-on-year (-EUR 11 million) to EUR 161 million in 2013 due to a gain related to the allocation of purchase price allocation to the identifiable assets acquired and liabilities, the bulk of it in Italy and Romania booked in 2012.

In France, EDP Renováveis has 322MW of capacity (+8MW year-on-year). Wind power in France is sold through fixed tariffs indexed to inflation for 15 years. In 2013, average tariff was EUR 90/MWh (+1% year-on-year). In Oct-13, EDP Renováveis sold 49% equity shareholding and outstanding shareholders loans in a wind farm portfolio of 100MW located in France to Axpo Group, which is still pending approval. As of December 2013, EDP Renováveis had 12MW under construction in France.

In Belgium, EDP Renováveis has 71MW of capacity (+14MW year-on-year), which sell its power through PPA at a fixed selling price of EUR 112/MWh.

In Italy, EDP Renováveis has 70MW (+30MW year-on-year) of capacity installed in December 2013. Average selling tariff was EUR 138/MWh in 2013. For capacity installed in 2013 and onwards, wind farms will be remunerated under a feed-in tariff scheme defined by tenders.

In Poland, EDP Renováveis has 370MW of capacity (+180MW in 2013): i) 120MW from Margonin wind farm, which power is sold in the wholesale market and for whose EDP Renováveis has a 15 years long term contract for the sale of Green Certificates; ii) 70MW from Korsze wind farm, which output is sold through a 10 year PPA and iii) the remaining 180W, whose output is sold at "regulated electricity price + Green Certificates" (regulated price for 2013 is PLN201.4/MWh). In 2013, average selling price decreased by 6% year-on-year to PLN401/MWh. As of December 2013, EDP Renováveis had 10MW under construction in Poland.

In Romania, EDP Renováveis has 521MW of capacity (+172MW in 2013), of which 50MW are solar PV (+12MW in 2013). Wind production is sold at 'market price plus Green Certificates', whose value is subject to a floor and a cap set in Euros (for 2013, floor was set at EUR 28.9/MWh and the cap at EUR 58.8/MWh). In 2013, average selling price decreased by 19% year-on-year to RON490/MWh, impacted by lower green certificate prices driven by the uncertainty created through the approval by the Romania Government of the "Emergency Government Ordinance 57/2013".

In Brazil, EDP Renováveis has 84MW in operation remunerated through long term contracts (20 years). EDP Renováveis has currently 236MW under development in Brazil awarded at the energy A-5 auctions with PPA's for a period of 20-years from which 120 MW will start in January 2016 with a price set at BRL97/MWh, indexed to the Brazilian inflation rate and 116MW will start in January 2018 with price set at BRL109/MWh, indexed to the Brazilian inflation rate.

EDP BRASIL

EDP Brasil's contribution to consolidated EBITDA advanced by 9% (+EUR 47 million), to EUR 582 million in 2013, driven by 24% increase in local currency, to BRL 1,670m, and an unfavourable Forex impac of -EUR 83 million stemming from a 13% depreciation of the Brazilian real versus the Euro. EBITDA from distribution rose by 41% year-on-year (+BRL 243 million), benefiting from the recovery in 2013 of significant past tariff deviations, through CDE contributions. EBITDA from generation and supply rose by 14% year-on-year (+BRL 115 million), mainly reflecting a positive evolution of Pecém I coal plant versus 2012 (positive contribution in the second half of 2013).

EBITDA from our electricity distribution activity in Brazil went up 41% year-on-year (+BRL 243 million) to BRL 832 million in 2013, reflecting a strong increase in negative tariff deviations (+BRL 331 million), with 2013 deviations being nearly compensated by CDE ("Conta de desenvolvimento energético") contributions (+BRL 595 million), positive tariff readjustments at our distribution companies and market growth.

Volumes of electricity sold went up 2% year-on-year in 2013, reflecting a 5% increase in the 'residential, commercial and other' segments, justified by a wider client base and higher consumption per capita. Volumes sold in the regulated market to the industrial segment fell 4% year-on-year, due to the migration of clients to the free market. At the same time, volumes distributed to industrial clients in the free market advanced 6% year-on-year, backed by growing activity in auto and metallurgy sectors, which supported a 4% year-on-year increase of electricity distributed.

In January 2013, ANEEL approved an 18% decrease in tariffs for residential customers and up to a 32% decrease for industrials, on the back of a cut in electricity costs achieved through Provisory Act No. 579, then converted into Law 12.783/13, which translated into a drop in electricity sector charges, and lower generation costs, following the concessions' renewal contracts which matured between 2015 and 2017. The subsequent mismatch between the energy procurement contracts and supply obligations led to involuntary short contracting positions at our distribution companies. In March 2013, through DL 7.945/13, the Brazilian Government approved the transfer of funds, from an electricity sector account called CDE, to compensate distribution companies facing higher costs, derived from the strong thermal dispatch and the subsequent hike in spot prices, as well as from the short contracting position, as distribution companies had to satisfy demand through electricity purchases at high spot prices.

EBITDA from our electricity generation activities in Brazil went up 13% year-on-year (+BRL 96 million) to BRL 855 million in 2013, partly reflecting lower negative contributions from Pecém I coal plant (-BRL 104 million in

2012 and -BRL 53 million in 2013). Excluding the impact from Pecém I, EBITDA went up 5% year-on-year (+BRL 45 million) to BRL 908 million in 2013, reflecting higher average selling prices and improved hydro conditions in the fourth quarter of 2013, with generators not having to purchase energy at market prices to meet their PPA obligations, contrarily to what happened in the fourth quarter of 2012, due to the strongly adverse hydro conditions that shaped the end of 2012.

Electricity volumes sold rose 15% year-on-year to 11TWh in 2013 on the back of Pecém I contribution. Excluding this impact, volumes sold stood relatively flat at 8.2TWh in 2013. Average selling price went up 10% year-on-year, following: i) PPA prices inflation updates, as most of the capacity is contracted under long term PPAs; ii) the termination, in December 2012, of some contracts with a selling price well below average; and iii) short-term contracts for 2013 closed at higher prices as part of the seasonality strategy.

In December 2013, within the scope of EDP's strategic partnership with China Three Gorges, EDP Brasil signed a Memorandum of Understanding with CWE Investment Corporation, a fully owned subsidiary of China Three Gorges, for the joint development of renewable projects, including the disposal by EDP Brasil of a 50% stake in Jari and a 50% stake in Cachoeira Caldeirão.

The trading and supply activity in Brazil is carried out by our EDP Comercializadora subsidiary in the free market essentially through a service of energy sourcing to large industrial clients without incurring in material energy market risk. In 2013, electricity supply gross profit rose BRL 56 million year-on-year to BRL 76 million in 2013, reflecting a favorable long position and higher volumes supplied to clients, benefiting from higher spot prices. Note that in 2012, EBITDA includes a BRL 21 million gain related to the reversal of impairment losses on an energy contract, following an agreement reached with Ampla.

2.11. VALUE CREATION TO SHAREHOLDERS

The creation of shareholder value is sustained in the ability of the company to increase its net income, dividends and share prices, ie, is supported by the sum of strategic decisions affecting the sustainability of the Group's business activities assuming strategic importance the low risk profile assumed by EDP.

As opposed to the previous year, 2013 was marked by the recovery of the European utilities sector increasing 9.2%. However the sector was still one of the lowest performing sectors in Europe (fifth lower performance from the twenty European super-sectors). The sector benefited by a better macro outlook pointing to the end of recession in Europe, which compensated additional regulatory pressures, namely in Spain with the announcement of further measures to reduce the tariff deficit impacting Iberian utilities.

In this context, EDP stock closed the year with a return of 16.6%. Based on the payment of dividends to shareholders held on May 23, 2013 (€ 0.185 per share) which implied a dividend yield of 6.9% (based on December 31th closing price), generating a total shareholder return for 2013 of 24.7%.

DIVIDEND DISTRIBUTION POLICY

EDP has followed a sustained policy of dividend distribution that seeks to reconcile strict compliance with the relevant provisions of the law and Articles of Association and division among all its shareholders of a significant portion of the value created by the Group, in keeping with the specific conditions of the company and market. This policy is designed to enable shareholders to obtain an adequate return on their investment without compromising the company's value.

Pursuant to these rules, the table below shows the dividends distributed by EDP in the last two terms of office of the corporate bodies:

Year	Approval Date	Payment Date	Gross Dividend
2006	4/12/2007	5/4/2007	€ 0.110
2007	4/10/2008	5/8/2008	€ 0.125
2008	4/15/2009	5/14/2009	€ 0.140
2009	4/16/2010	5/13/2010	€ 0.155
2010	4/14/2011	5/13/2011	€ 0.170
2011	5/16/2012	5/11/2012	€ 0.185
2012	5/23/2013	5/20/2013	€ 0.185

For the 2012 financial year, the Executive Board of Directors of EDP submitted to the approval of the General Meeting of Shareholders of 6 May 2013 a proposal for the appropriation of the net profit of 832.7 million euros, 676.5 million euros of which was for distribution to shareholders in the form of dividends. The proposal was approved by a majority of votes (99.9998%) at the General Meeting and a gross dividend of 0.185 euros per share was paid on 23 May 2013.

EDP believes that a transparent relationship with investors and the market involves the definition of clear criteria and reasonable objectives for the dividend distribution policy, as the growing demands of the investor community, faced with the instability of the capital markets in recent years, have made clear.

On the latest Investor Day held on 23 May 2012 with Portuguese and foreign investors and analysts, the goal of proposing to the General Meeting of Shareholders an annual payout of 55%-65% of the recurring net profit was reinforced, with a minimum of the dividend per share paid in 2011 (€0.185 per share).

FACTORS INFLUENCING CHANGE IN EDP SHARE PRICE

In the year of 2013 the markets assisted to an improvement of the major indexed versus the previous year. The European index Stoxx Europe 600 rose 17% with peripheral economies leading the gains as economies started to rebound (the Spanish index advancing 21% and the Athens index rising 28%). The major US indexes performed positively during the year as well, with changes varying between 27% and 38% (the S&P 500 index marked its best year since 1997). As for the Asian markets, the Nikkei followed the occidental markets trend going up by 57% on the back of an aggressive economic stimulus, while the Shanghai index reduced 7%. Emerging markets fared poorly on concerns that the Fed's move to scale backs its stimulus programme will choke off capital flows into their economies.

The movement in the European markets was quite erratic this year. By March European shares shriveled as fears concerning Cyprus bailout program (that included a contribution by depositors) flooded investor’s confidence in European markets. The second quarter on the other hand was characterized by a surveillance of European and American monetary policy guidelines. Poorer macroeconomic data in Europe increased expectations of a cut in interest rates, being afterwards offset by concerns regarding FED (Federal Reserve) suspension of economic stimulus, Greek’s political tension and concerns regarding Chinese credit crunch, closing the first half of the year at minimums. The pressures from FED’s tapering were only clarified in December with the announcement of a tempered reduction of bond buying program.

During the second half of the year, markets followed a more positive trend. The series of good company results pushed global indices to maximums (European markets reached five year maximums) despite the US government shutdown, consequence of the divergence regarding debt ceiling, which bucked the markets movements.

The year of 2013 was also marked by a political crisis, which committed the improvement on investor's confidence implying a deterioration of Portuguese yields and consequently the PSI20 index contracted 5.6% in that day.

In the start of the third quarter, Standard & Poor's placed Portugal's "BB" rating under negative watch, after a positive revision in the beginning of the year, as a consequence of potential failure in achieving the established targets. On the other hand Moody's revised the outlook to stable given better fiscal consolidation and growth perspectives, but still rated below investment grade ("Ba3").

Following these actions, in September Standard & Poor's placed EDP's "BB+" rating under negative credit watch as well while Moody's maintained its "Ba1" rating with negative outlook. In July, the credit agency Fitch placed several utilities with significant exposure to Spain under negative watch given the announced regulatory measures to resolve the tariff deficit generated by the Spanish electricity system. This included EDP's "BBB-" rating.

Despite the negative outlook revisions and rating below investment grade, EDP was able to refinance its funding needs over the year. In January EDP has signed a five year credit facility of 1,600 million euros through a club deal with 16 domestic and international banks. On September, the company issued a Eurobond in the Irish market. The issue amounted 750 million euros, maturing at September 2020. This was not the only issue in this market as latter one, in November it issued an additional 600 million euros bond maturing at 2021 being able to extend its average debt maturity.

The company was able to successfully launch several securitization programs during the year. Regarding the Portuguese tariff deficit, the company was capable to securitize a total of 1,040 million euros, 973 million euros regarding the tariff deficit originated in 2012 and the remaining concerning the annual adjustment of the compensation due to the early termination of the PPAs (power purchase agreements). In Spain, FADE (Fondo de Amortización del Deficit Elétrico), entity responsible for the securitization of the Spanish electric system tariff deficits, was able to securitize some tranches of the tariff deficit, through private placements or public issues, in the amount of 8,010 million euros, of which 6.08% (or 487 million euros) belong to EDP Group through its subsidiary Hidrocantábrico.

During the year, the transactions announced referring to the sale from EDP Renováveis of its 49% stake in EDP Renováveis Portugal and 25% shareholder loans to China Three Gorges (CTG) and of the sale to Enagás of the Spanish gas transmission business were concluded.

There were also further developments regarding the strategic partnership established with CTG in 2011. At December 6th, two transactions were announced giving visibility to the 1 billion euros target investment by CTG. The announced transactions included the sale of 50% of the participation in Cachoeira Caldeirão and 50% participation in Jari for a total value of R$865 million (including future co-investment commitments), and the sale of 49% stake in Eólicas de Portugal (ENEOP) to CTG under similar terms to the previous deal announced in December 2012.

As foreign exchange rate is concerned, the euro appreciated against the American dollar during the year on average by 3%, having a negative impact in the operating results for that country. Considering year end quotes the euro gained 4% to the American dollar softening the dollar denominated debt price, used to finance EDP's investments in US wind-farm assets. As for the Brazilian real, the euro appreciated on average 14% resulting in a reduction of the operating income of Brazilian assets. At year end, the euro closed appreciating 20% versus the Brazilian real.

Within the scope of the Brazilian A-5 auction carried in December, EDP Group was awarded, through EDP Brasil, the concession of São Manoel hydro plant with an installed capacity of 700 MW and under a PPA agreement for 30 years. In the same auction EDP Renováveis Brasil secured a 20 year PPA to sell electricity in the regulated market.

2013 was also a year of important regulatory changes within the electric sector, namely in Portugal, Spain and Brazil.

In Portugal, it was proposed in the state budget for 2014 an extraordinary contribution by the energy sector of around 150 million euros, from which 50 million euros will be allocated to the tariff deficit. At the same time it was also announced a reduction of the corporate tax rate from 25% to 23%.

In July, the Spanish government announced some measures to improve the sustainability of the Spanish electricity system and resolve the tariff deficit problem permanently. Under these measures, the contributions from Iberian electricity companies included: a reduction in regulated networks remuneration, new regulatory method for renewable energy and cut in capacity payments.

In Brazil, the new regulatory methodology was applied to Escelsa since August, and included the downward revision of the rate of return on regulated asset base to 7.5% real pre-tax.

Regarding changes in the shareholder structure it is to highlight, the reduction of Portuguese State stake in EDP to 0%, through the sale by Parpública of its 4.14% participation in EDP's share capital on February 22nd.

03

CORPORATE GOVERNANCE

> PORTUGAL
TORRE DE BELÉM
Coordinates:
38º41'30.5"N 9º12'57.6"W
Time of day: 13 PM

PART I – INFORMATION ON OWNERSHIP STRUCTURE, ORGANISATION AND CORPORATE GOVERNANCE

A - OWNERSHIP STRUCTURE

I. CAPITAL STRUCTURE

1. CAPITAL STRUCTURE

EDP's share capital to the amount of EUR 3,656,537,715.00 is represented by 3,656,537,715 shares.

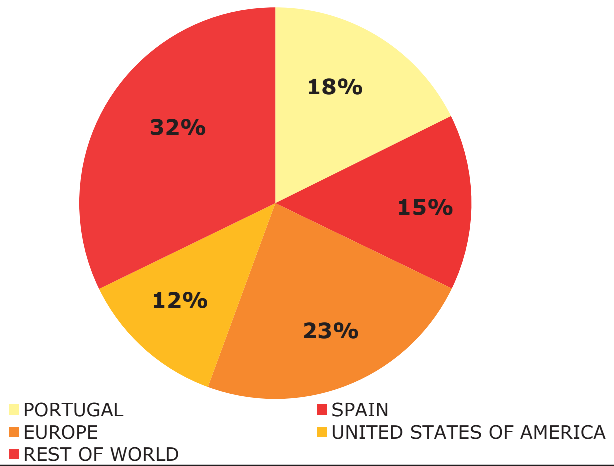
There are no limitations on the transferability of ordinary (or Category A) shares as, pursuant to the Securities Code, shares traded on a market are freely transferrable, although EDP's Articles of Association contain rules limiting the exercise of voting rights, which apply to both ordinary shares (or Category A) shares and Category B shares.

Although the Articles of Association still refer to Category B shares, on 14 February 2013 Parpública – Participações Públicas (SGPS), S.A. used accelerated bookbuilding to sell the 151,517,000 Category B shares with a face value of 1 euro each, equivalent to 4.14% of EDP's share capital, that it still owned. As a result of the settlement of this operation, on 19 February 2013, Parpública – Participações Públicas (SGPS), S.A. has decreased to 0% of EDP's share capital. As mentioned in Article 4 (5) of EDP's Articles of Association, Category B shares only continue to be in this category if they are owned by public bodies. Their transfer to non-public bodies results in their conversion into Category A shares. Therefore, as a result of the transfer of the shares owned by Parpública – Participações Públicas (SGPS), S.A. and their automatic conversion into Category A shares, there are no Category B shares.

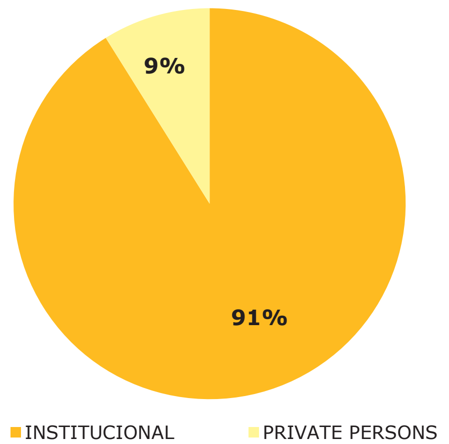
EDP's share capital is therefore represented exclusively by 3,656,537,715 Category A shares, which are ordinary and have a face value of 1 euro each.

The geographical and investor type breakdown of the EDP shareholder structure on 31 December 2013 was as follows:

BREAKDOWN OF SHAREHOLDER STRUCTURE BY GEOGRAPHIC



BREAKDOWN OF SHAREHOLDER STRUCTURE BY INVESTOR TYPE



2. RESTRICTIONS ON SHARE TRANSFERABILITY

In statutory terms (article 4(4)), category B shares are the shares to be re-privatised, which have restrictions on their ownership - they may only be held by public bodies. However, this rule was no longer applicable following the extinction of category B shares described in the previous paragraph.

There are no restrictions on the transferability of Category A shares, which currently represent the entire share capital.

3. TREASURY STOCK

As at 31 December 2013, EDP owned 27,597,268 treasury stock shares, corresponding to 0.75% of the share capital and 0.75% of the voting rights.

4. CHANGE OF COMPANY CONTROL

As far as the Executive Board of Directors knows, EDP is not a party to any significant agreements that come into effect, are amended or cease in the event of a change of company control following a takeover bid (except normal market practice in terms of debt issue).

5. DEFENSIVE MEASURES

EDP has not taken any measures to prevent takeover bids that would put the interests of the company and its shareholders at risk.

On this subject, it is important to note that, pursuant to Article 14 (3) of EDP's current Articles of Association, votes cast by a shareholder on his own behalf or representing another will not be considered if they exceed 25% (twenty-five percent) of all the votes corresponding to the share capital.

Although EDP's Articles of Association impose this limitation on the exercise of voting rights, under which votes cast by a shareholder on his own behalf or representing another will not be considered if they exceed 25% (twenty-five percent) of all the votes corresponding to the share capital (pursuant to the allocation of voting rights set out in Article 20 (1) of the Securities Code), this limitation is not a measure to prevent successful takeover bids.

In fact, the inability of the limitation on voting rights to prevent the success of a takeover bid is the result of EDP's current capital structure, in which the largest shareholding is 21.35%, and of the compliance of the deliberative quorum of two-thirds of the votes cast, which is set out in EDP's Articles of Association for an amendment to the company agreement on this matter with Article 182 (2) of the Securities Code.

No defensive measures have been taken aimed at or resulting in serious erosion of EDP's assets in the event of transfer of control of the company or a change in the composition of the Executive Board of Directors, thereby prejudicing the free transferability of the shares and free appraisal by the shareholders of the performance of the members of the Executive Board of Directors.

6. SHAREHOLDER AGREEMENTS

Pursuant to Article 7 of EDP's Articles of Association, shareholder agreements regarding the company must be communicated in full to the Executive Board of Directors and the General and Supervisory Board by the shareholders that have signed them in the 30 (thirty) days following their conclusion.

According to information provided to the company by the shareholders, the Executive Board of Directors is aware of the existence of a single shareholder agreement, which was entered into on 11 April 2007 by Parpública - Participações Públicas (SGPS), S.A. ("(Parpública"), Caixa Geral de Depósitos, S.A. ("CGD") and Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("(Sonatrach").

Under the terms of this shareholder agreement, which were announced publically, Parpública and CGD made the following commitments:

- To support the continued membership of Sonatrach (or of a person indicated by it) in EDP’s General and Supervisory Board, provided that Sonatrach maintains a shareholding of at least 2% (two percent) of EDP's share capital and the strategic partnership remains in effect; and
- To refrain from promoting, supporting and/or voting in favour of any change in EDP's Articles of Association that prevents the continued membership of Sonatrach (or of a person indicated by it) in EDP's General and Supervisory Board.

Although Parpública has sold its shareholdings in EDP's share capital and CGD does not own a qualifying shareholding in EDP's share capital, according to information at EDP's disposal this does not represent automatic cessation of the effects of the shareholder agreement. EDP has not been informed of any agreement to revoke or amend the said shareholder agreement.

II. SHAREHOLDINGS AND BONDS OWNED

7. QUALIFYING HOLDINGS

In March 2013 Liberbank, S.A. and Masaveu S.L. informed EDP of the conclusion of an irrevocable agreement under which (i) 183,257,512 shares representing 5.01% of EDP's share capital and voting rights, 1.5% were owned by Liberbank and 3.51% by Cantábrica de Inversiones de Cartera, S.L. (a Liberbank subsidiary) had been transferred to Oppidum Capital, S.L. and (ii) 42,789,104 shares representing 1.17% of EDP's share capital and voting rights owned by Masaveu S.L. had also been transferred to Oppidum Capital, S.L.

Following this agreement, Oppidum Capital S.L. now held 226,046,616 shares representing 6.18% of EDP's share capital and voting rights. As at 31 December 2013, the company owned 263,046,616 shares representing 7.19% EDP's share capital and voting rights.

Pursuant to Article 8 (1) (b) of CMVM Regulation 5/2008, we are providing the following information on qualifying holdings owned by EDP shareholders as at 31 December 2013 and their voting rights in accordance with Article 20 (1) of the Securities Code.

Shareholder	Nº of Shares	% Capital	% Vote
CHINA THREE GORGES			
CWEI (Europe), S.A.	780,633,782	21.35%	21.35%
Total	**780,633,782**	**21.35%**	**21.35%**

China Three Gorges International (Europe) S.A. is fully owned by CWEI (Hong Kong) Co. Ltd, which is fully owned by CWE Investment Co. Ltd. China Three Gorges Corporation directly holds 100% equity of CWE Investment Co. Ltd.

OPPIDUM CAPITAL, S.L.			
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
Total	**263,046,616**	**7.19%**	**7.19%**

Oppidum is owned 52.9% by Masaveu International, S.L. and 47.1% by Liberbank, S.A.

IBERDROLA			
Iberdrola Energia S.A.U. (Iberener)	243,395,875	6.66%	6.66%
Total	**243,395,875**	**6.66%**	**6.66%**

The company Iberdrola Energía, S.A.U. is fully owned by Iberdrola, S.A.

JOSÉ DE MELLO - SOC. GESTORA DE PARTICIPAÇÕES SOCIAIS, S.A.			
José de Mello Energia, S.A.	168,037,578	4.60%	4.60%
Órgãos de Administração e Fiscalização	59,456	0.00%	0.00%
Total	**168,097,034**	**4.60%**	**4.60%**

The company José de Mello Energia, SGPS,S.A. Is fully owned by José de Mello Participações II, SGPS, S.A., which capital in fully owned by José de Mello - Sociedade Gestora de Participações Sociais, S.A.

INTERNATIONAL PETROLEUM INVESTMENT COMPANY (IPIC)			
Senfora SARL	148,431,999	4.06%	4.06%
Total	**148,431,999**	**4.06%**	**4.06%**

The company Senfora SARL, Luxembourg, is fully owned by IPIC, a company wholly owned by the Abu Dhabi Government.

GRUPO MILLENNIUM BCP + FUNDO DE PENSÕES			
Elementos dos Órgãos Sociais	28,380	0.00%	0.00%
Fundação Millennium BCP	350,000	0.01%	0.01%
Fundo de Pensões do Grupo Millennium BCP	95,789,594	2.62%	2.62%
Total	**96,167,974**	**2.63%**	**2.63%**

The management company of the pension fund of Group Millennium BCP exercises independently their voting rights.

SONATRACH			
Sonatrach	87,007,433	2.38%	2.38%
Total	**87,007,433**	**2.38%**	**2.38%**
QATAR INVESTMENT AUTHORITY			
Qatar Holding Luxembourg II Sárl	82,868,933	2.27%	2.27%
Total	**82,868,933**	**2.27%**	**2.27%**

The company Qatar Holding Luxembourg II Sárl is fully owned by Qatar Holding LLC, a company wholly owned by Qatar Investment Authority.

CAPITAL INCOME BUILDER (1)			
Capital Income Builder	75,401,327	2.06%	2.06%
Total	**75,401,327**	**2.06%**	**2.06%**

Capital Income Builder is a mutual fund registered in the United States under the investment Company Act 1940. The shares reported are owned by Capital Income Builder under the discretionary investment management of Capital Research and Management Compan. Capital Research and Management Company is a US-based investment adviser that manages the American Funds family of mutual funds.

INCOME FUND OF AMERICA (1)			
Income Fund of America	73,654,630	2.01%	2.01%
Total	**73,654,630**	**2.01%**	**2.01%**

Income Fund of America is a mutual fund registered in the United States under the investment Company Act of 1940. Income Fund of America has granted proxy voting authority to Capital Research and Management Company, its investment adviser for exercise of the corresponding voting rights of this qualified shareholder. Capital Research and Management Company is a US-based investment adviser that manages the American Funds family of mutual funds.

Shareholder	Nº of Shares	% Capital	% Vote
BLACKROCK, INC.			
BlackRock (Netherlands) B.V.	322,768	0.01%	0.01%
BlackRock Advisors (UK) Limited	6,350,788	0.17%	0.17%
BlackRock Advisors, LLC	160,104	0.00%	0.00%
BlackRock Asset Management Australia Limited	203,075	0.01%	0.01%
BlackRock Asset Management Canada Limited	473,971	0.01%	0.01%
BlackRock Asset Management Deutschland AG	5,155,677	0.14%	0.14%
BlackRock Asset Management Ireland Limited	9,906,691	0.27%	0.27%
BlackRock Financial Management	102,299	0.00%	0.00%
BlackRock Fund Advisors	11,415,217	0.31%	0.31%
BlackRock Fund Managers Limited	780,661	0.02%	0.02%
BlackRock Institutional Trust Company, National Association	25,044,436	0.68%	0.68%
BlackRock International Limited	9,073	0.00%	0.00%
BlackRock Investment Management (Australia) Limited	145,989	0.00%	0.00%
BlackRock Investment Management (UK) Ltd	47,089	0.00%	0.00%
BlackRock Investment Management, LLC	3,311,143	0.09%	0.09%
BlackRock Japan Co Ltd	2,947,809	0.08%	0.08%
BlackRock Life Limited	6,101,003	0.17%	0.17%
iShares (DE) I InvAG mit Teilgesellschaftsvermogen	790,452	0.02%	0.02%
Total	**73,268,245**	**2.00%**	**2.00%**
EDP (TREASURY STOCK)	**27,597,268**	**0.75%**	
REMAINING SHAREHOLDERS	**1,536,966,599**	**42.02%**	
TOTAL	**3,656,537,715**	**100.00%**	

Note: In accordance with the made use once in nº 3 of the 14º of the Partnership contract of the EDP will not be considered the inherent votes to the category shares, emitted for a shareholder, in proper name or as representative of another one, that 25% of the totality of the corresponding votes to the capital stock exceeed.

(1) On July 18, 2013, Capital Group notified EDP that held a qualified shareholding following the acquisition of 183,792,530 shares, representing 5.026% of the share capital of EDP and 5.026% of the voting rights . Since EDP did not receive any response to the request for confirmation of the position held by that shareholder as at December 31, 2013, it should be clarified that it is only known to EDP that the Income Fund of America and Capital Income Builder are mutual funds under discretionary management of Capital Research and Management Company owned by Capital Group.

8. FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS

The table below shows the financial instruments held by members of the Executive Board of Directors and the changes from 2012 to 2013, as required by Article 447 (5) of the Company Code.

Financial instruments owned by members of the Executive Board of Directors were as follows:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.		EDP - Energias do Brasil, S.A.	
	Nº Shares 12-31-2013	Nº Shares 12-31-2012	Nº Bonds 12-31-2013	Nº Bonds 12-31-2012	Nº Shares 12-31-2013	Nº Shares 12-31-2012	Nº Shares 12-31-2013	Nº Shares 12-31-2012
Executive Board of Directors								
António Luís Guerra Nunes Mexia	41,000	41,000	0	0	4,200	4,200	1	1
Nuno Maria Pestana de Almeida Alves	125,000	125,000	25	25	5,000	5,000	1	1
João Manuel Manso Neto	1,268	1,268	0	0	0	0	0	0
António Manuel Barreto Pita de Abreu (1)	34,549	34,549	0	0	2,180	1,810	41	41
António Fernando Melo Martins da Costa (2)	13,299	13,299	50	50	1,480	1,480	0	0
João Manuel Veríssimo Marques da Cruz	3,878	3,878	0	0	0	0	0	0
Miguel Stilwell de Andrade	111,576	111,576	0	0	2,510	2,510	0	0

Notes:

1) The shares of EDP - Energias de Portugal includes 475 shares held by his wife, Gilda Maria Pitta de Abreu; The shares of EDP Renováveis also include 370 shares held by his wife and not previously referenced by mistake.

2) The shares of EDP Renováveis includes 150 held by his wife, Anna Malgorzata Starzenska Martins da Costa.

In 2013, the members of the Executive Board of Directors did not perform any operations on financial instruments.

FINANCIAL INSTRUMENTS OWNED BY MEMBERS OF THE GENERAL AND SUPERVISORY BOARD

The table below shows the financial instruments by the members of the General and Supervisory Board, and the changes from 2012 to 2013, as required by Article 447 (5) of the Company Code.

Financial instruments owned and/or imputable to members of the General and Supervisory Board were as follows:

	EDP - Energias de Portugal, S.A.				EDP Renováveis, S.A.	
	Nº Shares 12-31-2013	Nº Shares 12-31-2012	Nº Bonds 12-31-2013	Nº Bonds 12-31-2012	Nº Shares 12-31-2013	Nº Shares 12-31-2012
GENERAL AND SUPERVISORY BOARD [1]						
Eduardo de Almeida Catroga	1,375	1,375	0	0	0	0
China Three Gorges Corporation	780,633,782	780,633,782	0	0	0	0
Dingming Zhang (as representative of China Three Gorges Corporation)	0	0	0	0	0	0
China International Water & Electric Corp.	0	0	0	0	0	0
Guojun Lu (as representative of China International Water & Electric Corp.	0	0	0	0	0	0
China Three Gorges New Energy Co. Ltd.	0	0	0	0	0	0
Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)	0	0	0	0	0	0
CWEI (Europe) S.A. [2]	780,633,782	780,633,782	0	0	0	0
Shengliang Wu (as representative of CWEI (Europe) S.A.)	0	0	0	0	0	0
PARPÚBLICA - Participações Públicas (SGPS) S.A. [3]	_	151,517,000	_	0	_	0
Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.	0	0	0	0	0	0
José de Mello Energia, S.A.	168,097,034	168,097,034	0	0	0	0
Luís Filipe da Conceição Pereira (as representative of José de Mello Energia) [4]	1,459	1,459	150	150	1,200	1,200
Senfora SARL	148,431,999	148,431,999	0	0	0	0
Mohamed Al Fahim (as representative of Senfora SARL)	0	0	0	0	0	0
Carlos Jorge Ramalho Santos Ferreira [5]	-	40,000	0	0	-	0
Sonatrach	87,007,443	87,007,443	-	0	0	0
Harkat Abderezak (as representative of Sonatrach)	0	0	0	0	0	0
José Maria Espírito Santo Silva Ricciardi [6]	0	0	0	0	2,320	2,320
Alberto João Coraceiro de Castro [7]	4,578	4,578	5	5	2,460	2,460
António Sarmento Gomes Mota	0	0	0	0	0	0
Maria Celeste Ferreira Lopes Cardona	0	0	0	0	0	0
Fernando Maria Masaveu Herrero [8]	263,046,616	44,188,463	0	0	0	0
Ilídio da Costa Leite de Pinho	0	0	0	0	0	0
Jorge Avelino Braga de Macedo	0	0	0	0	0	0
Manuel Fernando de Macedo Alves Monteiro	0	0	60	60	0	0
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	0	0	0	0	0	0
Vasco Joaquim Rocha Vieira	3,203	3,203	0	0	60	60
Vítor Fernando da Conceição Gonçalves	0	3,465	0	0	680	680
Rui Eduardo Ferreira Rodrigues Pena	4,541	2,945	35	35	1,500	380
Augusto Carlos Serra Ventura Mateus	0	-	0	-	0	-
Nuno Manuel da Silva Amado	0	-	0	-	0	-

Notes:

1) The members of the General and Supervisory Board do not hold any shares of Energias do Brasil, S.A.

2) Previously known as China Three Gorges International (Europe), S.A.

3) Resigned on March 18, 2013

4) The shares of EDP - Energias de Portugal are held by his wife, Maria Manuela Silva Casimiro Pereira who is also the owner of all shares of EDP Renõváveis. Were also awarded to his wife 4,242 shares acquired at a price of € 2.458 on 05.06.2013, as payment in kind of a part of the annual bonus granted in accordance with both the company's and the individual performances during the year 2012.

5) Resigned on April 12, 2013. He is a person discharging managerial responsibilities within BCP Group which held, on 31st December 2012, 96,167,974 shares of EDP - Energias de Portugal.

6) The shares of EDP Renováveis are held by his wife, Teresa Maria Belo de Morais Calheiros e Meneses Ricciardi.

7) The shares of EDP - Energias de Portugal and EDP Renewables include 94 and 380 shares, respectively, held by his wife, Ana Maria Ferreira Lopes. Inherited 2,339 shares of EDP - Energias de Portugal and 620 shares of EDP Renewables following the settlement of the ascending inheritance of Mary Odette Coraceiro.

8) The shares of EDP - Energias de Portugal, SA include 263,046,616 shares held by Oppidum, which is directly owned by Liberbank 44.1% and 55.9% by Masaveu Internacional, S.L. which, in turn, is wholly owned by Masaveu Corporación, S.A., Fernando Masaveu has managerial responsibilities and 2.020 shares held by his wife Carolina Compostizo Fernández. Fernando Masaveu is a person discharging managerial responsibilities in Flicka Forestal SL, which holds 1,660,420 shares of EDP - Energias de Portugal, S.A.

In 2013, the members of the General and Supervisory Board performed the following operations with EDP shares:

Member	Company	Security	Date	Quantity	Operation	Avg. Purchase Price (euros)
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	04-01-2013	6.081	Purchase	2,355
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	07-01-2013	127.000	Purchase	2,355
Fernando Masaveu Herrero	EDP - Energias de Portugal	Shares	08-01-2013	130.000	Purchase	2,302
Vítor Fernando da Conceição Gonçalves	EDP - Energias de Portugal	Shares	17-01-2013	3.465	Sale	2,372
Rui Eduardo Ferreira Rodrigues Pena	EDP - Energias de Portugal	Shares	12-02-2013	1.596	Purchase	2,408
Rui Eduardo Ferreira Rodrigues Pena	EDP Renováveis	Shares	10-04-2013	1.120	Purchase	3,752

Other operations with financial instruments in which EDP's share was used as an underlying asset were also performed.

Member	Instrument	Option Type	Purchase/ Sell	Date	Maturity Date	Strike Price (€)	Quantity
José Maria Ricciardi	Equity Swap			28/09/2012	02/10/2013	2.142	35,492,945
José Maria Ricciardi	Equity OTC Options	Put	Sell	03/12/2012	03/01/2013	1.985	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Purchase	03/12/2012	03/01/2013	1.985	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Sell	21/12/2012	15/03/2013	2.45	5,000,000
José Maria Ricciardi	Equity OTC Options	Call	Purchase	21/12/2012	15/03/2013	2.45	5,000,000
José Maria Ricciardi	Equity Swap			18/01/2013	18/07/2013	2.41	28,000,000
José Maria Ricciardi	Equity OTC Options	Call	Purchase	18/01/2013	15/03/2013	2.45	5,000,000
José Maria Ricciardi	Equity Swap			27/09/2013	01/10/2014	2.714	35,492,945
José Maria Ricciardi	Equity Swap			27/09/2013	01/10/2014	2.714	35,492,945

9. SPECIAL POWERS OF THE MANAGING BODY WITH REGARD TO DECISIONS TO INCREASE SHARE CAPITAL

The Executive Board of Directors has the powers enshrined in the law and Articles of Association to perform its duties, which are indicated in detail in point 21.

Regarding approval of decisions on share capital increases, the Executive Board of Directors has the power to approve one or more share capital increases up to an aggregate limit of 10% of the current share capital in the amount of EUR 3,656,537,715.00, via the issue of Category A shares to be subscribed by new entries in cash, in accordance with the issue terms and conditions that it defines. The draft decision must be submitted to the General and Supervisory Board subject to a majority of two-thirds of votes of the respective members (Article 4 (3) of EDP's Articles of Association). The General Meeting of Shareholders held on 17 April 2012 decided to approve the renewal for five years of the Executive Board of Directors' authorisation pursuant to Article 4 (3) of the Articles of Association. The Executive Board of Directors has not yet used this renewed power to increase EDP's share capital.

The Executive Board of Directors also has the power to submit proposals to the General Meeting for approval of increases in share capital after receiving a favourable opinion from the General and Supervisory Board. In these case, the General Meeting is responsible for approving the decision to increase the share capital (Article 17 (2) (g) and 11 (2) (c) of EDP's Articles of Association).

10. SIGNIFICANT BUSINESS RELATIONSHIPS BETWEEN OWNERS OF QUALIFYING HOLDINGS AND THE COMPANY

In the course of its activity and irrespective of their relevance, EDP concludes deals and performs operations under normal market conditions for similar operations with different entities, particularly with financial institutions, including owners of qualifying holdings in EDP's share capital and companies related to them.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (“CTG”) came into effect in December 2011, this company (and three other group companies) took a place on EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June, 2013, EDP Renováveis, S.A. sold for a total final price global of EUR 368 million to a CTG Group company (CITIC CWEI Renewables S.C.A.,) a 49% shareholding in EDP Renováveis Portugal and 25% of the loan capital and supplementary capital contributions paid to this company and additional contributions under the rules of additional contributions to this company.

Also under this partnership, on 6 December, 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), a subsidiary owned 100% by China Three Gorges (CTG), setting out the main guidelines of the partnership with a view to future joint investments between EDP Brasil and which governs the parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of EUR 2 billion to be made by CTG by 2015 (including joint operating investment financing) in ready-to-build operational renewable energy generation projects.

During 2013, and in addition to financial intermediation services rendered by BCP, were sell to this Bank: i) credits in the nominal value of EUR 149,587,500, related to 2012 tariff deficit; ii) credits in the nominal value of

EUR 149,824,737, associated to the right of recovering annual adjustment value, referent to 2011, of the compensation due for the anticipated term of energy acquisition contracts (tariff adjustments to CMEC).

To Sonatrach, in 2013, was acquired natural gas within the scope of the long-term supply contracts to EDP Group and to the Soto 4 combined cycle plant, in the amount of USD 325,778,484.73.

At last, it was acquired to Liberbank a participation of 3% of Hidroeléctrica del Cantábrico, SA share capital, in the amount of EUR 106 million, subsequently to the exercise of a put option agreed with the referred Spanish institution in 2004.

Regarding the applicable governance guiding lines, it shall be noted that this theme was further analyzed in 2008 and the General and Supervisory Board approved objective, transparent rules for identifying, preventing and resolving relevant corporate conflicts of interest entitled Framework for Handling conflicts of Interest, which were revised in late 2009.

Following a decision made by the General and Supervisory Board, on 17 May 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties. These rules are also available on EDP's website (www.edp.pt).

As part of its improvement of governance practices, on 29 July 2010, the General Supervisory and Board approved EDP's rules on conflicts of interest and transactions between related parties, which are available on EDP's website (www.edp.pt), which replace the Framework for Handling conflicts of Interest. These rules for identifying, preventing and resolving potential relevant corporate conflicts of interest have a higher level of exigency than those in the CMVM Corporate Governance Code.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

The General and Supervisory Board noted in relation to 2013, in view of the cases analysed and the information provided by the Executive Board of Directors, that no evidence was found that the potential conflicts of interest underlying the transactions made by EDP may have been settled contrary to the interests of the Company.

For more information on the matter, see Point 3.5.1. of the Annual Report of the General and Supervisory Board.

B. CORPORATE BODIES AND COMMITTEES

I. GENERAL MEETING

A) COMPOSITION OF THE GENERAL MEETING

11. NAME AND POSITION OF OFFICERS OF THE GENERAL MEETING AND THEIR TERM OF OFFICE

Pursuant to Article 12 of EDP's Articles of Association, the officers of the General Meeting are a Chairman, a Vice-Chairman and the Company Secretary, who is appointed by the Executive Board of Directors.

At the Annual General Meeting of 17 April 2012 the Chairman and Vice-Chairman of the General Meeting were elected to office for 2012-2014. The Company Secretary was appointed on 22 February 2012 (likewise for the term from 2012 to 2014).

Board of the General Meeting

Chairman	Rui Eduardo Ferreira Rodrigues Pena
Vice-Chairman	Rui Pedro Costa Melo Medeiros
Company Secretary	Maria Teresa Isabel Pereira

The Chairman of the General Meeting is automatically a member of the General and Supervisory Board, pursuant to Article 21 (2) of EDP's Articles of Association.

The Chairman of the General Meeting has the in-house human and logistic resources appropriate to his/her needs, including the support of the General Secretariat and Legal Department, the Investor Relations Office and the Brand and Communication Department, plus external support from a specialised entity hired by EDP to collect, process and count the votes. The logistic and administrative resources for the General Meeting are provided by the Company and the organisation is supervised by the Chairman of the General Meeting.

B) EXERCISE OF VOTING RIGHTS

12. RESTRICTIONS ON VOTING RIGHTS

Pursuant to Article 14 (2) of EDP's Articles of Association, each share corresponds to one vote.

The holders of rights representing shares under ADR (American Depositary Receipt) programmes are subject to the same provisions of the law and Articles of Association pursuant to 9 do Article 14 (9) of the Articles of Association.

EDP's shareholders can only participate and vote at the General Meeting, personally or through a representative, if on the date of registration, 00:00 hours (GMT) of the fifth day of trading prior to that of the General Meeting, they own at least one share (Article 14 (10) of the Articles of Association).

Proof of ownership of the shares is provided by sending the Chairman of the General Meeting, by the fifth day of trading prior to that of the General Meeting, a statement issued, certified and sent by the financial intermediary responsible for registering the shares, indicating the number of shares registered and the date of registration. It may be sent by email (Article 14 (13) of EDP's Articles of Association).

Participation in the General Meeting also requires the shareholder to express this intention to the Chairman of the General Meeting and the financial intermediary at which the individual registration account has been opened, by the end of the sixth day of trading prior to that of the General Meeting. The communication may be sent by email (Article 14 (11) of EDP's Articles of Association).

Shareholders who have expressed their intention to participate in a General Meeting pursuant to the Articles of Association and have transferred ownership of the shares between the fifth day of trading prior to that of the General Meeting and the end thereof, must inform the Chairman of the General Meeting and the CMVM immediately (Article 14 (11) of EDP's Articles of Association).

EDP's shareholders can submit a postal vote on each of the items on the agenda in a letter addressed to the Chairman of the General Meeting, as set out in Article 14 (6) of the Articles of Association.

Pursuant to Article 14 (7) of EDP's Articles of Association, voting rights may also be exercised electronically, in accordance with the requirements necessary to ensure their authenticity, which must be defined by the Chairman of the General Meeting in the invitation to the meeting.

Shareholders can find the necessary forms for postal or electronic votes on EDP's website (www.edp.pt).

EDP has taken measures to encourage shareholders to exercise their voting rights, such as elimination of financial obstacles that may affect their exercise. These measures include:

- General circulation of the notice of meeting of the General Meeting with an express indication of the channels available for the exercise of voting rights and in publications on the CMVM website (on www.cmvm.pt) and EDP website (on www.edp.pt), on the NYSE Euronext Lisbon newsletter and in mailings to shareholders;
- Payment of the costs of issuing declarations of ownership of shares for all shareholders who participate in the General Meeting (directly or by post);
- Payment of the costs involved in remote voting, including postal voting.

Since 20 February 2012 votes cast by a shareholder in his own name or as a representative of another exceeding 25% (twenty-five percent) of all the votes representing the share capital are not considered. This limitation applies to all decisions of the General Meeting, including those for which the law or EDP's Articles of Association provide for a qualified majority of the company's share capital.

Pursuant to Article 14 (4) of EDP’s Articles of Association, votes for which, under Article 20 (1) of the Securities Code or any legal rule that amends or replaces it, he is responsible will be considered cast by the same shareholder.

EDP's shareholders are obliged to provide the Executive Board of Directors, in writing and in a complete, objective, clear, truthful form, and in a manner acceptable to the board, all information that it requests from them on facts concerning them and related to Article 20 (1) of the Securities Code. Noncompliance with this obligation shall result in prevention of the exercise of voting rights pertaining to the shares owned by the shareholder in question (Article 15 (2) and (3) of the Articles of Association).

If the limitation on the counting of votes affects a number of shareholders, it will operate in proportion to the ordinary shares owned by each one (Article 14 (5) of the Articles of Association).

Furthermore, pursuant to Article 20 (1) of the Securities Code, or any legal rule that amends or replaces it, shareholders who become owners of a shareholding of 5% (five percent) or more of the voting rights or share capital, must inform the Executive Board of Directors thereof within five business days of the date on which ownership occurred. They cannot exercise their voting rights until they have made this communication (Article 15 (1) of EDP's Articles of Association).

13. MAXIMUM PERCENTAGE OF VOTING RIGHTS THAT CAN BE EXERCISED BY A SINGLE SHAREHOLDER OR SHAREHOLDERS THAT ARE RELATED IN SOME OF THE RELATIONS OF ARTICLE 20 (1)

See Point 12

14. DECISIONS OF SHAREHOLDERS WHO, UNDER THE ARTICLES OF ASSOCIATION, CAN ONLY BE MADE BY A QUALIFIED MAJORITY OTHER THAN THOSE PROVIDED FOR BY LAW

Decisions by the General Meeting are taken by a majority of votes cast, unless the law or the Articles of Association require a qualified majority (Article 11 (3) of the Articles of Association).

EDP’s Articles of Association do not define any constitutive quorum for the General Meeting and have adopted the rule set out in the Portuguese Company Code.

Where a deliberative quorum is concerned, pursuant to EDP's Articles of Association, the General Meeting of Shareholders may decide at the first or second call however many shareholders are present or represented, including decisions on amendment of the Articles of Association, merger, split or conversion of the company (Article 11 (4) of the Articles of Association). On these matters, the deliberative quorum is actually lower than that set out in the Company Code (see Article 383 (1) of the Company Code), which requires the presence or representation of shareholders owning shares representing at least one third of the share capital.

In all other cases, the deliberative quorum set out in Article 383 (2) of the Company Code applies.

II. MANAGEMENT AND SUPERVISION

A) COMPOSITION

15. CORPORATE GOVERNANCE MODEL

EDP's governance structure is based on the dual model and consists of the General Meeting, Executive Board of Directors, General and Supervisory Board and the Statutory Auditor.

According to Article 11 (2) (b) of the Articles of association, it is the responsibility of the General Meeting of EDP to elect and dismiss the members of the Executive Board of Directors and the General and Supervisory Board, as well as their Chairmen and Vice-Chairmen, if any, and the Statutory Auditors, based on a proposal by the General and Supervisory Board (or by delegation to the Financial Matters Committee / Audit Committee). The General Meeting also appoints the members of the Environment and Sustainability Board, on proposal of the Executive Board of Directors, and Remuneration Committee of the General Meeting, which is responsible for setting the remuneration of the members of the corporate bodies (except the Executive Board of Directors, whose remuneration is set by the Remuneration Committee appointed by the General and Supervisory Board).

The separation of management and supervision roles is embodied in an Executive Board of Directors, which is responsible for the management of the company’s business, and a General and Supervisory Board, the highest supervisory body.

Considering this structure, we can say that the dual model of corporate governance in place in EDP has allowed effective separation of the company’s supervision and management in pursuit of the goals and interests of EDP and its shareholders, employees and other stakeholders, thereby contributing to achieving the degree of trust and transparency necessary for its adequate functioning and optimisation.

Furthermore, this model has proved appropriate to the company's shareholder structure as it allows supervision by key shareholders on the General and Supervisory Board.

For a better understanding of EDP's corporate governance, EDP's website (www.edp.pt) allows shareholders and the general public to view the up-to-date Articles of Association in Portuguese and English, the Internal Regulations of the Executive Board of Directors, General and Supervisory Board and its committees.

Moreover, the General and Supervisory Board and Executive Board of Directors have approved the Corporate Governance Manual which is also available to shareholders and the general public on the EDP website (www.edp.pt). The primary objective of this manual is to record and share an understanding of the two corporate bodies in terms of the recommendations of good corporate governance practices applying to EDP and appropriate guidelines to comply with them.

EDP sought to go beyond the legal requirements and regulations for this area, particularly concerning information reporting, given EDP's meticulousness and goals as regards the quality of its corporate governance practices. The Corporate Governance Manual therefore sought to serve the following purposes in order to achieve this basic goal:

- To reflect critically on recommendations on best practices set out in the CMVM Corporate Governance Code in order to contribute actively in optimising EDP's practices;
- To select the recommendations deemed most appropriate to EDP’s governance model, focusing on measures taken and indicating potential measures for full adoption of good practices;
- To identify recommendations that are not appropriate to EDP’s interests and give reasons for this position and indicate other ways of achieving the goals set out in the CMVM Corporate Governance Code;
- To help targets of the recommendations to reflect on the best governance practices to be followed at EDP;
- To draft a formal document that will help compliance with reporting obligations on corporate governance practices, such as the annual report required by law;
- Describe EDP’s governance practices that are not set out in the Corporate Governance Code but achieve the goal shared by the General and Supervisory Board and the Executive Board of Directors to develop and increase the quality of EDP’s governance processes.

16. ARTICLES OF ASSOCIATION RULES ON PROCEDURAL AND MATERIAL REQUIREMENTS FOR THE APPOINTMENT AND REPLACEMENT OF MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

It is the role of the General Meeting to elect and remove members of the Executive Board of Directors and the General and Supervisory Board, including their chairmen.

In the event of permanent or temporary absence of any of the members of the Executive Board of Directors, the General and Supervisory Board arranges for his/her replacement and the appointment must be ratified by the next General Meeting.

In the event of permanent absence of any of the members of the General and Supervisory Board, the substitutes on the list submitted to the General Meeting must be summoned by the Chairman of the General and Supervisory Board to replace him/her, following the order on the list. Pursuant to Article 21 (5) of EDP's Articles of Association, the substitutes on the list must all be independent. If there are no substitutes, they will be elected by the General Meeting.

17. COMPOSITION OF THE BOARD OF DIRECTORS, EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

The shareholders elected the members of the General and Supervisory Board and the Executive Board of Directors at the General Meeting of 20 February 2012, for the three-year period from 2012 to 2014. The term of office of these members of the corporate bodies therefore ends on 31 December 2014, though they may remain in office until a new appointment.

GENERAL AND SUPERVISORY BOARD

In the exercise of its duties – see Article 441 of the Company Code and Article 22 of EDP’s Articles of Association - the main mission of the General and Supervisory Board is to constantly advise, monitor and supervise the management activities of EDP, cooperating with the Executive Board of Directors and the various other corporate bodies in pursuit of the company’s interests, pursuant to the Company Code and the company’s Articles of Association. It is elected by the shareholders at the General Meeting. Pursuant to Article 21 (1) of the Articles of Association, the General and Supervisory Board consists of no fewer than nine effective members, but always more than the number of members of the Executive Board of Directors. The majority of the elected members of the General and Supervisory Board must be independent, pursuant to Article 21 (4) of the Articles of Association.

At the Annual General Meeting of 6 May 2013, two new members were elected, namely Augusto Carlos Serra Ventura Mateus and Nuno Manuel da Silva Amado, following the resignations submitted by Parpública – Participações Públicas (SGPS), S.A. and Carlos Jorge Ramalho dos Santos Ferreira on 18 March and 12 April 2013, respectively

The members of the General and Supervisory Board are currently as follows:

	General and Supervisory Board	Independent Members	First appointment date
Chairman	Eduardo de Almeida Catroga	Independent	30/03/2006
Vice-Chairman	Dingming Zhang (em representação da China Three Gorges Corporation)		20/02/2012
	Guojun Lu (as representative of China International Water & Electric Corp.)		20/02/2012
	Ya Yang (as representative of China Three Gorges New Energy Co. Ltd.)		20/02/2012
	Shengliang Wu (as representative of CWEI (Europe), S.A.)		20/02/2012
	Felipe Fernández Fernández (as representative of Cajastur Inversiones, S.A.)		02/06/2008
	Luis Filipe da Conceição Pereira (as representative of José de Mello Energia, S.A.)		14/04/2011
	Mohamed Ali Ismaeil Ali Al Fahim (as representative of Senfora SARL)		16/04/2010
	Harkat Abderezak (as representative of Sonatrach)		20/02/2012
	José Maria Espírito Santo Silva Ricciardi		30/03/2006
	Alberto João Coraceiro de Castro	Independent	30/03/2006
	António Sarmento Gomes Mota	Independent	15/04/2009
	Maria Celeste Ferreira Lopes Cardona	Independent	20/02/2012
	Fernando Maria Masaveu Herrero		20/02/2012
	Ilídio da Costa Leite de Pinho	Independent	20/02/2012
	Jorge Avelino Braga de Macedo	Independent	20/02/2012
	Manuel Fernando de Macedo Alves Monteiro	Independent	30/03/2006
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	Independent	20/02/2012
	Vasco Joaquim Rocha Vieira	Independent	20/02/2012
	Vítor Fernando da Conceição Gonçalves	Independent	30/03/2006
	Rui Eduardo Ferreira Rodrigues Pena	Independent	12/04/2007
	Augusto Carlos Serra Ventura Mateus	Independent	06/05/2013
	Nuno Manuel da Silva Amado		06/05/2013

The representatives of the companies China Three Gorges Corporation, China International Water & Electric Corp., China Three Gorges New Energy Co., Ltd. and CWEI (Europe) SA, initiated their term of office on 11 May 2012, following the entry into force of the strategic partnership agreement concluded on 30 December 2011.

EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is responsible for managing the company's activities and representing the company, pursuant to Article 431 of the Company Code and Article 17 of the Articles of Association and is elected by the shareholders at a General Meeting. The Executive Board of Directors is currently made up of seven members. Pursuant to Article 16 (2) of the Articles of Association, the Executive Board of Directors must have a minimum of five and a maximum of seven members.

The members of the Executive Board of Directors are as follows:

	Executive Board of Directors	First appointment date
Chairman	António Luís Guerra Nunes Mexia	30/03/2006
	Nuno Maria Pestana de Almeida Alves	30/03/2006
	João Manuel Manso Neto	30/03/2006
	António Manuel Barreto Pita de Abreu	30/03/2006
	António Fernando Melo Martins da Costa	30/03/2006
	João Manuel Veríssimo Marques da Cruz	20/02/2012
	Miguel Stilwell de Andrade	20/02/2012

Members elected at the General Meeting of March 30, 2006 to hold office from June 30, 2006, date of entry into force of new Articles of Association and the two-tier corporate governance model.

18. INDEPENDENT MEMBERS OF THE EXECUTIVE BOARD OF DIRECTORS AND GENERAL AND SUPERVISORY BOARD

EDP's Articles of Association (Article 9 (1) Article 11 (2) (d), Article 21 (4), Article 22 (1) (a), Article 23 and Article 27) and the Internal Regulations of the General and Supervisory Board (Article 7)), both available on its website (www.edp.pt), lay down the rules on independence and incompatibilities for members of any of the company's corporate bodies.

The criteria of independence set out in EDP's Articles of Association are in line with those laid down in 414 (5) of the Company Code and determine that independence means an absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently.

Pursuant to Article 9 (1) of EDP's Articles of Association, independence is "absence of direct or indirect relations with the company or one of its bodies and an absence of any circumstances that might affect impartiality of analyses or decisions, e.g. because the people in question own or are acting on behalf of owners of a qualifying shareholding of 2% (two percent) or more of the share capital of EDP or have been re-elected for more than two terms of office continuously or intermittently".

In view of the need to clarify the aforementioned Article 414 (5) of the Company Code, as there are diverging legal opinions, Associação de Emitentes de Valores Cotados em Mercado ("AEM") requested an opinion from the CMVM , whose opinion was that the capacity as independent is only lost if, "on the basis of the criterion of number of terms of office, in a situation likely to affect his/her impartiality in analyses or decisions if the members of the supervisory bodies of public limited companies, having been elected for a first term of office and re-elected continuously or intermittently for a second and third term, are re-elected (for the third time, therefore) for a fourth term of office."

Pursuant to its Internal Regulations, the General and Supervisory Board has in place a specific procedure regarding compliance with a large number of rules on incompatibilities and independence applicable to positions on this board (Articles 6 and 7 of the General and Supervisory Board Internal Regulations). This procedure includes the following aspects:

- Acceptance of a position as member of the General and Supervisory Board is subject to a written statement setting out specifically (i) the inexistence of any incompatibility under the law or Articles of Association; (ii) compliance with the independence requirements set out in its Internal Regulations, if the person has been elected as an independent member; (iii) the members' obligation to report to the Chairman of the General and Supervisory Board or, for the Chairman, directly to the board any subsequent event that might generate incompatibility or loss of independence;
- Every year, the members of the General and Supervisory Board must renew their statements as to the inexistence of incompatibility and compliance with the independence requirements, if applicable;

Also every year, the General and Supervisory Board conducts a general assessment of compliance with the rules of incompatibility and independence by its members.

At the same time, the Internal Regulations of the General and Supervisory Board has broadened the independence criteria applicable to its members, going beyond the provisions of Article 414 (5) of the Company Code and Article 9 of EDP's Articles of Association, and so people who directly or through their spouse or relative or similar in a straight line and to the collateral third degree, inclusive, are in one of the following situations cannot have independent status:

- Being holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in EDP or the same percentage in a company of which it is a subsidiary;
- Being a holder, director, having contractual ties or acting on behalf or on the account of owners of a qualifying shareholding of 2% (two percent) or more of the share capital or voting rights in a company that is a competitor of EDP; and

- Having been re-elected for more than two consecutive or non-consecutive terms of office.

The rules of independence covering members of the General and Supervisory Board are particularly important regarding the following requirements:

- The board must consist of a majority of independent members (Article 434 (4) of the Company Code and Article 21 (4) of EDP's Articles of Association);
- The Financial Matters Committee/Audit Committee and the Remuneration Committee of the General and Supervisory Board must comprise a majority of independent members (Article 444 (6) of the Company Code Article 27 (1) (a) and (b) of the General and Supervisory Board's Internal Regulations).

In compliance with the above procedure, at the start of their terms of office, the members of the General and Supervisory Board stated that they were not in any of the situations of incompatibility set out in the Company Code (Article 414-A (1) (a) to (e) and (h) (ex vi Article 434 (4) and Article 437 (1)) or under the Articles of Association and, where applicable, that they complied with the independence requirements of the Internal Regulations of the General and Supervisory Board.

In early 2013, the members of the outgoing General and Supervisory Board renewed their statements on incompatibilities and independence. On 28 February, 2014, the General and Supervisory Board assessed compliance with the rules on incompatibilities and independence of the elected members at the General Meeting of 20 February, 2012 and members elected at the General Meeting of 6 May, 2013.

The Chairman and Vice-Chairman of the Board of the General Meeting made similar statements of compliance with the criteria of independence and incompatibility for their positions, as set out in Article 414 (5) and Article 414-A (1) of the Company Code and in Articles 9 and 10 of EDP's Articles of Association.

The above statements are available to the public on EDP's website, www.edp.pt.

The independent members of the General and Supervisory Board are shown in the table in Point 17 above.

19. QUALIFICATIONS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

See page 304 and following from the Management Report.

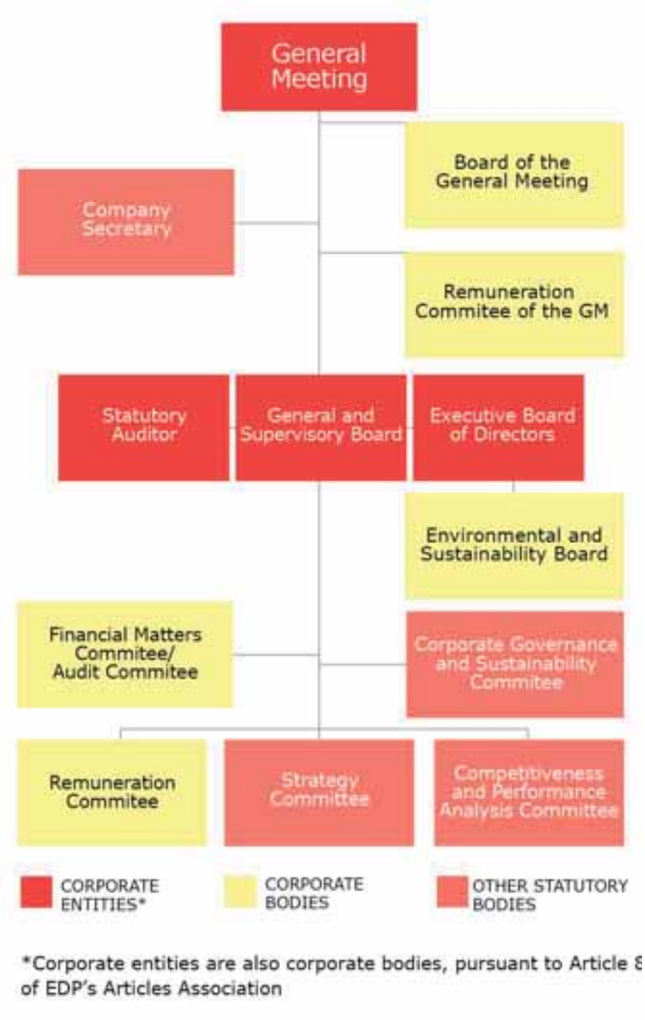
20. FAMILY, WORK-RELATED AND BUSINESS RELATIONSHIPS OF THE MEMBERS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS WITH SHAREHOLDERS OWNING A QUALIFYING SHAREHOLDING OF OVER 2% OF THE VOTING RIGHTS

The Chairman of the Executive Board of Directors, António Luís Guerra Nunes Mexia, is a director of Banco Comercial Português, S.A. which holds, directly and indirectly, a 2.63% shareholding in EDP.

As for the General and Supervisory Board, there are professional relationships between Board members and shareholders attributed a qualifying holding of more than 2% of voting rights, as described below:

- The members of the General and Supervisory Board Dingming Zhang, Ya Yang, LuGuojun and Shegliang Wu are managers of China Three Gorges Corporation which, through its subsidiary CWEI (Europe), S.A., has a 21.35% shareholding in EDP.
- The member of the General and Supervisory Board Fernando Masaveu Herrero is chairman of the management body of Masaveu International, S.L. which owns 52.9% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- The member of the General and Supervisory Board Felipe Fernández Fernández is a manager of Liberbank, S.A. which owns 47.1% of Oppidum, S.L., a company with a 7.19% shareholding in EDP.
- The member of the General and Supervisory Board Mohamed Ali Al-Fahim is a manager of International Petroleum Investment Company (IPIC) which wholly owns Senfora, SARL, a company with a 4.06% shareholding in EDP.
- The member of the General and Supervisory Board Nuno Manuel da Silva Amado is chairman of the board of directors of Banco Comercial Português S.A. which holds, directly and indirectly, a 2.63% shareholding in EDP.
- The member of the General and Supervisory Board Harkat Abderezak is a manager of Sonatrach which has a 2.38% shareholding in EDP.

21. ORGANISATION CHART, DELEGATION AND DIVISION OF POWERS



POWERS OF THE GENERAL AND SUPERVISORY BOARD

Pursuant to article 22 of the Articles of Association, the General and Supervisory Board is especially responsible for:

- Permanently monitor the management of EDP and its subsidiaries and provide management advice and assistance to the Executive Board of Directors, particularly with regard to strategy, goals and compliance with the law;
- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the statutory auditor and external auditor and, with regard to the former, issue an opinion on their election or appointment, dismissal, independent status and other relations with the company;
- Oversee, on a permanent basis, and evaluate internal accounting and auditing procedures, the efficacy of the risk management system, internal control system and internal auditing system, including the way in which complaints and queries are received and processed, whether originating from employees or not;
- Propose to the General Meeting the removal from office of any member of the Executive Board of Directors
- Monitor the definition of criteria and responsibilities required or appropriate for the structures and internal bodies of the company or Group and their impact and draft follow-up plans;
- Provide for the replacement of members of the Executive Board of Directors in the event of permanent or temporary absence, as required by law;
- Issue an opinion on their annual vote of confidence in the directors set out in Article 455 of the Company Code, on its own initiative or when requested to do so by the CEO;
- Monitor and assess matters of corporate governance, sustainability, internal codes of ethics and conduct and compliance with these codes and systems for appraising and resolving conflicts of interest, including those associated with the company's relations with its shareholders, and issue opinions on these matters;

- Obtain the financial or other resources that it reasonably deems necessary for its work and ask the Executive Board of Directors to take any measures or make any corrections that it considers pertinent, with the power to hire independent consultants, if necessary;
- Receive regular information from the Executive Board of Directors on significant business relations between the company or its subsidiaries and shareholders with a qualifying holding and persons related to them;
- Appoint the Remuneration Committee and Financial Matters Committee/Audit Committee;
- Represent the company in its relations with the directors;
- Supervise the work of the Executive Board of Directors;
- Oversee compliance with the law and Articles of Association;
- Select and replace the company's external auditor, giving the Executive Board of Directors instructions for engagement or dismissal;
- Monitoring the bookkeeping, accounts and supporting documents and the status of any assets or securities held by the company, as and when it deems appropriate;
- Supervise the preparation and disclosure of financial information
- Call the General Meeting when it deems appropriate;
- Approve internal rules, including rules on relations with the other corporate bodies;
- Exercise any other powers that may be granted by law, the Articles of Association or by the General Meeting.

Under the corporate governance model in place at EDP, the General and Supervisory Board also has a power of particular importance. Although it does not have management powers, pursuant to Article 442 (1) of the Company Code, Article 17 (2) of the Articles of Association lays down that the approval of EDP's strategic plan and performance of the operations indicated below by EDP or its subsidiaries are subject to a prior favourable opinion from this board (see also Article 13 of the Internal Regulations of the General and Supervisory Board):

- Acquisitions and sales of assets, rights or shareholdings of significant economic value;
- Financing operations of significant value;
- Opening and closure of establishments, or important parts thereof, and substantial extensions or limitations of company activity;
- Other transactions or operations of significant economic or strategic value;
- Formation or termination of strategic partnerships or other forms of lasting cooperation;
- Plans for splits, mergers or conversions;
- Amendments to the Articles of Association, including changes of registered office and share capital increases when on the Executive Board of Directors' initiative;
- Approval of the draft decision of the Executive Board of Directors to increase the share capital by means of one or more share capital increases, up to the aggregate limit of 10% of the current share capital by issuing Category A shares to be subscribed by new inputs of cash;
- Formation or termination of strategic partnerships or other forms of lasting cooperation.

The Chairman of the General and Supervisory Board is granted particular powers, and, pursuant to Article 18 of the Rules of Procedure of the General and Supervisory Board, is responsible for:

- Convening and presiding over meetings of the General and Supervisory Board;
- Representing the General and Supervisory Board institutionally;
- Coordinating the work of the General and Supervisory Board and ensuring the correct operation of its committees, being entitled to attend any meeting and being kept informed of their activities;
- Proposing to the plenary General and Supervisory Board the members, the Chairman and, when appropriate, the Vice-Chairman of each committee;
- Ensuring that the members of the General and Supervisory Board punctually receive the information they need for their duties;
- Requesting from the Executive Board of Directors relevant information for the General and Supervisory Board and its committees to perform their duties and ensuring that the members of the General and Supervisory Board receive it in good time;
- Taking the necessary measures to ensure that the General and Supervisory Board adequately monitors the activity of EDP and the Executive Board of Directors in particular;
- Monitoring implementation of the General and Supervisory Board’s budget and managing the material and human resources assigned to it;
- Ensuring correct implementation of General and Supervisory Board decisions.

The Chairman of the General and Supervisory Board or, in his/her absence or incapacity, a member delegated by the board for that purpose, may attend meetings of the Executive Board of Directors whenever s/he sees fit and take part in the discussion of matters to be submitted to the General and Supervisory Board, without having any voting rights pursuant to Article 21 (10) of EDP's Articles of Association.

The members of the Financial Matters Committee/Audit Committee have a duty to attend the meetings of the Executive Board of Directors when the accounts are appraised, (see Article 4 (3) (e) of the Rules of Procedure of the Financial Matters Committee/Audit Committee.

With the assistance of the Corporate Governance and Sustainability Committee, the General and Supervisory Board annually performs:

- A self-assessment of its activity and performance and those of its committees, the conclusions of which are set out in its annual report (see Article 10 of the General and Supervisory Board Internal Regulations);
- An independent assessment of the activity and performance of the Executive Board of Directors, the conclusions of which are submitted to the General Meeting and are presented in an annex to the annual report of the General and Supervisory Board.

EDP, on the initiative of the General and Supervisory Board, continues to be one of the few listed companies in Portugal and abroad that has voluntarily established a formal, impartial process to assess the activity of this board and of the Executive Board of Directors. Experience of recent years has allowed the General and Supervisory Board to make some changes in the process to make it more effective and efficient. The method used comprises the following stages:

- After the year's end, the Chairman of the General and Supervisory Board sends assessment questionnaires to the members of its Board. The questionnaires are answered individually and are confidential.
- The General and Supervisory Board Support Office statistically processes the data received and prepares the information for consideration at a General and Supervisory Board meeting;
- The General and Supervisory Board issues its assessment opinions and they are included in this board's annual report;
- At the General Meeting, the Chairman of the General and Supervisory Board presents the board's opinion in the item of the agenda for assessment of the Executive Board of Directors.

POWERS OF THE EXECUTIVE BOARD OF DIRECTORS

The Executive Board of Directors is a collegial body. Individual directors in office are only allowed to represent one absent director at each meeting. All directors have equal voting rights and the Chairman has the casting vote.

The powers of the Executive Board of Directors, in accordance with the Article 17 (1) of the Articles of Association, include:

- Setting the goals and management policies of EDP and the EDP Group;
- Drawing up the annual business and financial plans;
- Managing corporate business and undertaking all actions and operations associated with the corporate object that do not fall within the responsibilities of other company bodies;
- Representing the company in and out of court, actively and passively, with the power to waive, transact and admit guilt in any legal proceedings and make arbitration agreements;
- Buying, selling or by any other means disposing or encumbering rights or immovable assets;
- Setting up companies and subscribing, purchasing, encumbering and selling shareholdings;
- Deciding on the issue of bonds and other securities in accordance with the law and the Articles of Association, in compliance with the annual quantitative limits set by the General and Supervisory Board;
- Establishing the technical and administrative organisation of EDP and the rules of procedure, particularly in relation to personnel and their remuneration;
- Appointing proxies with such powers as it sees fit, including the power to delegate;
- Appointing the Company Secretary and alternate;
- Hiring and dismissing the External Auditor on recommendation of the General and Supervisory Board;
- Exercising any other powers that may be granted to it by law or by the General Meeting;
- Establishing its own internal rules.

Proposals to amend EDP's Articles of Association regarding share capital increases submitted by the Executive Board of Directors require a prior opinion from the General and Supervisory Board, pursuant to Article 17 (2) (g) of the Articles of Association.

The Chairman of the Executive Board of Directors sends the Chairman of the General and Supervisory Board the notices of meetings, support documents and minutes of the meetings and, on request, provides appropriate, timely information, which is accessible to all the members of the General and Supervisory Board and of the Financial Matters Committee/Audit Committee.

When so requested by other members of the corporate bodies, the Executive Board of Directors also provides all the required information in a timely and appropriate fashion. There is an information sharing portal for the Executive Board of Directors and General and Supervisory Board, which is accessible to all their members.

The Chairman of the Executive Board of Directors is granted particular powers by Article 18 of the Articles of Association. These powers are:

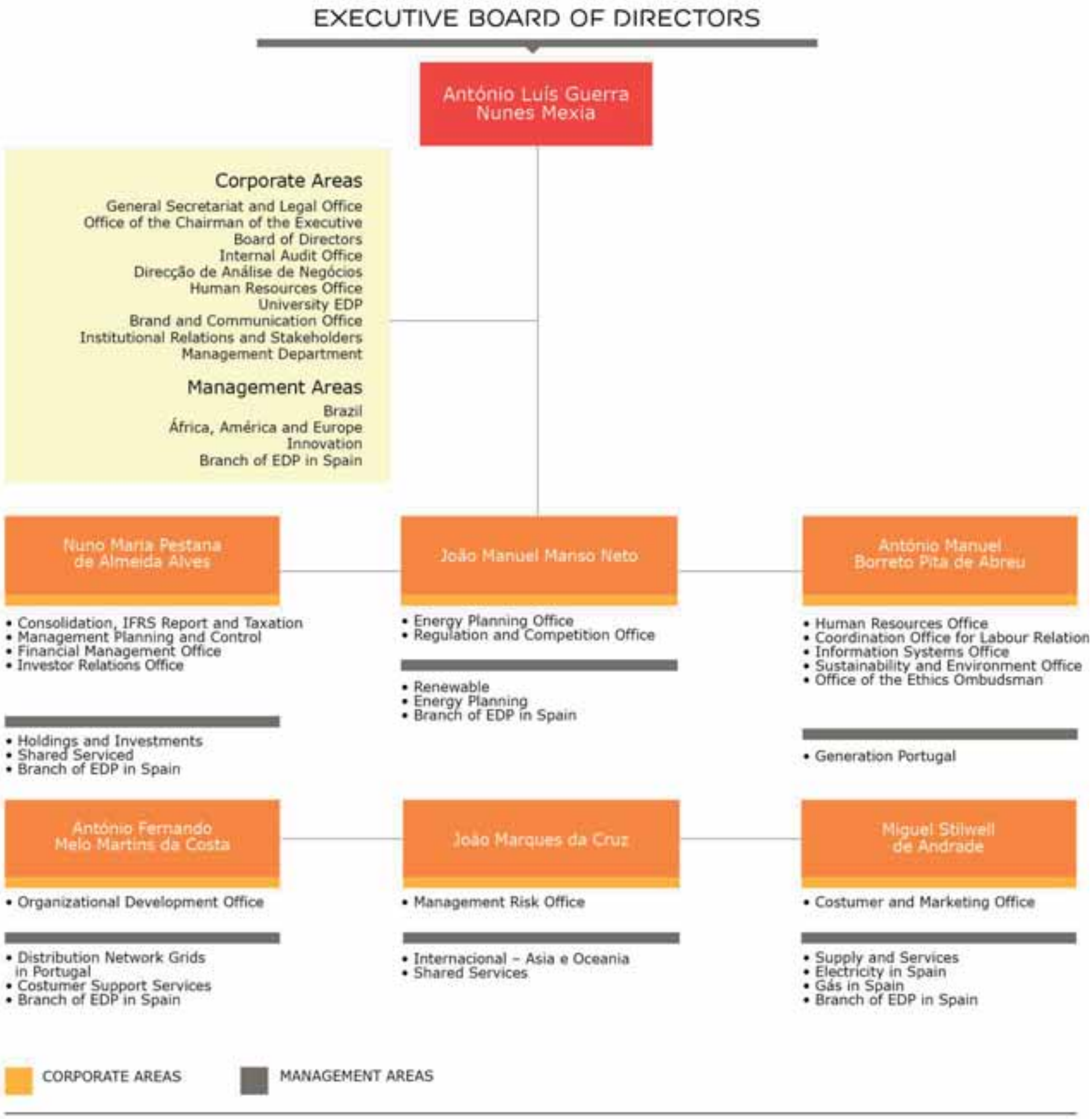
- Representing the Executive Board of Directors;
- Coordinating the work of the Executive Board of Directors and convening and presiding over its meetings;
- Ensuring proper execution of the decisions of the Executive Board of Directors.

The Chairman of the Executive Board of Directors is entitled to attend the meetings of the General and Supervisory Board, whenever considered appropriate, except when these concern decisions on the supervision of the work of the Executive Board of Directors and, in general, any situations that may involve a conflict of interest, pursuant to Article 18 (2) of the Articles of Association.

In the Executive Board of Directors there is a functional division of management areas to each of its members. The college of directors is responsible for making decisions on all matters within its remit. Delegated powers are not granted to directors individually, because of the board's particular nature.

The activity and performance of the Executive Board of Directors are assessed continuously and independently by the General and Supervisory Board on an annual basis.

The organisation of the Executive Board of Directors is based on the following management areas and corporate matters:



EDP'S FUNCTIONAL STRUCTURE

GROUP'S ORGANISATIONAL MODEL

The Executive Board of Directors is responsible for defining the EDP Group's organisational model and dividing duties among the different business units, the service company EDP Valor - Gestão Integrada de Serviços, S.A. (EDP Valor) and central structure. This structure consists of a Corporate Centre that provides assistance to the Executive Board of Directors in defining and monitoring the execution of strategies, policies and goals.

The Corporate Centre is divided into departments and business units, allowing for optimisation and greater efficiency of the organisational structure.

The Executive Board of Directors is also assisted by specialised committees, which ensure more effective monitoring of matters and contribute to the decision-making process.

CORPORATE CENTRE

The central support structure for decision-making processes in 2013 was as follows:

OFFICES

SUPPORT TO GOVERNANCE AREA	
General Secretariat and Legal office	Maria Teresa Pereira
Office of the Chairman of the Executive Board of Directors	Martim Martorell Salgado
Audit Department	Azucena Viñuela Hernández
Office of the Ethics Ombudsman	José Figueiredo Soares
STRATEGIC AREA	
Energy Planning Department	Pedro Neves Ferreira
Business Analysis Department	Duarte Castro Bello
Risk Management Department	José Allen Lima (1)
Regulation and Competition Department	Maria Joana Simões
Sustainability Department	António Neves de Carvalho
FINANCIAL AREA	
Financial Management Department	Paula Cristina Guerra
Consolidation, IFRS Report and Tax Department	Miguel Ribeiro Ferreira
Management Planning and Control Department	Nuno Miguel Chung
Investor Relations Department	Miguel Henriques Viana
RESOURCES AREA	
Organisational Development Department	José Filipe Santos
Information Systems Department	Vergílio Rocha
Human Resources Department	Paula Maria Carneiro (2)
Coordination Office for Labor Relations	Eugénio Carvalho
University of EDP	Vasco Coucello
MARKETING AND COMMUNICATION AREA	
Brand and Communication Department	Paulo Campos Costa
Customer and Marketing Department	Inês Lima
Stakeholder Relations Department	Miguel Coutinho
BUSINESS UNITS	
Energy Management Business Unit	Carlos Mata

1) The position started to be exercised by Pedro Neves Ferreira from 07.01.2014
2) Designated on 03.09.2013

The current departments and their duties are as follows:

The **General and Legal Office** provides administrative and logistical assistance to the Executive Board of Directors and legal advice to EDP companies with their head offices in Portugal, in order to ensure the effective operation of the Corporate Centre, compliance with applicable legislation and harmonisation of corporate governance policies in the Group.

The **Office of the Chairman of the Executive Board of Directors** assists the CEO in all matters within his/her remit in order to help maximise the effectiveness of decisions and instructions.

The main mission of the **Internal Audit Department** is to conduct internal audits or ensure they are performed in the Group and also run the Internal Control System for Financial Reporting ("SCIRF") in the Group. It independently assesses this system and proposes and promotes measures contributing to its effectiveness by improving and aligning processes and systems.

The **Ethics Ombudsman's Office** is responsible for conducting ethics procedures or ensuring that they are conducted in the Group, in order to maintain confidentiality and protect rights associated with these procedures.

The mission of the **Energy Planning Department** is to coordinate studies for the Group's energy portfolio development strategy in order to assist the Executive Board of Directors in building an integrated view of the portfolio and contributing to the planning of its development in the different regions in which EDP operates.

The **Business Analysis Department** coordinates studies to assist with the Group's overall business strategy and performs development operations via investments, divestitures and/or partnerships in order to assist the Executive Board of Directors in optimising EDP's business portfolio and promoting and taking new business opportunities.

The **Risk Management Department** coordinates studies to assess the Group's risk, in order to assist the Executive Board of Directors in monitoring and mitigating risk and to supply integrated analyses of return-risk.

The **Regulation and Competition Department** studies and implements regulatory strategy for the business in the MIBEL and coordinates energy regulation and competition projects for the Group, with the aim of supporting the Executive Board of Directors in decision-making and ensuring regulatory compliance by the companies covered.

The **Sustainability Department**'s mission is to analyse, propose and guarantee the Group's sustainability strategy in order to assist the Executive Board of Directors in policies and goals and to ensure their implementation in the business units.

The remit of the **Financial Management Department** is to propose and implement the Group's financial management policy and analyse and monitor management of its pension fund in order to optimise and guarantee financial sustainability and control financial liabilities in accordance with Group policy.

The **Consolidation, IFRS Reporting and Taxation Department** is in charge of the Group's IFRS reporting in order to ensure compliance with deadlines and accounting and tax processing that is appropriate and consistent in operations at all the Group companies.

The **Management Planning and Control Department** is responsible for the Group's management planning and oversight, to ensure alignment with strategic goals and monitor implementation of the business plan.

The **Investor Relations Department** communicates with analysts and investors in Group companies to ensure the sustainability of EDP's image and reputation and fulfil the information requirements of regulators and financial supervisors.

The **Organisational Development Department** analyses, proposes and coordinates the organisation's development and provides Group-wide programmes for implementing its strategy, in order to optimise the competiveness of EDP's organisation and operation.

The **Information Systems Department** is in charge of managing the Group's information and communication systems in the Iberian Peninsula and analysing and proposing the Group's ICT strategy in order to align it with the business units' strategy and create value by providing solutions that foster efficacy, efficiency and innovation in EDP's processes.

The **Human Resources Department** analyses and proposes the Group's human resource strategy and is in charge of group-wide support processes, in order to contribute to the implementation of its business strategy, value and develop all employees and develop a culture that is in line with the corporate values.

The **Labour Relations Coordination Office** manages labour relations matters and coordinates labour regulations studies in Portugal in order to achieve bargaining solutions that are in line with EDP's business goals and ensure that internal regulations are in line with labour legislation.

EDP University provides, retains and shares knowledge in the Group in order to reinforce a common culture, foster employees' vocational development and facilitate the appearance of new talents and full use of their skills.

The **Brand and Communication Department** analyses, proposes and implements the Group's communication strategy in order to maximise brand value and foster internal communication.

The **Customer and Marketing Department** analyses, proposes and monitors the commercial marketing strategy in the Iberian Peninsula in order to build a competitive market positioning and o maximise the profits of the business units covered.

The **Institutional Relations and Stakeholder Department** provides the Group's stakeholders with integrated, consistent reports, in line with its vision and strategy, in order to maximise the Group's communication potential with its stakeholders and contribute to fluid, systematised information on the Group and its shares.

The **Energy Management Unit** (UNGE) is responsible for negotiating physical and forward purchases of fuel and contracting maritime transport on behalf of the appropriate EDP Group companies. It is also responsible for spot and forward purchases and sales in the electricity market of a physical or financial nature, such as energy derivatives and foreign exchange operations. It also decides on operation and despatch programmes for the EDP Group power stations whose energy management is its responsibility in order to optimise its portfolio and supply energy to customers of the EDP Group's sellers. It also manages the EDP Group's CO2 allowance operations and green certificates.

SPECIFIC EDP COMMITTEES (FUNCTIONAL STRUCTURES)

The EDP organisational model provides for management committees that contribute in two ways to the company's decision-making process:

- They input information to assist the Executive Board of Directors in its decision-making reflecting opinions and information from the areas in the organisation most affected by the proposal in question;
- They are used by an organisational unit (belonging to the Corporate Centre, a business unit or shared service unit to assist in gathering information, alignment, decisions and implementation of policies and practices with an impact on a number of areas in the organisation;

Considering the principle of continuous improvement that the EDP Group follows and the committees' importance in the Group's organisational model, the Executive Board of Directors approved a change in the description of the committees and the appointment of new members in October 2013.

STRATEGIC CORPORATE COMMITTEES

RISK COMMITTEE

The main duties of the Risk Committee are:

- Share information on the EDP Group's key risks and risk profile;
- Discuss the result of significant risk assessment projects undertaken in conjunction with the business units;
- Discuss and issue opinions or recommendations on policies, procedures, significant risks, risk limits and extraordinary risk situations;
- Promote and monitor maintenance of the inventory of the most significant risks (risk portal);
- Approve the periodical reporting model to be submitted by the business units or the Risk Management Department and other mechanisms for reporting and monitoring EDP’s risks.

The Risk Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Finance Area)
Member of the Executive Board of Directors (Renewables Area)
Member of the Executive Board of Directors (Risk Area)
Head of Energy Planning of the Corporate Centre
Head of Financial Management of the Corporate Centre
Head of Management Planning and Control Department of the Corporate Centre
Head of Risk Management of the Corporate Centre
Head of Institutional Relations and Stakeholder of the Corporate Centre
Head of UNGE
Representative of EDP Brasil
Representative of EDP Renováveis
Board member of EDP Produção (*)
Board member of EDP Distribuição (*)
Corporate and Commercial General Manager of HC (*)
Board member of EDP Brasil (*)
Board member of EDP Inovação (*)
(*) when necessary, depending on the projects to assess

SUSTAINABILITY COMMITTEE

The Sustainability Committee's responsibilities are as follows:

- Share information and discuss the implications of major legislative packages in the field of sustainability;
- Share the Group's environmental performance indicators and benchmarks;
- Discuss and give opinions on the annual Operational Environment and Sustainability Plans (POSA) and the annual consolidated budget;
- Discuss and give opinions on the annual action plans and the EDP Group's goals and targets;
- Monitor the progress of approved action plans and the activities of the EDP Group companies' sustainability management structures.

The Sustainability Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Sustainability and Ethics Area)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Inovação
Board member of Fundação EDP
Head of Risk Management of the Corporate Centre
Head of Investor Relations of the Corporate Centre
Head of Human Resources of the Corporate Centre
Head of Universidade EDP
Head of Coordination of Communication Area of the Corporate Centre
Head of Institutional Relations and Stakeholders of the Corporate Centre
Head of Sustainability of the Corporate Centre
Officer of HC (Environmental)
Representative EDP Renováveis
Representative EDP – Energias do Brasil

The Sustainability Committee held one meeting in 2013.

ENERGY PLANNING COMMITTEE

The main tasks of the Energy Planning Committee are:

- Share up-to-date information on the different markets and businesses in which the EDP Group operates (Iberia, wind, Brazil) and the performance of its portfolio in these areas;
- Analyse attractive business areas along the value chain and in the different geographic areas;
- Propose a generation portfolio and identify gas and CO2 needs for a 5-year horizon.

The Energy Planning Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Finance)
Member of the Executive Board of Directors (Renewables)
Member of the Executive Board of Directors (Generation)
Member of the Executive Board of Directors (Distribution)
Member of the Executive Board of Directors (International)
Member of the Executive Board of Directors (Commercialization)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Renováveis
Board member of EDP Brasil
Board member of EDP Internacional
General Manager of Corporate and Commercial HC Energia
Board member of EDP Inovação
Head of Business Analysis of the Corporate Centre
Head of Risk Management of the Corporate Centre
Head of Regulation and Competition of the Corporate Centre
Head pof Sustainability of the Corporate Centre
Head of Mangement Planning and Control of the Corporate Centre
Head of Investor Relations of the Corporate Centre
Head of Universidade EDP
Head of Energy Management Business Unit
Head of Energy Planning EDP Brasil
Head of Regulation and Markets EDP Renováveis

The Energy Planning Committee held one meeting in 2013.

INNOVATION COMMITTEE

The responsibilities of the Innovation Committee are as follows:

- Share innovation initiatives and requirements gathered by focal points;
- Discuss and propose strategic areas of innovation in the EDP Group;
- Discuss and propose innovation projects;
- Monitor the EDP Group's ongoing innovation initiatives and EDP Group projects in progress and propose corrective action.

The Innovation Committee's membership is as follows:

Chairman of the Executive Board of Directors
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Brasil
Board member of EDP Inovação
Board member of Fundação EDP
General Manager of Corporate and Trading HC
Board member of Labelec
Officer EDP Renováveis (Technical Area)
Head of Energy Planning of the Corporate Centre
Head of Business Analysis of the Corporate Centre
Head of Coordination of Communication Area of the Corporate Centre
Officer Universidade EDP
Officer Desenvolvimento Organizacional of the Corporate Centre (*)
Officer of Information Systmes of the Corporate Centre (*)
Head of Human Resources of the Corporate Centre (*)
Head of Customer and Marketing of the Corporate Centre (*)
Head of Sustainability of the Corporate Centre (*)

(*) when necessary, depending on the projects to assess

The Innovation Committee held one meeting in 2013.

INVESTMENT COMMITTEE

The Investment Committee discusses and issues opinions on proposed investment and disinvestment projects and WACC proposals for the business units.

The Investment Committee's membership is as follows:

Member of the Executive Board of Directors (Finance Area)
Head of Business Analysis of the Corporate Centre
Head of Management Planning and Control of the Corporate Centre
Head of Energy Planning of the Corporate Centre
Representative of Business Analysis Department
Responsible for the investment proposals under analysis

The Investments Committee held eighteen meetings in 2013.

REGULATION COMMITTEE

The remit of the Regulation Committee is as follows:

- Share regulatory practices in the Iberian Peninsula and the rest of Europe and those followed in Brazil;
- Analyse the European Commission's energy strategy and policies and the implementation of directives by the internal market and the competition and policies, legislation, regulations and organisation of the energy sectors in Portugal and Spain;
- Analyse prices and the implications of tariff policies and decisions on regulated activities;
- Discuss the impacts of developments and regulatory changes;
- Discuss and give an opinion on proposals for the definition of positions to be defended by the EDP Group in the Iberian and European market.

The Regulation Committee's membership is as follows:

Member of the Executive Board of Directors (Regulation Area)
Member of the Executive Board of Directors (Distribution Area)
Member of the Executive Board of Directors (Trading Area)
Head of Energy Planning
Head of Regulation and Competition
Head of Energy Management and Trading Business
Officer Gas Business
Officer HC Energia (Regulation)
Officer EDP Distribuição (Regulation)
Officer Naturgas (Regulation)
Officer EDP Brasil (Regulation)
Officer EDP Renováveis (Regulation and Markets)
Corporate Center Representatives (Regulation)
Naturgas Representative (Regulation)
Officer EDP Gás (Regulation)
EDP Soluções Comerciais Representative (Regulation)
Representative EDP Serviço Universal

The Regulation Committee held six meetings in 2013.

PRICE AND VOLUME COMMITTEE

The Price and Volume Committee's main duties are:

- Share relevant, up-to-date information on recent developments in the Iberian electricity and gas markets;
- Discuss and align historical information and forecasts shared by business areas;
- Issue an opinion on the forward curve representing the EDP Group's best estimate on the growth of the wholesale market for a one to two- year horizon;
- Propose adjustments to management of the Iberian wholesale margin (in terms of risk coverage, commercial activity, placement of gas contracts, etc).

The Price and Volume Committee's membership is as follows:

Member of the Executive Board of Directors (Energy Trading)
Member of the Executive Board of Directors (Commercialization)
Board member of EDP Produção
Board member of EDP Comercial
Board member of EDP Renováveis
General Manager of Corporate Center and Commercial HC Energia
Head of Risk Management of the Corporate Centre
Head of Management Planning and Control of the Corporate Centre
Head of Regulation and Competition of the Corporate Centre
Head of Business Analysis of the Corporate Centre
Head of Energy Planning of the Corporate Centre
Head of UNGE
Head of Middle-Office UNGE
Head of Energy Markets UNGE
Head of HC Energia (Regulation)
Officer HC Energia (Projects)
Officer EDP Produção (Planning and Control)
Naturgas Representative
Officer EDP Renováveis (Regulation and Markets)
Representative EDP Serviço Universal

The Price and Volume Committee held three meetings in 2013.

IBERIAN COMMERCIAL AND MARKET COMMITTEE

The Iberian Commercial and Market Committee's responsibilities are as follows:

- Share information on the energy trading market and Iberian business for the supply of electricity, gas and services in all market segments (purchase of natural gas, gas sales balance sheet, customer losses, prices, competition, etc);

- Analyse the market situation and competitiveness of prices in the different electricity and gas market in segments Portugal and Spain;
- Propose preferential segments for the placement of gas and price policies in different segments, strategies for gas auctions, gas placement or purchase goals in gas trading, measures to retain strategic customers, adaptation or correction of current commercial policies and setting or revision of intra-group transfer prices;
- Monitor the implementation of the above measures.

The Iberian Commercial and Market Committee's membership is as follows:

Member of the Executive Board of Directors (Energy Management)
Member of the Executive Board of Directors (Commercialization, Spain)
Board fo Directors of EDP Comercial
General Manager of Corporate and Trading HC Energia
Board member of Naturgas
Officer HC Energia/Naturgas (Comercial B2B Espanha)
Officer HC Energia/Naturgas (Comercial B2C Espanha)
Officer Comercial B2C Espanha (HC Energia/Naturgas)
Officer Operations of Naturgas
Officer EDP Comercial (Commercial B2B)
Officer EDP Comercial (Energy Management)

The Iberian Commercial and Market Committee held nine meetings in 2013.

FUNCTIONAL CORPORATE COMMITTEES

ETHICS COMMITTEE

EDP has always operated in a framework of explicit or implicit ethical values. Examples of this are the vision, values and commitments defined by the Executive Board of Directors and the principles of sustainable development with customers, in professional relationships and commitments to shareholders.

The Ethics Committee's duties are as follows:

- Issue opinions on the EDP Group's policy on its code of conduct, good practices and compliance with the highest ethical standards;
- Propose guidelines on regulation of matters under its remit;
- Foster correct regulatory application of ethical matters in the EDP Group companies.

The Ethics Committee, which was set up after approval of the EDP Group's Code of Ethics, articulates with the Corporate Governance and Sustainability Committee of the General and Supervisory Board and its responsibilities are as follows:

- Draft and propose its Internal Regulations to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- Submit corporate ethics instruments, policies, goals and targets to the Corporate Governance and Sustainability Committee;
- Receive and examine cases of infringement prepared by the Ethics Ombudsman and issue an opinion on them, which will then be submitted to the Corporate Governance and Sustainability Committee of the General and Supervisory Board;
- Issue an opinion, when requested to do so by any of the managing bodies of the EDP Group companies and entities on practices or codes of conduct in the fields of ethics or professional conduct within the framework of specific, legal or regulatory needs;
- Analyse decisions made by the Ethics Committee of EDP Energias do Brasil, S.A. (Energias do Brasil) and the Ethics Committee of EDP Renováveis, S.A. (EDP Renováveis);
- Draft quarterly reports on the EDP Group’s performance in implementing the Code of Ethics;
- Annually review the Code of Ethics’ suitability to the EDP Group's needs of and draw up a report, on proposal of the Ethics Ombudsman and the Sustainability Department of the EDP Corporate Centre.

The Ethics Committee's membership is as follows:

Chairman of the Executive Board of Directors
Board member of the Executive Board of Directors (Sustainability and Ethics)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Renováveis
Head of Human Resources of the Corporate Centre
Ethics ombudsman
Head of Sustainability of the Corporate Centre

The Ethics Committee held two meetings in 2013.

INFORMATION DISCLOSURE MANAGEMENT COMMITTEE

The committee has two main duties:

- Analysing and assessing information that is or should be provided periodically by EDP during preparation of reports and other communications for the market;
- Assessing the mechanisms for monitoring and disclosing information about EDP.

The Information Disclosure Management Committee's membership is as follows:

Member of the Executive Board of Directors (Finance)
Head of General Secretariat and Legal Office of the Corporate Centre
Head of Management Planning and Control of the Corporate Centre
Head of Finance Management of the Corporate Centre
Head of Consolidation, IFRS Reporting and Taxation Department of the Corporate Centre
Head of Coordination of Communication Area of the Corporate Centre
Head of Investor Relations of the Corporate Centre
Representative EDP Brasil (Investor Relations)
Representative EDP Brasil (Accounting and Consolodation)
Representative EDP Renováveis (Investor Relations)

The Information Disclosure Management Committee held one meeting in 2013.

STAKEHOLDER MANAGEMENT COMMITTEE

The Stakeholder Management Committee's duties are as follows:

- Evaluate the alignment and consistency of stakeholder relationship strategies in the different markets and geographical areas where the EDP Group operates;
- Discuss priorities and propose guidelines and a management model for the Group's relations with stakeholders;
- Assess compliance with the Group's stakeholder management policy.

The Stakeholder Management Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Renewables)
Member of the Executive Board of Directors (Generation)
Member of the Executive Board of Directors (Distribution)
Member of the Executive Board of Directors (Commercialization)
Board member of EDP Comercial
Board member of EDP Renováveis
Board member of EDP Brasil
Head of Institutional Relations and Stakeholders of the Corporate Centre
Board member of Fundação EDP
Head of Human Resources of the Corporate Centre
Head of Coordination of Communication Area of the Corporate Centre
Head of Customer and Marketing of the Corporate Centre
Head of Sustainability of the Corporate Centre
Board member of EDP Internacional

The Stakeholder Management Committee held one meeting in 2013.

PROCUREMENT COMMITTEE

The main responsibilities of the Procurement Committee are:

- Analyse the Group's main procurement indicators, especially quantities purchased and savings achieved;
- Promote articulation of the top-level bodies of the different businesses with procurement responsibilities;
- Monitor the most important negotiations conducted by the EDP Group's procurement structures;
- Stimulate and analyse the performance of the structures involved in procurement.

The Procurement Committee's membership is as follows:

Member of the Executive Board of Directors (Finance)
Member of the Executive Board of Directors (EDP Valor)
Member of the Executive Board of Directors (Commercialization)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Valor
Board member of EDP Brasil
Board member of EDP Renováveis
Officer EDP Valor (Procurement)

The Procurement Committee held three meetings in 2013.

ACCIDENT PREVENTION AND SAFETY COMMITTEE

The Accident Prevention and Safety Committee has the following main responsibilities:

- Issue an opinion on proposals for setting the EDP Group’s goals in terms of occupational prevention and safety;
- Analyse the Annual Report and issue an opinion on the EDP Accident Prevention and Safety Action Plan;
- Assess the main occupational safety indicators and propose ways of improving them;
- Issue opinions on the regulatory documents of the safety management system that cover the EDP Group as a whole or cut across different sectors.

The Accident Prevention and Safety Committee's membership is as follows:

Member of the Executive Board of Directors
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Valor (Human Resources)
Board member of EDP Valor (Health and Safety at Work)
Head of Universidade EDP of the Corporate Centre
Officer of EDP Valor (Health and Safety at Work)
Responsible of Occupational Medicine (Health and Safety at Work of EDP Valor)
Representative EDP Gás
Representative HC
Representative EDP Brasil
Representative EDP Renováveis

The Accident Prevention and Safety Committee held two meetings in 2013.

PENSION PLAN AND FUND COMMITTEE

The Pension Plan and Fund Committee's main responsibilities are:

- Share significant information with an impact on management of the pension fund;
- Analyse the performance of assets under management, fund profitability and management mandates and the performance of the different asset managers;
- Monitor the value of the fund's liabilities and level of financing;
- Issue an opinion on investment policy and/or management mandates, actuarial assumptions used in calculating the fund's liabilities and members' contributions to the fund.

The Pension Plan and Fund Committee's membership is as follows:

Member of the Executive Board of Directors (Finance)
Head of Co-ordination Labour Relations
Head of Consolidation, IFRS Reporting and Taxation Department of the Corporate Centre
Head of Risk Management of the Corporate Centre
Head of Finance Management of the Corporate Centre

The Pension Plan and Fund Committee held four meetings in 2013.

CORPORATE DEVELOPMENT COMMITTEE

The Corporate Development Committee's duties are as follows:

- Promote and monitor group-wide programmes arising from the organisational and operational priorities established at the corporate level;
- Promote and analyse organisational benchmark studies;
- Analyse, discuss and issue opinions on proposed changes to the management model of Group processes and monitor their implementation;
- Coordinate the optimisation of processes of corporate interest;
- Assess and issue opinions on the support tools and organisational efficiency to meet the common needs of the EDP companies in terms of organisation and operation.

The Corporate Development Committee's membership is as follows:

Member of the Executive Board of Directors (Organisational Development)
Member of the Executive Board of Directors (Human Resources)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Brasil
Board member of EDP Gás
Board member of EDP Renováveis
Board member of EDP Valor
General Manager of Corporate and Trading HC
Head of Human Resources of the Corporate Centre
Head of Information Systems of the Corporate Centre
Head of Universidade EDP of the Corporate Centre
Head of Organisational Development of the Corporate Centre
Representatives Organisational Development of the Corporate Centre
Officer EDP Produção (Processes Organization)*
Officer EDP Distribuição (Processes Organization)*
Officer EDP Comercial (Processes Organization)*
Officer EDP Soluções Comerciais (Processes Organization)*
Officer EDP Valor (Processes Organization)*
Officer HC (Processes Organization)*
Officer Naturgas (Processes Organization)*
Officer EDP Brasil (Processes Organization)*
Officer EDP Renováveis (Processes Organization)*
Officer EDP Gás (Processes Organization)*
*when necessary, depending on the projects to assess

The Corporate Development Committee held two meetings in 2013.

DIVERSITY POLICY MANAGEMENT COMMITTEE

This committee's responsibilities are as follows:

- Promote the best diversity practices and propose their inclusion in the Group's policy;
- Ensure that the diversity policy is followed in the EDP Group;
- Analyse and propose implementation of plans and measures for continuous improvement in diversity;
- Monitor implementation of these plans and measures.

The Diversity Policy Management Committee's membership is as follows:

Chairman of the Executive Board of Directors (Sustainability and Ethics)
Board member of EDP Valor
Head of Coordination of Communication of the Corp. Centre (Enterprise Culture)
Head of Institutional Relations and Stakeholders of the Corporate Centre
Head of Sustainability of the Corporate Centre
Head of Human Resources of the Corporate Centre
Representative of Head of Human Resources of the Corporate Centre
Ethics Ombudsman *
Board member of Fundação EDP *
* Other expert members

The Diversity Policy Management Committee was set up in October 2013 and has a meeting scheduled for the first quarter of 2014.

HUMAN RESOURCE MANAGEMENT COMMITTEE

The Human Resource Management Committee's responsibilities are as follows:

- Share information and discuss and issue an opinion on measures to promote mobility and attract and integrate staff;
- Promote succession plans for critical EDP Group positions and monitor the career development of the macro-structure managerial staff, managerial staff with high potential and performers with potential;
- Analyse key indicators relating to different segments of potential and discuss and align policies and development instruments;
- Align EDP's people management policy (MIGRH);
- Discuss and share initiatives aimed at cultural alignment to foster a culture of meritocracy;
- Discuss and give an opinion on the EDP Group’s annual human resource budget and monitor its progress.

The Human Resource Management Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Finance)
Member of the Executive Board of Directors (Renewables)
Member of the Executive Board of Directors (Sustainability and Ethics)
Member of the Executive Board of Directors (Distribution)
Member of the Executive Board of Directors (International)
Member of the Executive Board of Directors (Commmercial)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Board member of EDP Valor
Board member of EDP Brasil
Board member of EDP Renováveis
Head of Human Resources of the Corporate Centre
Head of Organizational Development of the Corporate Centre
Head of of Coordination Department for Employment Relations
Officer Universidade EDP
Head of Communication of the Corporate Centre
Officer HC Energia (Human Resources)

The Human Resource Management Committee held two meetings in 2013.

INFORMATION TECHNOLOGY COMMITTEE

The Information Technology Committee's duties are as follows:

- Propose budget allocations for unplanned projects;
- Propose the annual budget and plan for information systems (applications and infrastructure projects);
- Issue an opinion on the relationship model and costs model between the Information Systems Department, business units and the Corporate Centre;
- Discuss and issue opinions on guidelines for strategic planning of information systems;

- Decide the priorities for strategic projects, distribution of resources or unplanned requirements of strategic projects.

The Information Technology Committee's membership is as follows:

Member of the Executive Board of Directors (Information and Organisation Systems)
Board member of EDP Produção
Board member of EDP Distribuição
Board member of EDP Comercial
Board member of EDP Soluções Comerciais
Commercial and Corporate Officer of HC Energia
Board member of EDP Brasil
Board member of EDP Valor
Board member of EDP Inovação
Head of Organisational Development of the Corporate Centre
Head of Customer and Marketing of the Corporate Centre
Head of Information Systems the Corporate Centre
Head of Information Systems
Head of UNGE
Representative EDP Brasil (IT area)
Representative EDP Renováveis

The Information Technology Committee held two meetings in 2013.

LOCAL AUTHORITIES COMMITTEE

The Local Authorities Committee's duties are:

- Share information, events and projects that are important to relations with local authorities in each business area;
- Analyse strategy for settling disputes, negotiation of specific issues and creation of business opportunities;
- Analyse, discuss and issue opinions on relations between the Group's areas and local authorities and procedure priorities;
- Promote and coordinate promotional events in municipalities to develop relationships or exploit business opportunities;
- Promote a support platform for relations with local authorities for recording contacts with them and other information on their monitoring and relations.

The Local Authorities Committee's membership is as follows:

Chairman of the Executive Board of Directors
Other members of the Executive Board of Directors*
Member of the Board of EDP Produção
Member of the Board of EDP Distribuição
Member of the Board of EDP Serviço Universal
Member of the Board of EDP Soluções Comerciais
Member of the Board of EDP Comercial
Member of the Board of EDP Gás Distribuição
Member of the Board of EDP Renováveis
Member of the Board of EDP Imobiliária
Head of Communication Coordination of the Corporate Centre
Head of Institutional Relations and Stakeholders of the Corporate Centre
Representative Fundação EDP
Officer EDP Distribuição (Institutional Relations Area)

* when necessary, depending on the projects to assess

The Local Authorities Committee was set up in October 2013 and held one meeting in 2013.

BUSINESS COMMITTEES

GENERATION COMMITTEE

The Generation Committee's main duties are:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);

- Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of generating companies;
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Generation Committee's membership is as follows:

Member of the Executive Board of Directors (Generation)
Member of the Executive Board of Directors (Trading)
Board of Directors of EDP Produção
Board member of EDP Brasil
Head of UNGE
Corporate Head of Energy Planning
Corporate Head of Sustainability
EDP Produção (Planning and Control)
EDP Produção (Sustainability)
EDP Produção (Asset Management)
EDP Produção (knowledge Management)
EDP Produção (Portfolio Expansion)
EDP Produção (Organization and Maintenance)
EDP Produção (Management Indicators)
EDP Produção (International Projects)
Officer of HC Energía (Generation)
Officer of HC Energía (Projects)
Officer of HC Energía (Environmental)
Officer of EDP Brasil (Hydroelectric Generation)
Officer of EDP Brasil (Environmental)
Officer of EDP Brasil (Thermal Generation)
Officer of EDP Brasil (Asset Management and O&M)
Board member of Labelec (*)
Board member of EDP Inovação (*)
Board member of EDP Renováveis (*)
Head of Universidade EDP of the Corporate Centre (*)
Head of Organisational Development of the Corporate Centre (*)
Head of Information Systems of the Corporate Centre (*)
Head of Human Resources of the Corporate Centre (*)
* when necessary, depending on the projects to assess

The Generation Committee held two meetings in 2013.

DISTRIBUTION GRIDS COMMITTEE

The Distribution Grids Committee's duties are as follows:

- Exchange information on business performance in each region, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters for approval by the Executive Board of Directors or Board of Directors of distributing companies;
- Develop a uniform view of the business and maintain multi-region benchmarking (organisation, processes and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Distribution Grids Committee’s membership is as follows:

Member of the Executive Board of Directors (Distributinon)
Member of the Executive Board of Directors (Commercialization/Spain)
Board of Directors of EDP Distribuição
Board member of EDP Brasil
Responsible HC (Distribution)
Board member of EDP Gás
Representative of EDP Gás (Distribution)
Representative of Naturgas (Distribution)
Head of Organisational Development of the Corporate Centre *
Head of Regulation and Competitition *
Head of Energy Planning *
Head of Human Resources *
Head of Sustainability *
Officer EDP Distribuição (Regulation) *
Officer HC Energia (Regulation) *
Officer EDP Brasil (Regulation) *
Officer EDP Distribuição (Human Resources) *
Officer EDP Distribuição (Environmental) *
Officer HC (Environmental) *
Officer EDP Brasil (Environmental)*
Officer EDP Brasil (Distribution)*
Board member of Fundação EDP*
Head of Universidade EDP of the Corporate Centre**
Board member of EDP Inovação**
Board member of Labelec **

* when necessary, depending on the projects to assess

** Other expert members

The Distribution Grids Committee held four meetings in 2013

IBERIAN COMMERCIAL COMMITTEE

The Iberian Commercial Committee's duties are as follows:

- Exchange information on business performance in each region and in the Iberian Peninsula, including the critical environments (regulations, etc);
- Discuss, align and issue opinions on key matters (such as goals, marketing plan, etc) for approval by the Executive Board of Directors or Board of Directors of supply companies;
- Develop a uniform, integrated view of the Iberian business and maintain the multi-region benchmarking (marketing, products, commercial matters and management information);
- Foster (best) common practices in selected processes or activities;
- Share unique or specialised assets (human, technological, knowledge).

The Iberian Commercial Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Regulation and Competition)
Member of the Executive Board of Directors (Costumer Support)
Member of the Executive Board of Directors (Commercialization, Spain)
Board of Directors of EDP Serviço Universal
Board of Directors of EDP Comercial
Commercial and Corporate Officer of HC Energia
Board member of EDP Soluções Comerciais
Board of Directors of EDP Gás Serviço Universal
Head of Information Systems of the Corporate Centre
Head of Coordination of Communication Area of the Corporate Centre
Head of Customer and Marketing of the Corporate Centre
Head of UNGE of the Corporate Centre
Officer HC/Naturgas (Commercial B2B)
Officer HC/Naturgas (Commercial B2C)
Officer EDP Comercial -Marketing GC*
Officer EDP Comercial - Marketing PME&E*
Officer EDP Comercial - Marketing B2C*
*when necessary, depending on the projects to assess

The Iberian Commercial Committee held three meetings in 2013.

INTERNATIONALISATION COMMITTEE

The Internationalisation Committee's duties are as follows:

- Share studies and other relevant information for the development of business outside Portugal;
- Analyse the results of commercial promotion activity in the different regions;
- Discuss, align and issue opinions on key issues for the development of international business;
- Monitor the preparation of commercial proposals;
- Foster (best) common practices.

The Internationalisation Committee's membership is as follows:

Chairman of the Executive Board of Directors
Member of the Executive Board of Directors (Renewables)
Member of the Executive Board of Directors (International)
Board member of EDP Brasil
Board member of Labelec
Board member of EDP Internacional
Board member of EDP Ásia
Board member of EDP Distribuição
Board member of EDP Produção
Board member of EDP Renováveis
Corporate Head of Business Analysis
Corporate Head of Risk Management
Officer EDP Internacional

COMMERCIAL SHARE COMMITTEE AND CORPORATE SHARE COMMITTEE

The Commercial Share Committee and the Corporate Share Committee were abolished in October 2013, during the reorganisation of the Management Committees

CUSTOMER OMBUDSMAN

The Customer Ombudsman is an independent entity that was created in 2009 to reinforce the EDP Group's customer care policy. Its responsibilities are as follows, pursuant to Article 9 of the EDP Group Companies' Customer Ombudsman Regulations:

- Receive and examine complaints filed by customers and directly related to actions or omissions by EDP Group companies;
- Enter into dialogue with customers making a complaint;
- Arbitrate disputes and conflicts between customers and EDP Group companies;

- Issue opinions on matters relating to the activity of EDP Group companies, if requested to do so by any of their corporate bodies;
- Propose measures to improve quality of service and customer satisfaction;
- Contact third parties to obtain specialist information so that recommendations can be made to the EDP Group companies on measures to be taken to improve their customer relations.

The Customer Ombudsman's term of office is three years, and is renewable once only, for an equal period (Article 5 (2) of the EDP Group Companies' Customer Ombudsman Regulations). In the performance of his duties, the Customer Ombudsman has an independent Customer Ombudsman Office and an annual budget (Article 20 of the EDP Group Companies' Customer Ombudsman Regulations).

SUBSIDIARY IN SPAIN

Sucursal EDP Espanha manages and coordinates the energy interests of the EDP Group's dependent subsidiaries in Spain. Its management and supervisory bodies ensure optimisation of synergies and creation of value in operations and activities in Spain. It is also the organisational platform Iberian integration of support services. To this end, Sucursal EDP Espanha owns all the majority financial holdings in EDP Renováveis and HC ENERGÍA and, indirectly, in Naturgas Energía Grupo S.A. (Naturgas) via majority control of it, among others

Sucursal EDP Espanha has offices in Madrid and Oviedo. It is represented in relations with third parties by permanent representatives, who have been appointed members of the EDP Executive Board of Directors for that purpose.

The company's steering, coordination, management and representation structure consists of an Executive Committee and Management Committee. The Executive Committee is composed of five permanent EDP representatives, one Group Controller for activities in Spain, and front line managers in charge of the business units in Spain. This committee basically serves as the coordinator of the permanent representatives' activities. The Management Committee is chaired by the Group Controller and is a natural extension of the management departments at the EDP Corporate Centre, i.e. the Business Analysis, Legal, Audit, Spanish Taxation, Financial Management, Shared Services and Information Systems departments. The committee groups and performs the tasks of these departments in Spain. The Coordination Committees were abolished on 14 December 2012 as representation of Sucursal EDP Espanha passed to the EDP Iberian committees in October 2012. They are: Energy Planning Committee, Prices and Volumes Committee, Iberian Commercial and Market Committee, Distribution Grids Committee, Iberian Commercial Committee and Generation Committee.

EDP Energias de Portugal, Sucursal en España, Sociedad Anonima

ADMINISTRATION, COORDINATION, MANAGEMENT AND REPRESENTATION STRUCTURE

EXECUTIVE COMMITTEE	
Permanent EDP Representative	António Mexia (Presidente)
Permanent EDP Representative	Nuno Almeida Alves
Permanent EDP Representative	João Manso Neto
Permanent EDP Representative	António Martins da Costa
Permanent EDP Representative	Miguel Stilwell de Andrade
Chairman of the Board, HC Energía	Manuel Menéndez Menéndez
General Corporate - Activities Spain	Miguel Ribeiro Ferreira
1st Line Responsible, HC Energía	Javier Sáenz de Jubera
1st Line Responsible, EDP Renováveis	Massimo Rossini
1st Line Responsible, NG Energia	João Paulo Costeira
MANAGEMENT COMMITTEE	
Legal Department	Emílio Garcia-Conde
Financial Management Department	João Carvalho
Taxation Spain Department	Ramon Ortea Garcia
Information Systems Department	José Negueruela
Audit Department	Azucena Viñuela
Business Analysis Department	João Nicolau
Shared Services Department - ShareCorp	Félix Arribas
Shared Services Department - ShareCom	Vanda Martins

B) OPERATION

22. LOCATION WHERE THE OPERATING REGULATIONS OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS CAN SER CONSULTED

The operations of the General and Supervisory Board and Executive Board of Directors are governed by their Internal Regulations, available on EDP's website, www.edp.pt.

23. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

Ordinary meetings of the General and Supervisory Board are held at least once every quarter and extraordinary meetings take place whenever convened by the Chairman, on his/her own initiative or at the request of any of its members, the Executive Board of Directors or its Chairman, pursuant to Article 24 (1) of the Articles of Association and Article 19 (1) of the Internal Regulations of the General and Supervisory Board.

The General and Supervisory Board met eight times in 2013 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex I to this report.

Pursuant to the provisions of Article 20(1) of the Articles of Association and Article 6(1) of the Rules of the Executive Board of Directors, this body will have ordinarily met at least twice a month, as fortnightly meetings were compulsory. Nevertheless, the Executive Board of Directors meets weekly, as a rule.

The Executive Board of Directors met 39 times in 2013 and minutes were kept of all the meetings. Information on the attendance of each member of the board is provided in Annex II of this report.

24. COMPANY BODIES WITH POWERS TO EVALUATE PERFORMANCE OF EXECUTIVE DIRECTORS

The Corporate Governance and Sustainability Committee is responsible for supervision of individual and overall performance evaluation of the directors, reflection on EDP's governance system and identification of potential directorship candidates. There are no constraints that disrupted the work of the committee.

25. PRE-DETERMINED CRITERIA FOR PERFORMANCE EVALUATION OF EXECUTIVE DIRECTORS

These criteria for evaluating the performance of the Members of the Executive Board of Directors are set out in points 69 and 71 of the Corporate Governance report.

26. POSITIONS HELD AT OTHER GROUP OR NON-GROUP COMPANIES BY EACH MEMBER OF THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The positions held by members of the General and Supervisory Board and Executive Board of Directors in other EDP Group or non-group companies are shown in Annex III.

C) COMMITTEES OF THE MANAGING OR SUPERVISORY BODY

27. COMMITTEES SET UP IN THE GENERAL AND SUPERVISORY BOARD AND EXECUTIVE BOARD OF DIRECTORS

The Internal Regulations of the General and Supervisory Board provide for the establishment of standing committees and ad hoc committees, composed of some of its members, without prejudice to its responsibility for the exercise of its duties as a corporate body. These committees may be set up whenever it sees fit and appropriate and have specific duties delegated to them.

The main remit of the standing and ad hoc committees is specific, continuous monitoring of the matters entrusted to them, in order to ensure informed decisions by the General and Supervisory Board or provide it with information on certain matters.

The committees' activity is coordinated by the Chairman of the General and Supervisory Board, who ensures proper articulation of the committees with the plenary board through their chairmen, who keep him informed by sending notices and the minutes of meetings.

The General and Supervisory Board believes that the committees are important to the regular functioning of the company as they can perform certain delegated duties, especially monitoring the company's financial information, reflecting on its governance system, assessing the performance of directors and evaluating its own overall performance.

The General and Supervisory Board has five specialised committees: Financial Matters Committee/Audit Committee, Remuneration Committee, Strategy Committee, Performance Analysis and Competitiveness Committee, and Corporate Governance and Sustainability Committee They were set up at the meeting of 21 February, 20012 and their membership was changed at meetings on 18 and 22 May, 2012.

28. MEMBERSHIP OF THE EXECUTIVE COMMITTEE AND/OR NAME OF MANAGING DIRECTOR(S)

Not applicable to EDP's governance model

29. DUTIES OF EACH COMMITTEE AND SUMMARY OF WORK PERFORMED WHILE CARRYING THEM OUT

A. THE COMMITTEES OF THE GENERAL AND SUPERVISORY BOARD

FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Vice-Chairman, which can be viewed in the chapter on corporate bodies.

The Financial Matters Committee/Audit Committee's membership is as follows:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	21/02/2012
Vice-Chairman	Vítor Fernando da Conceição Gonçalves	13/07/2006
	António Sarmento Gomes Mota	07/05/2009
	Manuel Fernando de Macedo Alves Monteiro	13/07/2006
	Maria Celeste Ferreira Lopes Cardona	18/04/2012

In accordance with the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee, are assigned to this Committee, by delegation from the General and Supervisory Board, the following powers:

- Issue opinions on the annual report and accounts;
- Permanently oversee the work of the Statutory Auditor and the External Auditor of EDP and issue opinions on the Statutory Auditor's election or appointment, removal from office, independence and other relations with EDP;
- Permanently monitor and assess internal accounting and auditing procedures and the efficacy of the risk-management system, internal control system and internal audit system;
- Monitor the bookkeeping, accounting records, supporting documents and the status of any assets or securities held by EDP in any capacity, as and when it sees fit;
- Exercise the powers expressly granted by the General and Supervisory Board;
- Exercise any other powers that may be specifically granted by law.

As a specialised committee of the General and Supervisory Board, the Financial Matters Committee/Audit Committee also assists it in the hiring and dismissal of the External Auditor, pursuant to Article 4 (1) (i) of the Internal Regulations of the Financial Matters Committee/Audit Committee.

The membership, role and functioning of the Financial Matters Committee/Audit Committee are in line with the European Commission Recommendation of 15 February 2005 (2005/162/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC).

In view of these duties, the Financial Matters Committee/Audit Committee held thirteen meetings in 2013, as envisaged in its Activity Plan. The matters addressed in those meetings were: supervision of the financial reporting and business of EDP, monitoring the activity of Internal Audit Department, monitoring the activity of the Risk Management Department of the EDP group, monitoring litigation processes in the EDP group, monitoring the situation of the EDP group pension fund, monitoring the contractual relationship with the statutory auditor and external auditor, their activities and assessing the objective conditions of their independence, market consultation for the provision of statutory audit and external audit services in the EDP Group for the 2014-2016 period, monitoring reports of irregularities (whistleblowing) and the relationship with the Audit Committees of the subsidiaries in other countries where EDP operates.

REMUNERATION COMMITTEE OF THE GENERAL AND SUPERVISORY BOARD

The Remuneration Committee appointed by the General and Supervisory Board, pursuant to Article 27 of EDP's Articles of Association, defines the remuneration of the Executive Board of Directors as well as any supplements.

According to the Articles of Association, the Remuneration Committee of the General and Supervisory Board must submit a declaration on the remuneration policy followed for the members of the Executive Board of Directors and which it has approved to the Annual General Meeting for consultative purposes, at least in the years in which this policy is established or amended. After publication of Law 28/2009 of 19 June, the Remuneration Committee has been adjusting its actions to comply with applicable legal provisions.

The Remuneration Committee held four meetings during 2013, considering its duties. The following topics were discussed: (i) the variable remuneration policy for the Members of the Executive Board of Directors, (ii) the annual statement on the remuneration policy of members of the Executive Board of Directors to submit to the Annual General Meeting, (iii) determining the variable remuneration for the 2012 financial year and the multi-year remuneration of members of the Executive Board of Directors allocated to that year and (iv) broadening the concept of some performance indicators of the variable remuneration policy of the chairman and directors of the Executive Board of Directors, and analysis and debate on the respective remuneration policy by comparison with those in the market, namely PSI 20 and Euro StoxxUtil 600 companies.

The Remuneration Committee of the General and Supervisory Board is made up of members of the General and Supervisory Board with the appropriate qualifications and experience, who are all independent from the managing body. This committee always has a representative at the General Meetings of Shareholders.

The committee has the following members:

	Remuneration Committee of the GSB	First appointment date
Chairman	Alberto João Coraceiro de Castro	13/07/2006
	Ilídio da Costa Leite de Pinho	22/05/2012
	José Maria Espírito Santo Silva Ricciardi	22/05/2012
	Guojon Lu	11/05/2012
	Paulo Jorge de Assunção Rodrigues Teixeira Pinto	18/04/2012

CORPORATE GOVERNANCE AND SUSTAINABILITY COMMITTEE

The Corporate Governance and Sustainability Committee is a specialised committee of the General and Supervisory Board. Its purpose is to permanently monitor and supervise all matters related with the following:

- Corporate governance;
- Strategic sustainability;
- Internal codes of ethics and conduct;
- Systems for assessing and resolving conflicts of interests, in particular pertaining to relations between EDP and its shareholders;
- Definition of criteria and duties to be complied with in EDP's bodies and their repercussions on their membership; and
- Drafting of succession plans.

The role of the Corporate Governance and Sustainability Committee is to assist the General and Supervisory Board in the continuous evaluation of the management and the performance assessment of the General and Supervisory Board itself. The General and Supervisory Board makes this assessment annually, based on the committee’s work, and publishes them in a report. The conclusions of this assessment are included in the annual report of the General and Supervisory Board and presented to shareholders at the AGM.

Two other important roles of the Corporate Governance and Sustainability Committee are the monitoring of:

- The company's governance practices; and
- Management of human resources and succession plans.

The topics covered in-depth at the three meetings in 2013 of the Corporate Governance and Sustainability Committee, in compliance with its specific duties, were the following: analysis of the EDP sustainability policies and strategies, monitoring the succession plans, monitoring the activities of the Office of the Ethics Ombudsman, monitoring the activities of the Office of the Customer Ombudsman and the reporting of relevant situations in terms of Conflicts of Interest.

The Corporate Governance and Sustainability Committee is made up of members of the General and Supervisory Board, the majority of whom are independent, with the appropriate qualifications and experience for their duties.

The General and Supervisory Board changed the membership of the Corporate Governance Committee at its meeting of 9 May, 2013 and appointed Manuel Fernando de Macedo Alves Monteiro as its Chairman, a position that had been held by Carlos Jorge Ramalho dos Santos Ferreira up to 12 April, 2013, when he submitted his resignation.

The Corporate Governance and Sustainability Committee’s membership is as follows:

	Corporate Governance and Sustainability Committee	First appointment date
Chairman	Manuel Fernando de Macedo Alves Monteiro	18/04/2012
	Ilídio da Costa Leite de Pinho	18/04/2012
	Maria Celeste Lopes Cardona	18/04/2012
	Vasco Joaquim Rocha Vieira	18/04/2012
	Wu Shengliang	11/05/2012

STRATEGY COMMITTEE

The work of the Strategy Committee is governed by the Internal Regulations of the Strategy Committee. Pursuant to these regulations, the Strategy Committee, which was set up by decision of the General and Supervisory Board, is responsible for strategy regarding investments, financing and strategic partnerships.

The Strategy Committee was set up by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is to permanently monitor the following:

- Long-term strategies and scenarios;
- Strategic implementation, business planning and their budgets;
- Major investments and divestments;
- Debt and financing;
- Strategic alliances;
- Market performance and competitiveness;
- Regulation

The Strategy Committee held five meetings in 2013, at which the following topics in particular were discussed: (i) EDP Distribuição - Business Plan 2012-2015; (ii) Liberalised markets: Portugal and Spain - Business Plan 2012-2015; (iii) Impact of unconventional gas on the world gas market and the competitiveness of renewable energy; (iv) Approval of the Activities Report of the Strategy Committee – 2012; (v) EDP Brasil - Business Plan 2012-2015; (vi) review of the Multi-Year Investment Plan of EDP Renováveis 2012-2015; (vii) presentation of the Sustainability Model of the Electricity Sector in Portugal (2020); (viii) presentation of the document EDP Energy Outlook 2013; (ix) monitoring of the Framework Agreement of the strategic partnership with CTG and the results obtained in terms of the different components of the agreement; (x) the current situation of strategic partnerships and the MoU's, namely under the responsibility of EDP Internacional; (xi) strategic participation with CEM - Companhia de Electricidade de Macau; and (xii) the current situation of the major completed and ongoing technical investments (first half of 2013). It should also be noted that three workshops/seminars were organised during 2013 by the General and Supervisory Board through the Strategy Committee and involving the top management of EDP. These events provided a strategic reflection on the worldwide energy sector, technologies, the challenges and opportunities that the Company will face in the future.

The General and Supervisory Board changed the membership of the Strategy Committee at its meeting of 9 May, 2013 and appointed Augusto Carlos Serra Ventura Mateus, Nuno Manuel da Silva Amado and Wu Shengliang as members.

A Strategy Committee consists of the following members:

	Strategy Committee	First appointment date
Chairman	Eduardo de Almeida Catroga	18/04/2012
Vice-Chairman	Zhang Dingming	11/05/2012
	Felipe Fernández Fernández	18/04/2012
	Harkat Abderezak	18/04/2012
	Jorge Braga de Macedo	18/04/2012
	José Maria Espírito Santo Silva Ricciardi	18/04/2012
	Mohamed Ali Al-Fahim	18/04/2012
	Augusto Carlos Serra Ventura Mateus	09/05/2013
	Nuno Manuel da Silva Amado	09/05/2013
	Wu Shengliang	09/05/2013

PERFORMANCE ANALYSIS AND COMPETITIVENESS COMMITTEE

The Performance Analysis and Competitiveness Committee, established by decision of the General and Supervisory Board, analyses EDP's performance and competitiveness in the markets in which the company operates. The work of the Performance Analysis and Competitiveness Committee is governed by its internal regulations.

The Performance Analysis and Competitiveness Committee was set up by the General and Supervisory Board at its meeting of 18 April 2012, and its mission is as follows:

- Analyse the company's business performance;
- Benchmark EDP's performance against the industry's top companies;
- Assess the competitiveness of EDP's business portfolio.

The Performance Analysis and Competitiveness Committee met seven times during 2013. The main topics discussed were: (i) performance of the business units of the EDP Group 2012; (ii) major ongoing projects to improve operational efficiency; (iii) performance of EDP Brasil; (iv) performance of the EDP Group business units in the first quarter of 2013; (v) the relative competitiveness of the EDP Group - Comparison with Iberian peers; (vi) performance of the EDP Group business units in the first half of 2013; (vii) performance of EDP shares in the capital market in the first half of 2013; (viii) consolidated performance of the electricity generation and supply business units in Portugal and Spain; (ix) efficiency and productivity study of the EDP power stations in Portugal and Spain; (x) consolidated debt of customers and by business unit; (xi) "Integrated Multi-country System" project; (xii) performance of the EDP Group business units in the third quarter of 2013; (xiii) performance of the gas business in Portugal and Spain; (xiv) comparative study of the performance of the distribution grid companies (Portugal, Spain and Brazil); and (xv) the EDP 2014 budget - preliminary version.

The committee has the following members:

Performance Analysis and Competitiveness Committee		First appointment date
Chairman	Luís Filipe da Conceição Pereira	18-04-2012
Vice-Chairman	Yang Ya	11-05-2012
	Alberto João Coraceiro de Castro	18-04-2012
	António Sarmento Gomes Mota	18-04-2012
	Fernando Masaveu Herrero	18-04-2012
	Nuno Manuel da Silva Amado	09-05-2013
	Wu Shengliang	09-05-2013

B. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

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

As a company body, the Environment and Sustainability Board has powers to advise the Executive Board of Directors on environment and sustainability matters. In particular, it provides advice and support in defining the company's environmental and sustainability strategy and drafting opinions and recommendations on the environmental impact of projects planned by the EDP Group (Article 28 (1) of EDP's Articles of Association).

The current members of the Environment and Sustainability Board, pursuant to Article 28 (2) of EDP's Articles of Association, have acknowledged competence in the field of environmental protection and sustainability.

The members of the Environment and Sustainability Board were elected at the Annual General Meeting of 17 April, 2012 for 2012/2014.

At the Annual General Meeting on 6 May 2013, José Pedro Sucena Paiva was elected as Chairman, a position held by Augusto Carlos Serra Ventura Mateus until then.

The Environment and Sustainability Board's membership is as follows:

Environmental and Sustainability Board	
Chairman	José Pedro Sucena Paiva
	Alberto da Ponte
	António José Tomás Gomes de Pinho
	José Manuel Viegas
	Maria da Graça Madeira Martinho

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The remuneration of the corporate bodies, with the exception of the members of the Executive Board of Directors, is defined by the Remuneration Committee elected by the General Meeting (Article 11 (2) (d) of EDP's Articles of Association).

Pursuant to this Article, the majority of the members of the Remuneration Committee of the General Meeting must be independent.

The Remuneration Committee of the General Meeting has the following membership:

Remuneration Committee - General Meeting

Chairman	José Manuel Archer Galvão Teles
	José de Mello - Sociedade Gestora de Participações Sociais, S.A. (representado por Luís Eduardo Brito Freixial de Goes)
	Álvaro João Duarte Pinto Correia

III. SUPERVISION

A) COMPOSITION

30. THE SUPERVISORY BODY

EDP's two-tier model of corporate governance has made possible an effective separation between supervision and management of the company. The General and Supervisory Board is the highest supervisory body.

31. MEMBERSHIP FINANCIAL COMMITTEE - EFFECTIVE MEMBERS AND TERM OF OFFICE

The duties of the Financial Matters Committee /Audit Committee are described in Point 29 of the corporate governance report.

The Financial Matters Committee/Audit Committee is made up of five independent members with the appropriate qualifications and experience, including at least one member with a degree in the area of the committee's duties and specific knowledge of auditing and accounting, as confirmed by the Curriculum Vitae of the Vice-Chairman, which can be viewed in the chapter on corporate bodies.

This committee's membership is as follows:

Financial Matters Committee/Audit Committee		First appointment date
Chairman	Eduardo de Almeida Catroga	21/02/2012
Vice-Chairman	Vítor Fernando da Conceição Gonçalves	13/07/2006
	António Sarmento Gomes Mota	07/05/2009
	Manuel Fernando de Macedo Alves Monteiro	13/07/2006
	Maria Celeste Ferreira Lopes Cardona	18/04/2012

32. INDEPENDENT MEMBERS OF THE FINANCIAL COMMITTEE

See Points 17 and 18.

33. QUALIFICATIONS OF MEMBERS OF THE FINANCIAL COMMITTEE

See page 304 and following of the Management Report.

B) OPERATION

34. LOCATION AT WHICH THE OPERATING PROCEDURES OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE CAN BE VIEWED

The Financial Matters Committee/Audit Committee's work is governed by Internal Regulations, available on EDP's website at www.edp.pt.

35. MEETINGS AND ATTENDANCE RATE OF EACH MEMBER OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

In 2013, the Financial Matters Committee/Audit Committee met thirteen times and minutes of its meetings were kept. Information on the attendance rate of the committee's members is given in Annex IV of this report.

36. POSITIONS HELD IN OTHER COMPANIES WITHIN AND OUTSIDE THE GROUP BY EACH FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE MEMBER

See Annex III.

C) POWERS AND DUTIES

37. PROCEDURES AND CRITERIA GOVERNING THE SUPERVISORY BODY'S INVOLVEMENT IN HIRING ADDITIONAL SERVICES FROM THE EXTERNAL AUDITOR.

The proposal for hiring additional services of the External Auditor and Statutory Auditor is made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and any contracting requires the prior authorisation of that Committee.

Rules of procedure on the Provision of Services by the Statutory Auditor and External Auditor of EDP are in force, in this regard, and the implications on the hiring of additional services are described in point 46.

There are other rules of procedure adopted by the Executive Board of Directors that ensure all EDP Group companies comply with the rules contained in the referred rules of procedure.

38. OTHER DUTIES OF THE SUPERVISORY BODIES AND, IF APPLICABLE, OF THE FINANCIAL MATTERS COMMITTEE/AUDIT COMMITTEE

The duties of the Financial Matters Committee/Audit Committee, delegated to it by the General and Supervisory Board pursuant to the Articles of Association and the Internal Regulations of the Financial Matters Committee/Audit Committee are described in Point 29.

IV. STATUTORY AUDITOR

39. THE STATUTORY AUDITOR AND THE CERTIFIED AUDITOR REPRESENTING IT

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A. (KPMG), represented by Vítor Manuel da Cunha Ribeirinho, was elected EDP's Statutory Auditor for 2012-2014 at the General Meeting of 17 April, 2012.

40. NUMBER OF YEARS FOR WHICH THE STATUTORY AUDITOR HAS WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

The Statutory Auditor has been working with the company for ten years.

41. OTHER SERVICES PROVIDED TO THE COMPANY BY THE STATUTORY AUDITOR

The Statutory Auditor is the company body responsible for the examination of the accounting documents. It is elected by the General Meeting for three year terms, pursuant to Article 25 of EDP’s Articles of Association and Article 446 of the Portuguese Company Code.

According to the Company Code and the company’s Articles of Association, the Statutory Auditor is responsible for checking (see Article 446 (3) of the Company Code):

- The regularity of the company’s books, accounting records and their supporting documents;
- The cash and all assets or securities belonging to the company or received by it as guarantees, deposits or for any other purpose, whenever and however it sees fit;
- The accuracy of the accounting documents;
- Whether the company's accounting policies and valuation criteria result in an accurate assessment of its assets and results.

V. EXTERNAL AUDITOR

42. THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

EDP's External Auditor is KPMG and Vítor Manuel da Cunha Ribeirinho, manager of auditing at KPMG, is the partner in charge of overseeing and performing audits of the EDP Group's accounts. KPMG is registered with the CMVM under number 9093.

The external auditor performs the necessary audit work to ensure the reliability of the financial reporting and credibility of the accounting documents.

The external auditor's duties include checking compliance with remuneration policies and systems, the efficacy of internal control mechanisms and reporting of any deficiencies to the General and Supervisory Board.

EDP takes measures specifically aimed at ensuring the independence of the external auditor, in view of the scope of services provided by audit firms.

43. NUMBER OF YEARS FOR WHICH THE EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT HAVE WORKED CONSECUTIVELY WITH THE COMPANY AND/OR GROUP

EDP's external auditor has been KPMG since December 2004 and Vítor Manuel da Cunha Ribeirinho has been the certified auditor partner since 2012.

44. POLICY ON AND FREQUENCY OF ROTATION OF EXTERNAL AUDITOR AND CERTIFIED AUDITOR PARTNER REPRESENTING IT

The policy on rotation of the external auditor and certified auditor partner representing it depends on the strict assessment by the Financial Matters Committee/Audit Committee of the independence and quality of the work done and consideration of the independence of the statutory auditor and external auditor and the advantages and costs of replacing them.

The General and Supervisory Board decided, under its duties of selecting and replacing the external auditor, to hold a tendering procedure at the start the fourth quarter of 2011 to select the external auditor of EDP for a three-year term. It follows that the third and fourth quarters of 2011 were marked by the 8th privatisation process of EDP, with significant impact on the EDP shareholder structure. Therefore, the composition of the governing bodies for the 2012-2014 term was postponed to a later date, to take into account the conclusion of that process.

The General and Supervisory Board delegated in the Financial Matters Committee/Audit Committee the monitoring of this issue during 2012, and this Committee presented a proposal to keep the current Statutory Auditor/External Auditor of EDP until the end of 2013. That proposal was approved by the General and Supervisory Board

Subsequently, the work for selecting the external auditor for the 2014-2016 period was resumed still in 2013, and the General and Supervisory Board delegated in the Financial Matters Committee/Audit Committee the monitoring and structuring of this matter.

Accordingly, the Financial Matters Committee/Audit Committee launched a consultative process, inviting 4 audit firms of international repute to submit bids for the provision of statutory audit and external audit services to EDP for the 2014-2016 period.

Two committees were set up for the development of the consultation process, one for monitoring the process and analysing the bids and preparing a summary of their findings and the other had the mission of assessing the results produced by the first committee and preparing a proposal for the Financial Matters Committee/Audit Committee.

KPMG was the company that gained the highest scores in the assessment of the submitted bids, which also weighed up the audit performance conditions, including the costs and benefits of its replacement.

In this process, the Audit Committees of the EDP Group subsidiaries, Hidroeléctrica del Cantábrico, EDP Renováveis and EDP Energias do Brasil approved KPMG as the statutory auditor and external auditor for the three-year period from 2014 to 2016 - even though KPMG can only be appointed as external auditor of the EDP Energias do Brasil group from 2015.

The many items valued and highlighted in relation to KPMG included, for example, the fact that KPMG is the bidder with the most specific knowledge of the business and culture of the EDP group, that changing the service provider would require additional effort from EDP's internal resources to ensure the transition, which is particularly sensitive in the context of the varied internal transformation projects underway and planned through to 2017, and that maintaining the current external auditor gives greater security in settling issues of high accounting complexity that are already being accompanied by the current auditor.

Given the above, the Assessment Committee informed the Financial Matters Committee/Audit Committee that it considered KPMG to be the entity offering the most advantageous conditions for the provision of external audit services to the EDP Group. The Financial Matters Committee/Audit Committee analysed the results of the assessment and decided on 23 October, 2013 to propose to the General and Supervisory Board the selection of KPMG for the provision of such services in the 2014-2016 period. At its meeting of 31 October, 2013, the General and Supervisory Board decided to approve the award the bid submitted by KPMG for the provision of external audit services in the 2014-2016 three-year period.

45. BODY RESPONSIBLE FOR ASSESSING THE EXTERNAL AUDITOR AND FREQUENCY OF ASSESSMENT

The Financial Matters Committee/Audit Committee presents annually to the General and Supervisory Board a proposal for the assessment of the independence of the external auditor, which is published in the report of the General and Supervisory Board as well as the result of the appreciation of the proposal.

46. WORK OTHER THAN AUDITING DONE BY THE EXTERNAL AUDITOR FOR THE COMPANY AND/OR SUBSIDIARIES AND INTERNAL PROCEDURES FOR APPROVING HIRING OF THESE SERVICES AND REASONS FOR HIRING THEM

Proposals to hire additional services from the external auditor and statutory auditor are made by the Executive Board of Directors to the Financial Matters Committee/Audit Committee and their hiring requires prior authorisation from this committee.

The Regulations on Services Provided by EDP's Statutory Auditor and External Auditor, available on the EDP website, (www.edp.pt), on hiring of additional services, requires the Financial Matters Committee/Audit Committee to deny authorisation of additional services if:

- The additional service is prohibited;
- In accordance with the standard of an objective, reasonable informed third party, the service involves a possible threat to the independence of the statutory auditor or the external auditor, i.e. not allowing self-audit or personal interest.

In order to implement this CMVM recommendation, the Regulations on Services Provided by EDP's Statutory Auditor and External Auditor define the services in the following categories:

AUDIT SERVICES

a) Necessary services (including internal control procedures required as part of audits) for the issue of the external auditor's annual or interim reports on the accounts.

b) Services required for compliance with local legislation (including internal control procedures required as part of audits) for the issue of legal certifications of accounts.

c) Other services related to the above, with a specific or limited purpose or scope, such as:

- Opinion on the internal control system on financial reporting;
- Opinion on the Consumption Efficiency Plan;
- Opinion on the Environmental Development Plan;
- Opinion on regulated accounts;
- Statements of compliance under contractual agreements;
- Reports on specified accounts, accounting elements or items in an EDP financial statement;
- Comfort letters in the issue of securities.

ADDITIONAL SERVICES

a) Other services for guaranteeing reliability – services that take the form of a commitment, on the basis of appropriate, duly identified criteria, to evaluate or quantify a certain element for which a third party is responsible or to express an opinion providing a certain degree of certainty on this element.

b) Tax consultancy – advisory and support services on tax matters.

c) Other non-audit related services – covering all other services not included in the other additional service categories.

The following additional services were hired from the External Auditor in 2013:

- Tax consultancy
- Studies on the impact of regulatory changes in Portugal and Spain
- Service verification, compliance and fulfilment of tax obligations

The reasons for hiring these services were essentially i) better understanding of the Group's business and tax issues associated with its business activity, ensuring appropriate knowledge of the relevant information, which favours greater agility and efficiency in providing solutions and ii) it was considered that the hiring of said services were not considered a threat to the independence of the External Auditor and did not foster any situation of personal interest in relation to the guarantee of independence given by the External Auditor.

Additional services provided in 2013 account for around 10% of the total value of services rendered to the EDP Group by these entities.

47. ANNUAL REMUNERATION PAID BY THE COMPANY AND/OR SUBSIDIARY OR GROUP COMPANIES TO THE AUDITOR AND OTHER NATURAL OR LEGAL PERSONS BELONGING TO THE SAME NETWORK AND BREAKDOWN OF PERCENTAGE FOR THE FOLLOWING SERVICES

KPMG is responsible for conducting an independent external audit of all the EDP Group companies in Portugal, Spain, Brazil (EDP Renováveis), USA and other countries in which the Group operates. In the subgroup of EDP Brasil independent external auditing is conducted by Price Waterhouse Coopers.

In 2013, the recognised, specialised costs of the fees of KPMG and Price Waterhouse Coopers for auditing, guarantee and reliability services, tax consultancy and services other than auditing for Portugal, Spain, Brazil, USA and other countries were as follows:

KPMG

Type of Services	Portugal		Spain		Brazil		United States of Amercia		Other Countries		Total	
Audit and Statutory Audit of Accounts	2,496,200 (1)		1,726,258		117,674		861,470		694,456		5,896,058	
Other Audit Services (2)	772,000		390,231		27,479		39,850		44,305		1,273,864	
Total of Audit Services	**3,268,200**		**2,116,489**		**145,153**		**901,319**		**738,761**		**7,169,922**	**90%**
Tax Consultancy Service	454,640		18,000		0		11,960		0		484,600	
Other Additional Services	42,400		249,565		0		0		57,490		349,455	
Total of Other Services	**497,040**		**267,565**		**0**		**11,960**		**57,490**		**834,055**	**10%**
Total	**3,765,240**	**47%**	**2,384,054**	**30%**	**145,153**	**2%**	**913,279**	**11%**	**796,251**	**10%**	**8,003,977**	**100%**

(1) - Includes the remuneration of the Statutory Auditors of EDP amounting 180,000 euros.
(2) Includes assurance and reliability services of the exclusive competence and responsibility of the Statutory Auditor and External Auditor in accordance with the regulations on services provided approved by the GSB.

PRICE WATERHOUSE COOPERS

Type of Services	Brazil
Audit and Statutory Audit of Accounts	966,279
Other Audit Services	76,404
Total of Audit Services	**1,042,684**
Tax Consultancy Service	0
Other Additional Services	0
Total of Other Services	**0**
Total	**1,042,684**

C. INTERNAL ORGANISATION

I. ARTICLES OF ASSOCIATION

48. RULES ON AMENDMENTS TO THE COMPANY'S ARTICLES OF ASSOCIATION

EDP's Articles of Association do not set out special rules on their amendment and the general rule set out in 3 Article 386 (3) of the Company Code therefore applies, i.e. decisions to amend the Articles of Association must be approved at a General Meeting by two-thirds of the votes cast.

EDP's Articles of Association may also be amended under the powers of the Executive Board of Directors to move EDP's registered office (Article 2 (1) of EDP's Articles of Association) and increase EDP's share capital (Article 4 (3) of EDP's Articles of Association). Pursuant to the general rule set out in Article 410 (7) of the Company Code, by reference to Article 433 of this code, these decisions by the Executive Board of Directors must be passed by a majority of the votes of the directors present or represented.

II. WHISTLEBLOWING

49. WHISTLEBLOWING POLICY AND CHANNELS

The EDP Group has consistently implemented measures to ensure the good governance of its companies, including the prevention of incorrect practices, particularly in the areas of accounting and finance.

EDP provides Group employees with a channel that enables them to report any alleged unlawful practice or accounting or financial irregularity in their company directly and in confidence to the Financial Matters Committee/Audit Committee of the General and Supervisory Board.

With the creation of this channel for reporting irregular accounting and financial practices, EDP aims at:

- Ensuring that any employee can freely communicate his/her concerns in these fields to the Financial Matters Committee/Audit Committee;
- Facilitating the early detection of irregular situations that, if they occurred, might cause serious damage to the EDP Group, its employees, customers and shareholders.

The Financial Matters Committee/Audit Committee can be contacted by email, fax and post and access to information received in this regard is restricted. The members of this committee are authorised to receive these reports.

All complaints sent to the Financial Matters Committee/Audit Committee are treated in strict confidence and the complainant remains anonymous, unless this prevents investigation of the complaint.

Pursuant to the regulations, EDP guarantees that whistleblowing employees will not suffer any reprisals or disciplinary action for exercising their right to report irregularities, provide information or assist in an investigation.

On 27 October 2011, the General and Supervisory Board approved new regulations, which were submitted for registration with the National Data Protection Authority. The application was approved on 6 July 2012.

In February, 2014, the Financial Matters Committee/Audit Committee informed the General and Supervisory Board of its work as part of the whistleblowing mechanism in 2013. The conclusion was that none of the 35 reports received contained complaints with an impact on accounting, finance, internal control or audit matters. The Financial Matters Committee/Audit Committee closed 33 after analysing the responses from the competent EDP departments and the remaining two in the closing phase.

III. INTERNAL CONTROL AND RISK MANAGEMENT

50. PEOPLE, BODIES OR COMMITTEES RESPONSIBLE FOR INTERNAL AUDITS OR IMPLEMENTATION OF INTERNAL CONTROL SYSTEMS

Internal control matters are the responsibility of the Corporate Centre, which plays a structural role in assisting the Executive Board of Directors in defining and overseeing implementation of strategies, policies and goals.

The most important of the Corporate Centre departments and offices in terms of internal control are the Internal Audit Department and the Risk Management Department.

The former performs internal audits or ensures that they are performed in the Group. It is also responsible for the financial reporting internal control system (SCIRF) in the Group, with a view to an independent assessment of the internal control system and implementation of measures to make it more effective by optimising and aligning processes and systems.

The Risk Management Department's main responsibility is to coordinate the Group's risk assessment studies in order to assist the Executive Board of Directors in controlling and mitigating them and provide integrated risk-return analyses.

Under the law, the General and Supervisory Board permanently oversees and evaluates internal accounting and auditing procedures, the efficacy of the risk management system, the internal control system and the internal auditing system, including the way in which complaints and queries from employees and others are handled. This duty has been assigned to the Financial Matters Committee/Audit Committee, which, among other tasks, permanently monitors and supervises:

(i) EDP’s financial affairs;

(ii) Internal auditing procedures, the company's accounting practices and the internal control system for financial information and financial reporting, in coordination with the Internal Audit Department;

(iii) Matters relating to the risk management process, particularly taxation, legal and financial aspects.

51. DESCRIPTION OF HIERARCHICAL AND/OR FUNCTIONAL DEPENDENCY ON OTHER COMPANY BODIES OR COMMITTEES

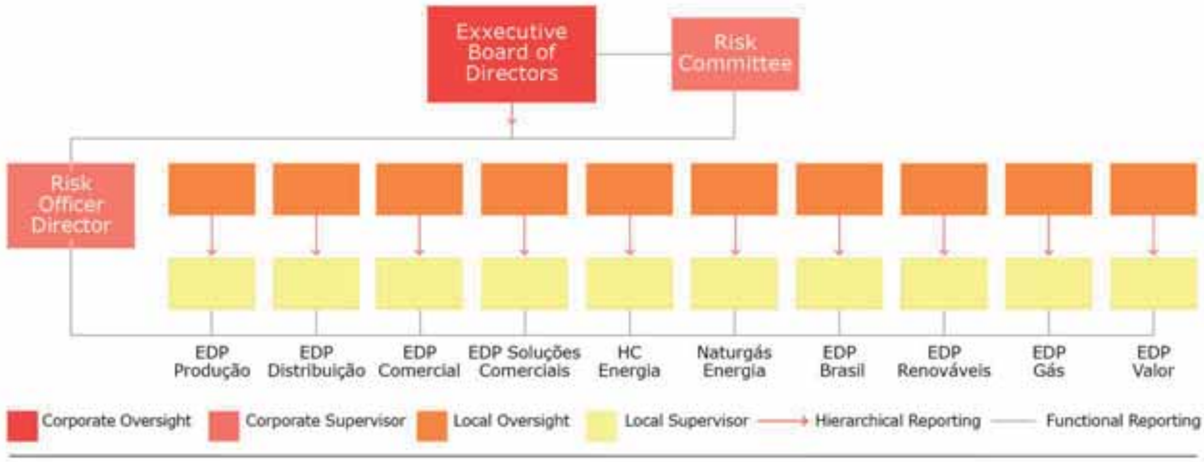
The Internal Audit Department belongs to the Corporate Centre and although it is answerable to the CEO, it reports in practice to the Financial Matters Committee/Audit Committee. The department's work is supervised by the Financial Matters Committee/Audit Committee, which approves the annual internal audit plan before it is sent to the Executive Board of Directors and monitors its systematic implementation.

52. OTHER COMPANY AREAS WITH RISK CONTROL DUTIES

The Executive Board of Directors decides the degree of exposure to risk to be adopted by the EDP Group in its different activities and, without prejudice to delegation of duties and responsibilities, defines overall risk limits and ensures that risk policies and procedures are followed. This is preceded by the definition of the Group’s appetite for risk resulting from its long established business structure and criteria agreed upon by the Executive Board of Directors and the General and Supervisory Board.

The business units manage their own risks within the established criteria and delegations. There is an alignment of policies and strategies between the risk areas of its subsidiaries and the Risk Department of the Corporate Centre, ensuring coherent performance, reporting and control practices.

The Risk Management Department is one of the Corporate Centre's strategic departments. In addition to its control and methodological activities, this department conducts its own studies, thereby providing business intelligence for assessing important highly topical R2R – Return to Risk for the Group.



53. THE MAIN TYPES OF ECONOMIC, FINANCIAL AND LEGAL RISK TO WHICH THE COMPANY IS EXPOSED IN ITS BUSINESS

The main risks to which the company is exposed and which affect all the responsibility units are as follows:

ELECTRICITY GENERATION AND ENERGY MANAGEMENT:

Electricity price risk: Income from generation can be influenced by changes in the price of electricity on the wholesale markets. The Group's exposure is limited to the power stations operating in the free market (Spain, Ribatejo Power Station, Lares Power Station and new hydroelectric plants in Portugal), as most of them are subject to the CMEC – costs for maintenance of contractual equilibrium adjustment mechanism (power stations that had power purchase agreements with REN but began operating in the market on 1 July 2007). There is also exposure to the market (OMEL price) of EDP Renováveis wind farms (and also in the United States, Poland and Romania). Furthermore, the Group proactively seeks to protect the margin, with integrated action in energy and supply management. In the MIBEL, the UNGE acts in the wholesale market with a view to optimising the generation supply in the OMEL spot market and taking advantage of the forward market, OMPI, OTC and arbitration in the Spain-France interconnection. The UNGE simulates the performance of the Iberian system and uses the Unified Risk Model for periodic calculation of the margin at risk. At EDP Brasil, the market risk in electricity generation is low, as most of the installed capacity is under long-term contract.

Fuel price and CO2 risk: This risk is most important for power stations on the free market and it is managed by UNGE, which is responsible for coal purchases, operational management of gas procurement contracts for electricity generation and CO2 emissions rights and hedging solutions for fuel prices and exchange of the dollar (the last in coordination with the Financial Management Department). UNGE manages negotiation of new gas procurement contracts and also manages temporary positions of surplus or shortage between Group companies and abroad. The MUR is also used in risk assessment, making use of its capacity for assessing trends in fuel and CO2 prices.

Operating risk of power stations and wind farms: Conventional power stations and wind farms have breakdowns and other incidents that can entail a loss of revenue due to the resulting outage or downtime. This risk is mitigated by conduction and maintenance methods and safety procedures of the highest standard. The most important insurable risks are associated with generation, which is covered by insurance. They are managed by the Insurable risks Office at EDP Valor.

Environmental risk: Generation resources are the most vulnerable to this type of risk, because of their use of natural resources, the emissions and waste that thermal generation produces and the impact on biodiversity caused by wind generation and other technologies. The Group has a very strict environment policy that fits into an environmental management system aimed at abiding in full by licensing parameters for facilities and taking additional measures to improve performance and mitigate any liabilities in this area. EDP has environment liability insurance to meet new European requirements. For more information on the company's environmental performance, see the contribution section of the environmental performance chapter in the EDP Sustainability Report.

Credit risk: This risk in the organised market is not significant and for operations in the OTC market and purchase of fuel UNGE minimises it by setting exposure limits. These limits are approved internally in accordance with counterparty ratings (defined by an external entity or in-house if the information is not available).

Liquidity risk: This risk occurs mainly in hedging operations in organised markets. Almost the entire counterparty risk is mitigated in operations in organised markets but if margin accounts or other guarantees are necessary in these contracts, with periodic calculation of their market value, there may be a need for liquidity while these instruments are in effect. This management is performed by UNGE and the Financial Management Department by contracting dedicated lines of credit.

MARKET SUPPLY:

Electricity price risk: This risk is managed by UNGE. Internal prices are defined after determining sales volumes to end users by EDP Comercial – Comercialização de Energia, S.A. and HC ENERGÍA, unless it is possible to enter into contracts indexed to the market price.

Volume risk: The volume of energy for sale to end users is always uncertain, due to weather and economic conditions, as a result of customer migration from the regulated-tariff public service to the free market or migration between free suppliers. In principle, this risk is taken by suppliers, as they will have to make adjustments for surpluses or shortages at market prices. Nonetheless, MIBEL's current transition phase, which is causing considerable uncertainty as to the share of consumption on the free market with more or less attractive public tariffs and competitive dynamics, requires dynamic management of this risk by means of periodic, integrated intervention via the Price and Volumes Committee set up for the purpose.

Operational supply quality risk: In the free market, the criteria for quality of supply service are the full responsibility of the Group, which has focused on its good management.

Credit risk: Where sales are concerned, this risk is managed first by the contractual criteria and second by EDP Soluções Comerciais S.A. “EDP Soluções Comerciais”), which is responsible for meter reading, billing and collection (HC Energía and Naturgas in Spain).

LAST RESORT SUPPLY:

As required by law, consumers that receive energy at a regulated tariff are customers of EDP Serviço Universal, the supplier of last resort. In Portugal, as of 1 January 2011, this unit only covers domestic and non-domestic consumers that have not yet moved to the regulated market and that have been subject to a transition tariff since 1 January 2013. On 1 January 2013, regulated energy sales tariffs to domestic end users were abolished and so new customers have to choose a free market operator. Customers still paying a regulated tariff have a transition period to change to the liberalised market and their consumption is charged at a transition tariff fixed by the ERSE and subject to periodic review.

Regulatory risk: This activity is low risk, though deviations in forecasts of energy purchase costs made by the regulator – Entidade Reguladora dos Serviços Energéticos – and the resulting creation of high deficits or surpluses, cause concern as to the fair remuneration of this volatility. We hope that the ongoing progressive abolition of regulated tariffs for the sale of electricity will make it possible to step up the competitive balance mechanisms and monitor more closely the performance of international costs of raw materials for electricity generation.

Operational supply quality risk: Irrespective of the regulated criteria for quality of supply service (e.g. average response time in providing customer service, percentage of low voltage meter readings), the Group has put considerable effort into managing this risk, as their impacts on management of the brand erosion risk.

Credit risk: Management of this risk has been delegated to EDP Soluções Comerciais and is carried out in accordance with the regulations defined for public service customers (power cuts when bills are not settled within payment deadlines).

ELECTRICITY DISTRIBUTION:

Regulatory risk The changes in the rules on remuneration of this activity can affect income of EDP Distribuição – Energia, S.A. and HC Energia. In addition to fair defence of valuation criteria, the Group follows best practices in planning, construction, operation and maintenance of grids and seeks to achieve and, if possible, exceed gains in efficiency set out in regulatory goals.

Operational risk of quality of technical service and losses: Regardless of the criteria on quality of technical service (e.g. duration and number of interruptions and service restoration times) and incentives for reducing physical losses from the grid, the Group has placed considerable emphasis on managing this risk, as their impacts are substantial on management of the risk of erosion of the brand and efficient energy management policy.

Grid operational risk: The existence of infrastructures in the public domain (e.g. lines, cables and transformer stations) may increase the impact of outages and incidents. This risk is mitigated by conduction methods, maintenance and safety procedures in line with the highest international standards. Nonetheless, extreme, unusual weather conditions have resulted in power cuts and substantial damage and media coverage. Our response to this type of crisis has improved significantly. Insurable risks are insured.

Environmental risk: Although less than in electricity generation, there is the problem of overhead lines and birdlife, surrounding areas and even their visual impact. Careful attention is paid to all these aspects of a project. The layout is designed to minimise these effects and the structure of the pylons is made compatible with the birds that use them as perches or nesting places. The lines in migratory corridors are flagged to prevent collisions. For more information on EDP's performance in this area, see the Sustainability Committee section in Chapter II.3.

RISK MANAGEMENT IN OTHER REGIONS AND ACTIVITIES

Although the market and regulatory conditions may be different, the above principles and methods apply to the gas distribution and supply business units, Energias do Brasil and EDP Renováveis.

EDP Renováveis has been the main source of growth in the Group and of geographical diversity of investments. It has confirmed the change in the Group's generation profile to a portfolio that is less dependent on CO2 emissions and therefore to low exposure to the risks of greenhouse gas emissions. The current size requires careful management of the pipeline of projects, flexible hiring of wind turbines and operation and maintenance conditions in order to avoid the operational risks of not launching projects or not finishing them on time and not achieving the best standards of operating efficiency. The nature of this type of generation means that the results of investments are highly dependent on each country's energy and regulatory policies. This aspect is carefully weighed within the criteria of acceptable minimum return. Exposure to the electricity market price is mitigated considerably by remuneration of generation with fixed tariffs, long-term PPAs (power purchase agreements) and effective hedging strategies. In addition to the sale of energy, in some regions remuneration also consists of green certificates whose value usually carries a market risk. This risk is also considerably mitigated with long-term contracts (only for green certificates or sometimes included in the energy sales contract). Risk mitigation options depend on the remuneration structure in each country.

GROUP-WIDE RISK MANAGEMENT

Investment-associated risks: Investment assessment and decisions standardise criteria for defining discount rates to be used to assess expected cash flows and create scenarios (which include different sensitivities, such as price risk, energy volume risk and regulatory risk). These criteria help to mark out limits in the Group’s appetite for risk, with the capital cost of each business unit/region being reviewed on a regular basis. The investment committees at the business unit and corporate level allow for effective implementation of these mechanisms in the assessment phase and for the monitoring of the execution of the investments, monitoring operational risks in these phases and their potential impact on the expected value.

Financial risk: The Group's financial risks are mainly managed by the Financial Management Department, which manages the Group's cash in the Iberian Peninsula and its debt portfolio and interest rate and exchange rate risks with market financial instruments. In Brazil, Energias do Brasil abides by similar principles and methods in coordination.

The **liquidity risk** continued to warrant particular attention. EDP's credit profile in this difficult context for Portugal is higher than that of Portugal and it has issued bonds necessary for the usual rollover of debt and to finance the Group's activity. Financial deleveraging is a strong strategic commitment in the EDP Group and its goal is therefore of improving its net debt / EBITDA ratio in upcoming years. The purchase of minority stakes in EDP Renováveis to a total of EUR 2 billion by China Three Gorges by 2015 is fundamental in achieving this financial deleveraging goal (acquisition of 49% of EDP Renováveis Portugal, S.A. agreed in 2012 and signing of memorandums of understanding in December 2013 for the acquisition of 50% of the Cachoeira Caldeirão Hydroelectric Power Station, 50% of the Jari Hydroelectric Power Station and 49% of the holding of EDP Renováveis in ENEOP – Eólicas de Portugal). In terms of liquidity, in December 2013, cash and lines of credit available totalled EUR 4.439 million, of which EUR 2,180 million billion were cash and cash equivalents and EUR 2,259 million lines of credit. The liquidity risk has therefore been mitigated thanks to our debt management policy, the contracting of new financing and the availability of lines of credit obtained (underwritten) but not used. Thanks to the Group's financial policies, its market risk is very low and the counterparty risk is diversified and involves credible financial entities.

Liabilities resulting from the EDP Group Defined Benefit Pensions Fund and health care benefits in Portugal are fully covered by the Pension Fund assets and specific provisions included in the EDP balance sheet. An independent actuary calculates these liabilities every year based on IFRS-IAS assumptions, taking account of aspects such as the fund's performance, demographics, economic variables and applicable requirements.

Operational risk: This involves potential losses resulting from incidents caused by faulty or inadequate procedures, staff, equipment or systems or resulting from external incidents (including the risk of failure to comply with legislation and ethical standards; operating losses including economic and non-economic effects and loss of reputation).

The most significant risks that are transferable to the insurance market have to do with industrial facilities. For these and the risks resulting from complaints by third parties regarding material or personal losses and their consequences that may result from the activity of Group companies, the Insurable Risk Office at EDP Valor has been following the approved Strategic Insurance Plan based on joint programmes for all Group companies in Portugal and Spain, direct contracts with the insurance market and a more prominent role for the Group's captive insurance company, Energia RE. This joint policy has made it possible to optimise insurance costs and improve control thereof.

The Group does not expect any substantial negative repercussions in terms of **legal risks,** i.e. litigation related to operations, licensing of new facilities and necessary compliance with tax and accounting obligations.

54. IDENTIFICATION, ASSESSMENT, MONITORING, CONTROL AND MANAGEMENT OF RISKS

The Group's diversity of lines of business continued to ensure a low degree of intrinsic risk, mainly due to: (i) the high relative weight of businesses not exposed to market risks, (ii) growth in low-risk activities, such as wind generation with low exposure to electricity market prices (iii) appropriate hedging policies for mitigating financial and fuel price risks and the risk of the price and volume of electricity placed or bought on the market and (iv) greater geographical diversification of risk due to the lower weight of the Iberian Peninsula. This geographical diversification has been vital in mitigating the company's risks, especially those associated with the European sovereign debt crisis and regulated risks in specific markets.

The Group's risk organisation and processes have received the highest scores in the Dow Jones Sustainability Index, with an invitation to step up integrated R2R methods and include them in the normal management of the business units and Corporate Centre. This process is based on the following components:

- **Identification de riscos – Risk Assessment.** Steps have been taken to ensure that this process is included in the usual cycle of preparing the business plan and budget, at least for the most important risks from a top management viewpoint. These include a risk portal for the Risk Management Department to use to record work done and consolidate the most important risks and for the business units to use as needed. This portal was developed in-house and consistently gathers information on each relevant risk, with a qualitative and, as far as possible, quantitative assessment of the overall, expected, minimum and maximum impact, probability, level of control and preparation of priority matrices for action or control. It enables us to answer the following questions: What are the most important risks for each business unit and how great are they?

- **Risk officer** This is how we clarify responsibilities in risk management, coherence in delegation of duties and contracting of supplies and services from internal or external outsourcers. For each of the priority risks, we endeavour to identify key measures than can be used to prevent or mitigate a risk or decide on the transfer of risk to another entity (e.g. insurance, hedging). This instrument answers the following questions: Who is responsible for managing a certain risk? What are the risks which it is to EDP's advantage to manage and which should it transfer to other entities?

- **Appetite for risk** Considering that we assess how the Group plans to grow (business areas, regions, acquisitions or in-house), how it will be financed for the purpose (and the commitment to pay dividends) what ratings it wishes to maintain or achieve, this last one is the basic operating condition, by satisfying appropriate ratios: Net debt/EBITDA; FFO/net debt, among others Although ratings depend on a broader set of indicators, some of which are subjective, and also on the sovereign rating itself, which some rating agencies claim constitutes the limit for a country's companies' ratings (e.g. it is hard for a company's rating to be one or two levels higher than sovereign ratings), the former are the most important indicators and are part of the established controls. From a strategic point of view, the Group's Annual Report and Accounts defines the overall limits of its activity – vision – and the commitments that it makes, which delimit risk areas in which it operates (i.e. the risk of a multi-utility type strategy outside energy is not considered). It enables us to answer the following questions: Does the company have the share capital necessary for its risks? Is it overexposed or underinsured? How much risk would it like to take?

- **Integrated risk assessment** This aspect of risk control is designed to use bottom up methods to assess the values at risk of EBITDA, cash flow and other financial indicators relevant to the most important business units and of consolidated values within the Business Plan timeline. Top down methods are also used to calculate values at risk and make comparisons with competitors on the basis of the market performance of EDP's shares and public financial information. The aim is also to extrapolate for longer timelines the effects on our risk profile of expected changes in businesses and different strategic options for the composition of our business portfolio. This instrument answers the following question: Do the most important business decisions take account of the impact on EDP's aggregate risk?
- **Governance and risk management** This component of the risk management process is based on the Corporate Policy on Business Risk Management defined by the Executive Board of Directors and the purpose-built structure. This instrument answers the following questions: Are there risk management and control processes? Are they effective?

Some of most important aspects of activity in 2013 were as follows:

- Six-monthly report Top 5 Risks/ Uncertainties of the EDP Group, which analyses the five uncertainties of the company's activity that, due to their potential for rapid growth or significant impact on the EDP Group, warrant special attention from the corporate structure.
- Aggregate top down risk analysis and comparison with rival companies, which continued to show a lower level of aggregate risk for EDP Group's business than its peers.
- Detailed bottom up risk analysis of EDP Renováveis and the main risks in the company's different regions.
- Analysis of the market, counterparty and liquidity risk of the EDP Group's debt
- Analysis of the optimal share capital structure and appropriate liquidity for the EDP Group.
- Active collaboration in EDP's implementation of new European rules on the energy sector (REMIT) and financial markets (EMIR).
- Analysis of practices and methods in credit risk management in the companies supplying energy in the Iberian Peninsula.
- Drafting of a periodic report on current risks in the European energy markets.
- Study of the impact of climate change in Portugal and Spain in average rainfall levels and wind levels in hydroelectric and wind generation. Correlations between regions, systems and long-term trends. Quantification of economic impact.
- Active contribution to Focus Group Enterprise Risk Management and Task Force Risk Analysis and Recommendations on Eurelectric's Power Choices Study".
- Organisation of the fourth meeting of the EDP Group's risk Officers, where employees from the different business units and Corporate Centre presented risk issues of relevance to the company and shared experiences..
- Organisation of an EDP Group conference on risk management, where relevant, topical matters were introduced and discussed, such as the expected future performance of its risk profile.
- Assistance to EDP Serviço Universal and EDP Soluções Comerciais in developing and implementing crisis and business continuity management processes.

55. MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS IN PLACE IN THE COMPANY FOR THE DISCLOSURE OF FINANCIAL INFORMATION

The EDP Group's management includes an internal control system in the form of its Internal Control System for Financial Reporting (SCIRF), which was designed on the basis of the best international practices and the COSO and COBIT models.

In order to ensure that there are control mechanisms and procedures for mitigating the risk of fraud and materially relevant errors in its financial statements, EDP has set up a cycle of maintenance and assessment to define the activities, processes and controls and a responsibility model that sets out the duties and managers participating at corporate level and in corporate units and business units (CUs and BUs).

In 2013, as part of the maintenance of the cycle, work was done at corporate level and in subgroups and companies.

The work performed at corporate level was as follows:

- Annual planning and monitoring of the cycle, maintenance and review of reference models, methodological and conceptual support for the CUs and BUs;
- Identification of the scope of SCIRF 2013 using the model on the consolidated financial statements as at 31 December 2012, based on criteria of materiality and top down (Corporate Internal Audit Department) and bottom up (CUs/BUs), which identified the companies and departments at the Corporate Centre. The SCIRF covered most of the companies in Portugal, Spain and Brazil separately and the units making up EDP Renováveis, S.A., EDP Renewables Europe, S.L. and EDP Renewables North America, LLC aggregately;
- The scope model identified new subjects for documentation and implementation of controls by local managers and the redesign of processes resulting from organisational, structural, legislative and operational changes;
- We identified the computer programmes used in the processes covered by the result of use of the scope model and pinpointed the associated service organisations. An ISAE 3402 report or an independent assessment was required on the control environment used in services provided to the EDP Group;
- The assessment cycles identified some relevant issues and recommendations that have received specific monitoring by the businesses and technical support and supervision from the Corporate Internal Audit Department. Highly significant progress was made, thereby stepping up the SCIRF's quality and solidity.
- Nonconformities identified in the assessment cycles were analysed and corrective action was identified and implemented by local managers, with oversight, support and monitoring from the IAD. The percentage of corrections was substantial;
- The self-certification process in which the SCIRF managers perform a self-assessment of their remit, starting from the processes, their controls and process groups and ending at company level, was completed successfully. The chain certificates issued in an upward sequence in the hierarchy of control in each CU/BU are explicit recognition of the sufficiency or insufficiency of the process (appropriate and up to date), control activities (with sufficient evidence), resolution of nonconformities and application of the code of ethics (knowledge and compliance);
- In partnership with the Training, Recruitment and Documentation Department at EDP Valor, new training was given to SCIRF managers in Portugal and in-house training of auditors, to further their knowledge of control concepts and practices;
- In the analysis of matrixes of incompatibilities of duties (IT and business) a comparison was made between real and theoretic incompatibilities. The ratio of real incompatibilities was lower than 1%. In addition, a schedule of access and segregation of duties was developed for supervisors to manage incompatibilities and validations of transactions performed by their teams in order to mitigate risks and step up control;
- An assessment was made of control design to confirm that its structure was appropriate for the timely prevention of materially relevant errors and/or improper appropriation of Group resources; and
- Assessment of the operational effectiveness of controls to confirm their compliance with the design and implementation of this execution by qualified practitioners.

The work performed in subgroups and companies was as follows:

- Analysis of result of application of scope model to the individual financial statements and inclusion of new subjects, such as estimates, valuations and assessments subject to professional judgements identified as high risk in a bottom-up analysis;
- The subgroup EDP Renováveis, HC Energia/Naturgas and EDP Brasil also identified their standalone scope with a significance and risk profile suited to their size. Independent reports on the SCIRF by external auditors were published in their annual reports and accounts, in line with the publication in the consolidated reports and accounts;
- The EDP Brasil SCIRF was assessed by PricewaterhouseCoopers Brazil, the new external auditor in Brazil in coordination with KPMG Portugal, for the Group's independent report;
- Identification, review and appointment of SCIRF managers based on the result of the model and revision and/or updates resulting from organisational, structural, legislative and operational changes in the business units;
- Documentation of new processes and controls and redesign of processes and controls documented in previous cycles;
- Necessary action to resolve nonconformities identified in the assessment tests; and
- Self-assessment in which the SCIRF managers assess the sufficiency and update status of documentation and maintenance of evidence in control activities at different levels of each hierarchy.

The SCIRF 2013 was performed by the Group's External Auditor in accordance with ISAE 3000 – International Standard on Assurance Engagements in all the regions covered by the scope model, with the assistance of PricewaterhouseCoopers for EDP Brasil.

The Group's procedures in the maintenance, assessment and monitoring of the SCIRF show a reasonable degree of certainty as to the reliability of the financial information provided to the market, ensuring quality and solidity in line with the best practices and international standards. No material deficiencies were detected.

The External Auditor issued an independent report on the Group's Internal Control System for the financial statements as at 31 December 2013, as described in Annex "External Checks".

IV. INVESTOR RELATIONS

56. COMPOSITION, DUTIES AND INFORMATION PROVIDED BY THESE SERVICES AND THEIR CONTACT INFORMATION

The essential role of the Investor Relations Department is to act as the interlocutor between EDP's Executive Board of Directors and investors and the financial markets in general. It is responsible for all the information provided by the EDP Group, in terms of disclosure of privileged information and other market communications and publication of periodic financial statements.

In carrying out its duties, the department is in constant contact with investors and financial analysts, providing all the information that they request, while observing the applicable legal and regulatory provisions.

EDP's Investor Relations Department comprises six people and is coordinated by Miguel Viana. It is located at the company's head office:

Praça Marquês de Pombal, n.º 12, 3º Piso

1250-162 Lisboa

Telephone: +351 21 001 2834

Fax + 351 21 001 2899

E-mail: ir@edp.pt

Website: www.edp.pt

The table following shows the communication channels through which EDP provides its shareholders with information on each type of documentation.

CHANNELS	In Person [1]	www.edp.pt	E-mail	IR Phone Number [2]	By Mail [3]	www.cmvm.pt
Elements required by law or regulation [4]						
Notice of meeting	√	√	√	√	√	√
Board of Directors' proposals	√	√	-	√	√	√
Amendment of the Articles of Association	√	√	-	√	√	√
Other proposals	√	√	-	√	√	-
Annual Report	√	√	√	-	-	√
Management and supervisory positions held in other Group companies by company officers	√	√	-	√	-	√
Elementos adicionais disponibilizados pela EDP						
Ballots for voting by proxy	√	√	√	√	√	-
Ballots for voting by mail	√	√	√	√	√	-
Ballots for voting by e-mail	√	√	√	√	√	-
Clarification of any issues	√	√	√	√	√	-
EDP Articles of Association and Regulations	√	√	√	√	√	√

1) At EDP' s headquarters
2) IR phone number +351 21 001 2834;
3) Written notice from the Chaiman of the Executive Board of Directors regarding Annual General Meetings
4) Art. 289 of Companies Code ang Regulation of CMVM 5/2008

57. REPRESENTATIVE FOR MARKET RELATIONS

The representative for market relations is Nuno Maria Pestana de Almeida Alves, member of the Executive Board of Directors.

58. PERCENTAGE OF AND RESPONSE TIME TO QUERIES RECEIVED IN THE YEAR OR PENDING FROM PREVIOUS YEARS

EDP's goal is for communication with the market to consist of objective, transparent information that is understandable to all stakeholders and financial market agents.

This is only possible with a financial reporting policy based on transparent, consistent information provided to investors and analysts, as the company has been doing.

The company has therefore made a systematic effort to meet the needs of investors and analysts, which is not an easy task due to the complexity of the sector, always with a view to fostering relationships of trust with financial agents and markets.

In 2013 research reports were written by 21 institutions and at the end of the year, there were six recommendations to buy, nine to hold and six to sell.

In 2013, EDP participated in events with analysts and investors to inform the market of the company's strategy and operational and financial performance. These included roadshows, presentations to analysts and investors, meetings and conference calls.

184 market communications were made in 2013. The Investor Relations Department received 498 requests for information and had 642 meetings with analysts and investors. The average response time to queries was less than 24 hours and no requests were held over into 2014.

The company's efforts have been rewarded at a number of events. At the "IR Magazine Europe Awards 2013", EDP was considered the best European utility company and best Portuguese company and came 14th overall. EDP also won first place in the best sustainability practices category. In addition, EDP was recognised by the "IR Global Rankings 2013" as the best company in terms of financial reporting for analysts and investors, out of more than 300 listed companies worldwide that underwent scrutiny by IR Global Rankings analysts.

V. WEBSITE

59. WEBSITE ADDRESS

EDP's website (www.edp.pt) provides comprehensive legal or corporate governance information, updates on the Group's activity and complete financial and operational data in order to facilitate searches and access to information by shareholders, financial analysts and others.

The information made available through this channel in Portuguese and English includes data on the company, financial statements and accounts, privileged information, the Articles of Association and internal regulations of corporate bodies, the Group's shareholder structure, preparatory documentation for General Meetings, historical performance of EDP share prices, a calendar of company events, the names of members of the corporate bodies and the representative for market relations, contact information for the Investor Relations Department and other information of potential interest about the Group. EDP's website also allows visitors to view or request accounting documents for any financial year since 1999.

60. LOCATION OF INFORMATION ABOUT THE COMPANY, ITS STATUS AS A PUBLIC LIMITED COMPANY, HEAD OFFICE AND OTHER DETAILS MENTIONED IN ARTICLE 171 OF THE COMPANY CODE

The information set out in Article 171 of the Company Code is available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx

61. LOCATION OF THE ARTICLES OF ASSOCIATION AND REGULATIONS OF BODIES OR COMMITTEES

The Articles of Association and regulations of bodies and committees are available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/estatutoseregulamentos/Pages/Estatutos.aspx

62. LOCATION OF INFORMATION ON THE NAMES OF MEMBERS OF THE CORPORATE BODIES, MARKET RELATIONS REPRESENTATIVE, INVESTOR RELATIONS OFFICE OR EQUIVALENT BODY, THEIR DUTIES AND FORMS OF ACCESS

The names of members of the corporate bodies, market relations representative, investor relations office or equivalent body, their duties and forms of access are available on EDP's website on:

http://www.edp.pt/en/aedp/governosocietario/orgaosgovernosocietario/Pages/default_new.aspx

http://www.edp.pt/en/aedp/governosocietario/Pages/Dados%20da%20Sociedade.aspx

63. LOCATION OF ACCOUNTING DOCUMENTS, WHICH MUST BE AVAILABLE FOR AT LEAST FIVE YEARS AND THE SIX-MONTHLY CALENDAR OF COMPANY EVENTS DISCLOSED AT THE START OF EACH HALF YEAR, INCLUDING GENERAL MEETINGS, DISCLOSURE OF ANNUAL, SIX-MONTHLY AND, IF APPLICABLE, QUARTERLY ACCOUNTS

The accounting documents and calendar of company events are available on EDP's website on:

http://www.edp.pt/en/Investidores/Resultados/Pages/Resultados.aspx

http://www.edp.pt/en/investidores/calendario/Pages/Calendario.aspx

64. LOCATION OF NOTICE OF MEETING FOR GENERAL MEETINGS AND ALL THEIR PREPARATORY AND SUBSEQUENT INFORMATION

The notice of meeting for General Meetings and all their preparatory and subsequent information are available on EDP's website on:

http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx

65. LOCATION OF HISTORY OF DECISIONS MADE AT THE COMPANY'S GENERAL MEETINGS, THE SHARE CAPITAL REPRESENTED AND RESULT OF VOTES FOR THE PREVIOUS THREE 3 YEARS

The history of decisions made at the company's General Meetings, the share capital represented and result of votes are available on EDP's website on:

http://www.edp.pt/en/Investidores/assembleiasgerais/assembleiasanuais/Pages/AssembleiasAnuais.aspx

D. REMUNERATION

I. POWER TO SET REMUNERATION

66. POWER TO SET THE REMUNERATION OF CORPORATE BODIES AND COMPANY DIRECTORS

Pursuant to the Articles of Association, payments to the company officers are fixed by a Remuneration Committee appointed by the General Meeting of Shareholders, with the exception of the remuneration to members of the Executive Board of Directors, which is fixed by a Remuneration Committee appointed by the General and Supervisory Board.

When establishing the remuneration of the members of the General and Supervisory Board and Statutory Auditor, the Remuneration Committee of the General Meeting takes account of its fixed nature and the imperative rules on its determination, in particular Article 440 (2) of the Company Code, which sets out the criteria for setting the remuneration of the General and Supervisory Board, Article 374-A of the Company Code on the remuneration of members of the officers of the General Meeting and Article 60 of Decree-Law 224/2008 of 20 November on the remuneration of the Statutory Auditor.

II. REMUNERATION COMMITTEE

67. MEMBERSHIP OF THE REMUNERATION COMMITTEE, INCLUDING NAMES OF THE NATURAL OR LEGAL PERSONS HIRED TO ASSIST AND DECLARATION ON INDEPENDENCE OF EACH MEMBER AND CONSULTANT

The membership of the Remuneration Committee of the General Meeting and the Remuneration Committee appointed by the General and Supervisory Board is set out in Point 29.

No natural or legal persons were hired to assist the Remuneration Committee in its duties in 2013. Therefore, no-one who provides or has provided in the last three years services to any body answering to the Executive Board of Directors or the Executive Board of Directors itself or who is currently a company consultant was hired. This statement covers any natural or legal persons that are related to them by an employment or service agreement.

68. KNOWLEDGE AND EXPERIENCE OF REMUNERATION POLICY OF THE MEMBERS OF THE REMUNERATION COMMITTEE

The Remuneration Committee of the General and Supervisory Board is composed of members of the General and Supervisory Board with qualifications and experience in remuneration policy.

III. REMUNERATION STRUCTURE

69. REMUNERATION POLICY OF MANAGEMENT AND SUPERVISORY BODIES

EXECUTIVE BOARD OF DIRECTORS

Remuneration policy for the members of the managing body is set by the Remuneration Committee appointed by the General and Supervisory Board. This committee defined the remuneration of the directors, intending for it to reflect the performance of each member of the Executive Board of Directors in each year of their term of office (annual variable remuneration) and their performance during their term by fixing a variable component that is consistent with maximisation of EDP's long-term performance (variable multi-annual remuneration).

The recommendation uses an undetermined concept whose satisfaction depends on the concrete circumstances of the issuing company and especially on its shareholders' understanding of what is reasonable in these circumstances. Interpretation of the reasonability of the relative weight of the variable remuneration against the fixed remuneration must take account of the other elements in the recommendation, particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. One of the natural consequences of this principle is an increase in the weight of the variable component in order to create appropriate incentives for the company's executive directors to foster sustainable growth.

The relative weight of the variable remuneration against the fixed remuneration take account particularly of orientation towards alignment of the remuneration structure with the shareholders' long-term interests. As a result the weight of the variable component is higher to create appropriate incentives for the company's executive directors to foster its sustainable growth.

The remuneration policy statement, as approved by the shareholders, lays down that the total variable component can reach twice the fixed component during a term of office, thereby placing a maximum limit of two-thirds of the remuneration depending on fulfilment of strict company performance goals. Variable remuneration depends on whether the executive directors achieve a performance of 90% of the business plan. Only if they achieve 110% fulfilment will they receive the maximum amounts allowed by the company's remuneration policy.

Variable remuneration is divided into annual, which may only reach 80% of fixed remuneration, and multi-annual, which may reach 120% of the fixed remuneration. Variable multi-annual remuneration is only paid if the goals have been met and is paid three years after the financial year in question.

If the remuneration goals are fully met in a term of office, 60% of the directors' variable remuneration is deferred for no less than three years.

If we compare this percentage with that set out for credit institutions and financial companies, pursuant to Directive 2010/76/EU of the European Parliament and of the Council of 24 November, as it is a paradigm that was widely analysed and discussed in Europe, we find that EDP's policy on variable remuneration is equivalent to the strictest used by these entities.

In accordance with the remuneration policy of the members of the Executive Board of Directors proposed by the Remuneration Committee of the General and Supervisory Board "a significant part of the variable remuneration" corresponding to the variable multi-annual remuneration may be a maximum of 120% of gross annual remuneration and it will be paid three years after the financial year in question.

The remuneration policy statement approved by the General Meeting on 6 May, 2013 for 2012/2014 sets out the following:

- **Fixed remuneration** – EUR 600,000 annual gross for the CEO and 80% of this sum for the remaining members of the Executive Board of Directors. Maintenance of directors' retirement savings plans during their term of office, at a net amount of 10% of their fixed Annual remuneration. The characteristics of these retirement savings plans are set out in current legislation applicable to these financial products;
- **Annual variable remuneration**– for each member of the Executive Board of Directors it may vary between 0% and 80% of their gross annual fixed remuneration. The amount is determined on the basis of the following indicators for each year in office: performance of the EDP Group's total shareholder return against Eurostoxx Utilities and PSI-20, ROIC/WACC, growth in gross margin, growth in net profit, performance of EBITDA and free cash flow. The weighted average of these indicators is given an overall weight of 80% for all members of the Executive Board of Directors, when determining their performance bonus. The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board.
- **Multi-annual variable remuneration**– also for each member of the Executive Board of Directors, this component may be between 0% and 120% of their gross annual remuneration based on an annual accumulated assessment of the directors' performance in achieving economic sustainability for the EDP Group. The award of this multi-annual remuneration, although calculated on an annual basis, only takes effect if, at the end of the term of office, at least 90% of the strategic objectives have been achieved. These will be assessed on the basis of performance and comparison with defined strategic benchmarks. This payment component is fixed on the basis of the following factors: performance of the EDP Group's EBITDA in the term of office, ROIC/WACC, relative performance of total return for the Group's shareholders against Eurostoxx Utilities and PSI-20 in the term of office, performance of the sustainability index applied to the EDP Group (DJSI method) and relative performance of free cash flow in the term of office. The weighted average of these indicators is given an overall weight of 68% for all members of the Executive Board of Directors, when determining their performance bonus. As for annual indicators, 32% of the remuneration that is determined by internal assessment of the Executive Board of Directors by the Remuneration Committee of the General and Supervisory Board is reserved.

GENERAL AND SUPERVISORY BOARD

The remuneration of the members of the General and Supervisory Board is fixed, in view of their duties.

The remuneration of the Chairman of the General and Supervisory Board was fixed on the basis of the full-time performance of his duties, unlike the rest of the members.

At the Annual General Meeting on 6 May, 2013, the Chairman of the Remuneration Committee of the General Meeting submitted an appreciation of the remuneration policy for the corporate bodies, with the exception of the Executive Board of Directors, for the current three-year period, as follows:

- A simple, clear, transparent policy in line with EDP's culture so that remuneration practices can be based on uniform, consistent, fair, balanced criteria.
- A policy consistent with effective risk management and control in order to avoid excessive exposure to risk and conflicts of interest and achieve coherence with the company's long-term goals and values.
- Assessment and encouragement of meticulous action in which merit is properly rewarded, while ensuring levels of homogeneity compatible with the necessary cohesion of the General and Supervisory Board but still taking account of the economic and financial situation of the company and the country.
- Alignment of remuneration of the members of corporate bodies in companies with the highest market capitalisation and especially Iberian counterparts.
- The latest recommendations of the European Union and CMVM.
- Consideration of the effects of the serious economic crisis and current financial constraints, in order to meet requirements of great social justice in the country and in the company's different remuneration schemes.

Based on these criteria the committee decided that:

a) The remuneration of the members of the General and Supervisory Board, including its Chairman, must be lower than those of the members of the Executive Board of Directors and there will be no variable component or any other remunerative supplement.

b) The difficulties that the country is experiencing as a result of the worldwide economic, financial and social crisis require containment of remuneration, though account should always be taken of the merits and the complexity of the work of the members of each body in order not to jeopardise the company's cohesion, stability and development.

c) The progressive increase in work and responsibility of the Audit Committee members must be taken into consideration in order to differentiate them from the other members of the General and Supervisory Board.

d) It is also important to distinguish other specific positions in the General and Supervisory Board, such as the coordination work of the Chairman and Vice-Chairman.

The shareholders approved the statement of remuneration policy.

70. HOW REMUNERATION IS STRUCTURED TO ALLOW ALIGNMENT OF THE INTERESTS OF THE MEMBERS OF THE MANAGING BODY WITH THE COMPANY'S LONG-TERM INTERESTS AND HOW IT IS BASED ON ASSESSMENT OF PERFORMANCE AND DISCOURAGES EXCESSIVE RISK-TAKING

As set out in the remuneration policy described in Point 69, remuneration is structured to allow alignment of the interests of the members of the Executive Board of Directors with the company's long-term interests.

The time period considered for determining the multi-annual variable component of remuneration (paid three years after the financial year in question), the use of qualitative criteria aimed at a strategic medium-term perspective in the company's development, existence of a cap on variable remuneration and the relative weight of this component in total remuneration are decisive elements in fostering company management that is not focused only on short-term goals but also includes the medium and long-term interests of the company and its shareholders.

The members of the managing body have not concluded any agreements with the company or third parties that have the effect of mitigating the risk of variability of their remuneration fixed by the Remuneration Committee.

71. REFERENCE TO A VARIABLE REMUNERATION COMPONENT AND ANY IMPACT OF PERFORMANCE EVALUATION ON THIS COMPONENT

As described above in point 69, remuneration policy in effect for 2012/2014 involves three main components: i) fixed remuneration, ii) annual variable remuneration and iii) multi-annual variable remuneration.

The indicators used to assess the performance of the Executive Board of Directors in order to determine annual and multi-annual variable remuneration are as follows:

ANNUAL PERFORMANCE INDICATORS

1) Quantitative component and its weight

Total shareholder return vs. Eurostoxx utilities and PSI20: 19%

ROIC/WACC: 19%

Growth in gross profit: 14%

Growth in net profit: 14%

Performance of EBITDA: 7%

Performance do Free Cash-Flow: 7%

The 80% resulting from the weighted sum of these indicators reflects a performance common to all the members of the Executive Board of Directors.

2) Qualitative component

The other 20% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the Executive Board of Directors.

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 80% of the annual fixed remuneration.

MULTI-ANNUAL PERFORMANCE INDICATORS

1) Quantitative component and its weight

Total shareholder return vs. Eurostoxx utilities and PSI20: 17%

ROIC/WACC: 17%

Performance of EBITDA: 8.5%

Performance do Free Cash-Flow: 8.5%

Sustainability performance Indicator: 17%

The 68% resulting from the weighted sum of these indicators reflects a performance common to all the members of the Executive Board of Directors.

2) Qualitative component

The other 32% is based on an individual assessment by the Remuneration Committee of the General and Supervisory Board, based on the individual performance of each member of the Executive Board of Directors.

The resulting amount of the quantitative and qualitative component is then weighted, as mentioned above, by a coefficient of 120% of the annual fixed remuneration.

72. DEFERRAL OF PAYMENT OF VARIABLE COMPONENT OF REMUNERATION AND ITS LENGTH

The multi-annual variable remuneration is calculated every year and only becomes effective at the end of the term of office if at least 90% of the strategic goals have been achieved, as assessed on the basis of company performance and its comparison with the strategic benchmarks and the individual contribution of each member of the Executive Board of Directors.

All multi-annual eventual variable remuneration are paid three years after the financial year in question.

73. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN SHARES AND EXECUTIVE DIRECTORS' MAINTENANCE OF THESE SHARES, ANY AGREEMENTS CONCLUDED CONCERNING THESE SHARES, SUCH AS HEDGING OR RISK TRANSFER CONTRACTS, THEIR LIMIT AND THEIR ASSOCIATION WITH TOTAL ANNUAL REMUNERATION

The members of the Executive Board of Directors do not own company shares under variable remuneration schemes.

74. CRITERIA ON ALLOCATION OF VARIABLE REMUNERATION IN OPTIONS, PERIOD OF DEFERRAL AND PRICE OF EXERCISE

EDP has no variable remuneration option schemes.

75. MAIN PARAMETERS AND BASIS OF ANY ANNUAL BONUS SYSTEM AND ANY NON-MONETARY BENEFITS

Company directors do not receive any significant remuneration in the form of non-monetary benefits.

76. MAIN CHARACTERISTICS OF SUPPLEMENTARY PENSION OR EARLY RETIREMENT SCHEMES FOR DIRECTORS AND DATE OF APPROVAL INDIVIDUALLY AT A GENERAL MEETING

EDP has no specific benefits system in place for its directors. The remuneration fixed by the Remuneration Committee of the General and Supervisory Board provides for a retirement savings plan-type standard financial product for the members of the Executive Board of Directors, who contribute 10% (ten percent) of their net fixed annual remuneration. It was granted by decision of the General Meeting of 6 May, 2013 as part of the remuneration policy statement. This financial product does not entail any cost to EDP in the future, as it is merely a subscription to a financial product while the members of the managing body hold their positions and is not covered by Article 402 (1) of the Company Code.

IV. DISCLOSURE OF REMUNERATION

77. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S MANAGING BODY BY THE COMPANY, INCLUDING FIXED AND VARIABLE REMUNERATION AND ITS DIFFERENT COMPONENTS

The total gross amount paid by EDP to the members of the Executive Board of Directors in 2013 was 5,270,329.58 euros

The table below shows the gross amounts of remuneration paid individually to the members of the Executive Board of Directors .

Euros	Remunieration paid by EDP	
	Fixed	Variable (2012)
António Luís Guerra Nunes Mexia (Presidente)	737,931.04	250,642.00
Nuno Maria Pestana de Almeida Alves	590,344.72	200,513.00
João Manuel Manso Neto	562,018.24	200,513.00
António Manuel Barreto Pita de Abreu	546,768.68	117,569.00
António Fernando Melo Martins da Costa	562,946.96	128,629.00
João Manuel Veríssimo Marques da Cruz	297,505.88	90,641.00
Miguel Stilwell de Andrade	571,442.06	172,865.00

The remuneration of the Chairman and directors of the Executive Board of Directors include the amounts associated with the retirement savings plan. The amounts of the variable remuneration were fixed on the basis of the tax treatment applicable in the director's country of tax residence. The amounts paid by EDP subsidiaries refer solely to their period of residence abroad.

78. AMOUNTS PAID FOR ANY REASON BY OTHER SUBSIDIARY OR GROUP COMPANIES OR COMPANIES UNDER COMMON CONTROL

The table below shows the gross amounts of remuneration paid by other subsidiary or Group companies or companies under common control.

Euros	Remunerations paid by companies majority held by EDP	
	Fixed	Variable (2012)
João Manuel Veríssimo Marques da Cruz	240,000.00	

79. REMUNERATION IN THE FORM OF PROFIT-SHARING AND/OR PAYMENT OF BONUSES AND REASONS FOR THESE BONUSES OR PROFIT SHARING

EDP has no schemes in place for payment of remuneration in the form of profit-sharing and/or payment of bonuses.

80. COMPENSATION PAID OR OWED TO FORMER EXECUTIVE DIRECTORS FOR TERMINATION IN THE FINANCIAL YEAR

There are no agreements between the company and members of the managing and supervisory bodies providing for compensation in the event of termination, as proven by the remuneration policy statement in effect for 2013. As a result no compensation for termination was paid or is owed to former directors.

It should also be noted that there are no contracts for severance payment in force, nor does the remuneration policy provide for such, in the event of dismissal or termination by agreement from the post of director.

In particular, the company does not assign compensation beyond the legally required in case of dismissal from the post of director founded in inadequate performance neither was any payments made in this context during the year 2013.

81. ANNUAL AGGREGATE AND INDIVIDUAL REMUNERATION PAID TO THE MEMBERS OF THE COMPANY'S SUPERVISORY BODIES

1. GENERAL AND SUPERVISORY BOARD

The total gross amount paid by EDP to the members of the General and Supervisory Board in 2013 was 1,739,354.14 euros.

The table below shows the remuneration paid in 2013 to the members of the General and Supervisory Board:

Euros	Fixed
Eduardo de Almeida Catroga	490,500.00
China Three Gorges Corporation	72,000.00
China International Water&Electric Corporation	51,999.96
China Three Gorges New Energy Corporation Ltd.	51,999.96
China Three Gorges International (Europe)	51,999.96
Cajastur Inversiones, S.A.	51,999.96
Luis Filipe da Conceição Pereira	57,000.00
Mohamed Ali Ismaeil Ali Al Fahim	51,999.96
Sonatrach	51,999.96
José Maria Espírito Santo Silva Ricciardi	51,999.96
Alberto João Coraceiro de Castro	57,000.00
António Sarmento Gomes Mota	69,999.96
Maria Celeste Ferreira Lopes Cardona	69,999.96
Fernando Masaveu Herrero	51,999.96
Ilídio da Costa Leite de Pinho	51,999.96
Jorge Braga de Macedo	51,999.96
Manuel Fernando de Macedo Alves Monteiro	69,999.96
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	51,999.96
Vasco Joaquim Rocha Vieira	51,999.96
Vítor Fernando da Conceição Gonçalves	84,999.96
Rui Eduardo Ferreira Rodrigues Pena	57,000.00
Augusto Carlos Serra Ventura Mateus	33,927.39
Nuno Manuel Silva Amado	33,927.39

Remuneration was also paid in 2013 to the members of the General and Supervisory Board (Parpública – Participações Públicas (SGPS), S.A. and Carlos Jorge Ramalho dos Santos Ferreira, who were in office until 18 March and 16 March 2013 respectively.

Euros	Fixed
Carlos Jorge Ramalho Santos Ferreira	19,000.00
Parpública - Participações Públicas, (SGPS), S.A. (1)	0.00

(1) Resigned remuneration

2. OTHER COMPANY BODIES

ENVIRONMENT AND SUSTAINABILITY BOARD

The members of the Environment and Sustainability Board are paid in attendance vouchers of EUR 1,750 per meeting. In 2013, the remuneration paid to the members of the Environment and Sustainability Board was as follows:

Euros	
José Pedro Silva Sucena Paiva	1,750.00
Alberto Manuel Rosete da Ponte	0.00
António José Tomás Gomes de Pinho	1,750.00
José Manuel Viegas (1)	0.00
Maria Graça Madeira Martinho	1,750.00

(1) Resigned remuneration

REMUNERATION COMMITTEE OF THE GENERAL MEETING

The members of the Remuneration Committee of the General Meeting received the following remuneration in 2013:

Euros

José Manuel Archer Galvão Teles	15,000.00
Luís Eduardo Brito Freixial de Goes (em representação da José de Mello - Sociedade Gestora de Participações Sociais, S.A.)	10,000.00
Álvaro João Duarte Pinto Correia	10,000.00

82. REMUNERATION OF THE CHAIRMAN OF THE GENERAL MEETING. IN THE YEAR

The Chairman and Secretary of the General Meeting do not earn any remuneration in that capacity, given that they are remunerated as a member of the General and Supervisory Board and company Secretary, respectively. The Vice-Chairman of the General Meeting is paid an amount of EUR 2,000 a year, plus EUR 2,000 for each meeting over which s/he presides.

V. AGREEMENTS AFFECTING REMUNERATION

83. CONTRACTUAL LIMITATIONS FOR COMPENSATION PAYABLE TO DIRECTORS FOR DISMISSAL WITHOUT DUE CAUSE AND THEIR ASSOCIATION WITH THE VARIABLE COMPONENT OF REMUNERATION.

In accordance with the remuneration policy statement in effect for 2013, EDP has no existing contracts providing for payments in the event of dismissal or termination by mutual agreement of directors.

84. DESCRIPTION AND AMOUNTS OF AGREEMENTS BETWEEN THE COMPANY AND MEMBERS OF THE MANAGING BODY AND DIRECTORS, AS SET OUT IN ARTICLE 248-B (3) OF THE SECURITIES CODE, PROVIDING FOR COMPENSATION IN THE EVENT OF DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT FOLLOWING A CHANGE OF COMPANY CONTROL

Considering Article 248-B (3) of the Securities Code, EDP has no directors other than the members of the corporate bodies. In addition to the members of these bodies, there are no managers who have regular access to privileged information and participate in decisions on the company's management and business strategy.

Furthermore, we reiterate that, in accordance with the remuneration policy statement approved at a General Meeting and in effect for 2013, EDP has no existing agreements providing for payments in the event of dismissal or termination by mutual agreement of directors.

VI. STOCK PURCHASE OPTION PLANS OR STOCK OPTIONS

85. PLAN AND ITS BENEFICIARIES

The only stock option plan currently in effect is that for the managing body in 2003/2005.

As a part of the variable remuneration of the Chairman of the Board of Directors, the Chairman of the Executive Committee and the members of the Executive Committee who held positions from 2003 to 2005, the Remuneration Committee at the time allocated options for each year, based on a qualitative and quantitative assessment of each financial year. Under this plan, each call option can be exercised up to a maximum of 1/3 on each first anniversary of the date of award. Options not exercised become null and void at the end of eight years from the date of allocation.

86. DESCRIPTION OF THE PLAN (CONDITIONS FOR AWARD, CLAUSES ON NON-SALEABILITY OF SHARES, SHARES PRICE CRITERIA, PRICE OF OPTIONS IN FINANCIAL YEAR, PERIOD IN WHICH OPTIONS CAN BE EXERCISED, CHARACTERISTICS OF SHARES OR OPTIONS, INCENTIVES FOR PURCHASE OF SHARES OR EXERCISE OF OPTIONS)

In 2013, 416,511 options were exercised, as shown in the table below, which also details all allocations for 2003 to 2005. The options plan set up in April 2004 terminated in April 2012 and the unexercised options expired.

Date of option	Nº of Benef.	N.º of Options	Option Price	Date of Commencement	Date of expiry	Nº of Options Exercised	
						In 2013	Total
30/06/2005	6	932,328	2.21	30/06/2006	29/06/2013	192,258	932,328
02/05/2006	6	1,461,497	2.21	02/05/2007	01/05/2014	224,253	1,310,807

87. STOCK OPTIONS OF COMPANY EMPLOYEES

There are no stock options for company employees.

88. CONTROL MECHANISMS SET OUT IN ANY EMPLOYEE SHARE SCHEME SO THAT THEY DO NOT EXERCISE THEIR VOTING RIGHTS DIRECTLY

The company has no such control mechanisms.

E. TRANSACTIONS WITH RELATED PARTIES

I. MECHANISMS AND PROCEDURES OF CONTROL

89. COMPANY MECHANISMS FOR MONITORING TRANSACTIONS WITH RELATED PARTIES

The General and Supervisory Board approved objective, transparent rules on the identification, prevention and resolution of relevant corporative conflicts of interest called Framework on Handling of Conflicts of Interest, which was revised in late 2009.

Following a decision made by the General and Supervisory Board, on 17 May, 2010 the Executive Board of Directors approved the rules on identification, in-house reporting and procedure in the event of conflicts of interest applicable to all EDP Group employees who play a decisive role in transactions with related parties.

These rules are also available on EDP's website.

As part of its improvement of governance practices, on 30 July, 2010, the General Supervisory and Board approved EDP's rules on conflicts of interest and transactions between related parties, which are available on EDP's website (www.edp.pt), which replace the Framework for Handling conflicts of Interest. This set of rules on the prevention, identification and resolution of potential corporate conflicts of interest has a wider scope of application than that set out in CMVM Regulation 4/2013.

The Corporate Governance and Sustainability Committee is responsible for supervising enforcement of the aforementioned rules and reports on its work to the General and Supervisory Board.

For further information on this matter, see Point 3.5.1. of the annual report of the General and Supervisory Board.

90. TRANSACTIONS THAT UNDERWENT CONTROLS IN THE YEAR

The General and Supervisory Board noted that, on the basis of the cases analysed and information provided by the Executive Board of Directors for 2013, there was no evidence that the potential conflicts of interest in EDP's operations were resolved contrary to the company's interests.

91. PROCEDURES AND CRITERIA APPLICABLE TO THE SUPERVISORY BODY'S PRIOR ASSESSMENT OF TRANSACTIONS BETWEEN THE COMPANY AND HOLDERS OF QUALIFYING SHAREHOLDINGS OR ENTITIES RELATED TO THEM IN ANY WAY

The current rules on the issue and waiving of a prior opinion from the General and Supervisory Board were approved on 7 May, 2009, along with the procedures for communication and clarifications between it and the Executive Board of Directors.

Pursuant to EDP's Articles of Association, the General and Supervisory Board fixes the parameters for measuring the economic or strategic value of operations submitted to it for an opinion and sets up speedy mechanisms for issuing an opinion in urgent cases or when the nature of the subject so warrants and the situations in which this opinion can be waived (Article 21 (7)). The mechanism for waiving a prior opinion from the General and Supervisory Board may only be used in cases of exceptional urgency or if the nature of the subject so warrants, as set out in EDP's Articles of Association and the regulations of the General and Supervisory Board in effect in 2011 (current Article 13 (5)). There are therefore very few situations in which only three members of the Corporate Governance and Sustainability Committee can be consulted

All matters in which a prior opinion is waived are later appraised at meetings of the General and Supervisory Board, which has the power to eliminate any deficiencies or irregularities.

Furthermore, the General and Supervisory Board has set out strict rules on transactions between related parties in order to prevent conflicts of interest.

In 2013, 13 operations with an average value of EUR 308 million and a maximum value of EUR 740 million were submitted to the General and Supervisory Board for a prior opinion. Eleven operations with an average value of EUR 247 million and a maximum value of EUR 600 million were submitted to the General and Supervisory Board after waiving of a prior opinion.

II. BUSINESS INFORMATION

92. LOCATION OF ACCOUNTING DOCUMENTS PROVIDING INFORMATION ON TRANSACTIONS WITH RELATED PARTIES, PURSUANT TO IAS 24, OR REPRODUCTION OF THE INFORMATION

Information on transactions with related parties, pursuant to IAS 24, is set out in Note 46 of the consolidated and individual financial statements

PART II - ASSESSMENT OF CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE CODE IN EFFECT

EDP – Energias de Portugal, S.A. (EDP) is a listed company whose securities are admitted to trading on the NYSE Euronext Lisbon stock market.

Pursuant to Article 2 (1) of CMVM Regulation 4/2013 on governance of companies issuing shares admitted to trading in a regulated market located or operating in Portugal, EDP abides by the recommendations set out in the Corporate Governance Code, as approved by the CMVM in July 2013, available on www.cmvm.pt. It has not opted to follow any other code of recommendations in this matter.

This report is structured in compliance with Article 1 (4) of CMVM Regulation 4/2013, and therefore abides by the model in its Annex I, not including the sections not applicable to EDP's corporate governance model.

2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The following table lists the CMVM recommendations on corporate governance established in the refered Corporate Governance Code and indicating whether or not they ewre adopted y EDP, as well as where more detailed information can be found in this report on the adoption of each specific recommendation.

STATEMENT OF COMPLIANCE

Recommendation	Adoption status	Comments	Description in report
I. VOTING AND CONTROL OF THE COMPANY			
I.1. Companies must encourage their shareholders to take part and vote in general meetings, for instance by not fixing an excessively large number of shares required to have voting rights and introduce the means necessary for postal and online votes.	Adopted		Chapter B Title I No. 12 Page 99
I.2. Companies must not use mechanisms that hinder decision-making by their shareholders, such as by fixing a deliberative quorum larger than that provided for by law.	Adopted		Chapter B Title I No. 14 page 100
I.3. Companies must not set up mechanisms that result in a time lapse between the right to receive dividends or subscribe new securities and the voting right of each ordinary share, unless this is duly justified by the shareholders' long-term interests.	Adopted		Chapter B Title I No.12 page 99
I.4. The articles of association of companies that limit the number of votes that can be held or cast by a single shareholder, individually or with other shareholders, must also set out that the amendment or maintenance of this provision must be submitted to the vote of the general meeting at least every five years – with no increased quorum requirement above that laid down by law – that all the votes cast must be counted without the aforementioned limitation on this decision.	Not adopted	Over the past five years, the subject of statutory limitation on voting rights has already been discussed by the General Meeting of EDP on two occasions. The limitation of the number of votes set out in Article 14 of the Articles of Association reflects the will of the shareholders of EDP expressed through resolutions of the General Meeting, in the defence of the company's specific interests: (i) a change of the limit from 5% to 20% was approved by the shareholders at the General Meeting of 25 August 2011, involving participation of 72.25% of the capital and approval by a majority of	

		94.16% of the votes cast; (ii) a later increase to the current 25% was approved at the General Meeting of 20 February 2012, involving participation of 71.51% of the capital and approval by a majority of 89.65% of the votes cast. The shareholders have thus been periodically called on to decide on limiting the number of votes. The continued existence of the limitation has prevailed and the reflection on the adjustment of the relevant ceiling for counting voting rights, precisely to progressively increase this level. The momentum of shareholders of the Company has thus proven to be perfectly in tune with the sense advocated in the Recommendation and sufficiently apt for pursuing its goals, avoiding rigid formulas for this review set down in the Articles of Association, which has also fostered the particularly intense scrutiny of this clause by shareholders.	
I.5. No measures must be taken that have the effect of requiring payments or liability for expenses on the part of the company in the event of transfer of control or a change in the membership of the management body that may interfere with the free transmissibility of shares and free appreciation by the shareholders of the members of the management body board.	Adopted		Chapter A Title I No. 4 and 5 pages 93 and 94

II. SUPERVISION, MANAGEMENT AND OVERSIGHT			
II.1. SUPERVISION AND MANAGEMENT			
II.1.1. Within the limits of the law and unless the company becomes too small, the board of directors must delegate the everyday running of the company. The powers delegated must be indicated in the annual Corporate Governance Report.	Not applicable	This recommendation does not apply to the company's current governance model. The delegation of powers granted in the Latin model to delegated directors does not exist in the Executive Board of Directors of EDP. It only has an allocation of management areas to each of the members of the Executive Board of Directors, with the college of directors responsible for taking decisions on all matters under its jurisdiction. Moreover, Article 431(3) of the Portuguese Company Code on the powers of the Executive Board of Directors establishes that the powers of management and representation of directors is governed by the scheme provided for in Article 406, 408 and 409 and excludes Article 407 concerning the delegation of management powers.	
II.1.2. The Board of Directors must ensure that the company acts in accordance with its goals and must not delegate its powers to: *i*) define the company's general strategy and policies; *ii*) define the group's corporate structure; *iii*) make decisions that must be deemed strategic due to their amount, risk or special characteristics.	Not applicable	This recommendation does not apply to the company's current governance model. According to the two tier model of governance, the Executive Board of Directors does not delegate any of the matters referred to in this Recommendation. However, the supervisory body and management monitoring body issues prior opinions concerning the approval of the strategic plan and certain strategic or significant operations (Article 17(2) of the Articles of Association)	
II.1.3. In addition to the exercise of its supervisory duties, the General and Supervisory Board must take full responsibility for the company's governance and so the articles of association or an equivalent provision must enshrine the board's obligation to give its opinion on the company's strategy and main policies, definition of the group's corporate structure and decisions that must be deemed strategic due to their amount or risk. This	Adopted		Chapter B Title II No. 21 page 105

board must also assess compliance with the company's strategic plan and implementation of its main policies.			
II.1.4. Unless the company becomes too small, the Board of Directors and the General and Supervisory Board, depending on the model used, must set up any necessary committees to: a) Make a competent, independent assessment of the performance of the executive directors and their own overall performance and that of the other committees; b) Reflect on the system, structure and governance practices used, verify their efficacy and propose improvement measures to the competent bodies.	Adopted		Chapter B Title II No. 24 and 29 page 126
II.1.5. The Board of Directors or General and Supervisory Board, depending on the applicable model, must set goals for risks and create systems to control them in order to guarantee that risks actually run are consistent with these goals.			Chapter B Title II No. page 105
II.1.6. The Board of Directors must include a number of non-executive members to guarantee its effective capacity to monitor, supervise and assess the work of the remaining members of the management body.	Not applicable	This recommendation does not apply to the company's current governance model	

II.1.7. The non-executive directors must include an appropriate proportion of independents, depending on the company's governance model, size, shareholder structure and free float. The independence of the members of the General and Supervisory Board and of the Audit Committee will be measured in accordance with current legislation. Where the other members of the Board of Directors are concerned, independent directors are persons who are not associated with any group with specific interests in the company and who are not in a situation liable to affect their impartial analysis or decision, due, for example, to: a. Having been employees of the company or a subsidiary or group company in the last three years; b. Having provided services or done significant business with the company or a subsidiary or group company directly or as an owner, director or manager of a legal person in the last three years; c. Receiving remuneration paid by the company or a subsidiary or group company in addition to the remuneration from their position as director; d. Living in a common-law marriage or being the spouse, relative or similar in a direct line to the third degree, inclusive, in the collateral line of directors or natural persons directly or indirectly owning qualifying shareholdings; e. Owning qualifying shareholdings or being the representative of a shareholder owning qualifying shareholdings.	Adopted		Chapter B Title II No. 18 page 103
II.1.8. Directors who perform executive duties when asked to do so by other members of the corporate bodies must provide the information requested by these bodies in a timely fashion and in the appropriate form.	Adopted		Chapter B Title II No. 21 page 105
II.1.9. The chairman of the executive management body or executive committee must send the invitations and minutes of their meetings to the Chairman of the Board of Directors, Chairman of the Supervisory Board, Chairman of the Audit Committee, Chairman of the General and Supervisory Board and Chairman of the Financial Committee, as applicable.	Adopted		Chapter B Title II No. 21 page 105
II.1.10. If the chairman of the management body performs	Not applicable		

executive duties, this body must appoint from among its members an independent director to coordinate the work of the other non-executive members and the right conditions for them to make independent, informed decisions or find another equivalent mechanism for this coordination.			
II.2. OVERSIGHT			

II.2.1. Depending on the model in question, the chairman of the Supervisory Board, Audit Committee or Financial Committee must be independent in accordance with the applicable legal criterion, and have the appropriate powers for his/her duties.	Adopted		Chapter B Titles II and III No.s 29 and 33 Pages 129 and 131
II.2.2. The oversight body must be the main interlocutor with the external auditors and the first recipient of their reports and will be responsible for proposing their remuneration and ensuring that the appropriate conditions exist in the company for the provision of the services.	Adopted		Chapter B Title II No.s 21 and 29, pages 105 and 126
II.2.3. The oversight body must assess the external auditors every year and propose to the competent body their dismissal or termination of their service contract whenever so justified.	Adopted		Chapter B Title II No.s 21 and 29, pages 105 and 126
II.2.4. The oversight body must assess the internal control and risk management systems and propose any necessary adjustments.	Adopted		Chapter B Title II No.s 21 and 29, pages 105 and 126
II.2.5. The Audit Committee, General and Supervisory Board and the Supervisory Board must give their opinion on work plans and resources allocated to internal audit services and compliance services and must receive these services' reports at least when they cover matters related to rendering of accounts, identification or resolution of conflicts of interest and detection of potential illegalities.	Adopted		Chapter C Title II No. 49 page 135
II.3. FIXING REMUNERATION			
II.3.1. All members of the Remuneration Committee or	Adopted		Chapter B

equivalent must be independent from the executive members of the management body and include at least one member with knowledge and experience of remuneration policy.			Title II No. 29 page 126
II.3.2. No natural or legal person who provides or has provided services to any unit answerable to the management body, the company's management body itself or with a current relationship with the company or consultant of the company in the last three years may be hired to assist the Remuneration Committee in its duties. This recommendation also applies to any natural or legal person related to the former under an employment or service agreement.	Adopted		Chapter D Title II No. 67 page 144
II.3.3. The remuneration policy statement by the management and supervisory bodies set out in Article 2 of Law 28/2009 of 19 June must also contain: a) Explicit identification of the criteria used to determine the remuneration paid to the members of the corporate bodies; b) Information on the maximum potential individual amount and the maximum potential aggregate amount payable to the members of the corporate bodies and an indication of the circumstances in which these maximum amounts may be payable; d) Information as to whether payments for dismissal or termination are required or not.	Adopted		Chapter D Title III No.s 69, 70, 71, 72 and 80 Pages 145 to 148
II.3.4. The proposal on approval of plans to allocate shares and/or share options or based on variations in share prices to members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the plan.	Adopted		Chapter D Title VI No. 85 page 150
II.3.5. The proposal on approval of any retirement benefit system for members of the corporate bodies must be submitted to the General Meeting. The proposal must contain all the necessary elements for a proper assessment of the system.	Not applicable	EDP has not set up a specific retirement benefit system for the members of its management and supervisory bodies. Nevertheless, the members of the Executive Board of Directors receive a "standard" retirement savings plan financial product corresponding to 10% of the fixed component of the annual remuneration, which was assigned by the General Meeting of 6 May 2013 under the Remuneration Policy Statement.	

III. REMUNERATION			
III.1. The remuneration of the management body's executive members must be based on actual performance and discourage excessive risk taking.	Adopted		Chapter D Title III No.s 69 and 70 pages 145 and 146
III.2. The remuneration of the management body's non-executive members and of the members of the oversight body must not include any component that depends on the company's performance or value.	Partially applicable and adopted		Chapter D Title III No. 69 page 145
III.3. The variable component of remuneration must be generally reasonable in relation to the fixed remuneration component and maximum limits must be set on all components.	Adopted		Chapter D Title III No. 69 page 145
III.4. A significant part of variable remuneration must be deferred for no less than three years and the right to receive it must be dependent on the continued good performance by the company in this period.	Adopted		Chapter D Title III No. 72 page 147
III.5. The members of the management body must not conclude agreements with the company or with third parties that have the effect of mitigating the risk of variability in remuneration fixed for them by the company.	Adopted	There are no contracts entered into by the members of the management body that include such clauses.	Chapter D Title III No. 70 page 146

III.6. Up to the end of their term of office, the executive directors must keep the company shares to which they have had access under variable remuneration schemes up to a limit of twice the amount of their total annual remuneration, with the exception of shares that need to be sold to pay taxes resulting from benefits from them.	Not applicable	There is only one share allocation scheme in effect for 2003 to 2005 and the members to whom it applied left their positions on 30-03-2006. The plan therefore applies to a time prior to the publication of the recommendation in question, which was not yet in effect. This recommendation does not therefore apply to any member of the management board currently in office	
III.7. If variable remuneration includes share options, the start of the exercise period must be deferred for no less than three years.	Not applicable	No stock options plan exists.	
III.8. If the dismissal of a director is not the result of a serious breach of his/her duties or unfitness for normal performance of his/her job, but is still due to inadequate performance, the company has the appropriate, necessary legal instruments to ensure that no compensation other than that legally payable can be demanded.	Adopted		Chapter D Title IV No. 80 Page 148
IV. AUDIT			
IV.1. As part of his duties, the external auditor must verify compliance with remuneration policies and systems for the corporate bodies and the efficacy and efficiency of internal control mechanisms and report any deficiencies to the company's oversight body.	Adopted		Chapter B Title III No. 42 page 133
IV.2. Neither the company nor any of its subsidiaries must contract services other than audit services from the external auditor or any entities in the same group or network with him. If it is necessary to contract such services (which must be approved by the oversight body and set out in its Annual Corporate Government Report), they must not amount to more than 30% of the total value of the services provided to the company.	Adopted		Chapter B Title III No. 46 Page 134

IV.3. Companies must endeavour to change auditors after two or three terms of office, depending on whether they are for four or three years, respectively. Their continuation beyond this limit must be justified in a specific opinion from the oversight body that expressly indicates the auditor's independence and the advantages and costs of his replacement.	Adopted		Chapter B Title III No. 44 page 133
V. CONFLICTS OF INTEREST AND RELATED-PARTY TRANSACTIONS			
V.1. The company's business with shareholders owning qualifying shareholdings or with entities in any way related to them, pursuant to Article 20 of the Securities Code must be conducted under normal market conditions.	Adopted		Chapter A Title II No. 10 page 98

V.2. The management or oversight body must establish procedures and criteria for defining the relevant degree of significance of business with shareholders owning qualifying shareholdings (or with entities in any of the relationships set out in Article 20 (1) of the Securities Code) and business deals of substantial importance will require a prior opinion from the body.	Adopted		Chapter B Title II No. 21 page 105 Chapter E Title I No. 151 page 164
VI. INFORMATION			
VI.1. Companies must provide access to information on their progress and current economic, financial and governance situation on their websites in Portuguese and English.	Adopted		Chapter C Title V No. 59 page 143
VI.2. Companies must have an office for investor relations and permanent contact with market to respond to investors' requests in a timely fashion. A record must be kept of requests submitted and how they were handled.	Adopted		Chapter C Title IV No. 56 page 142

3. OTHER INFORMATION

Attached to this report and considered part of it there are the following documents:

Annex I Attendance list of the General and Supervision Board
Annex II Attendance list of the Executive Board of Directors
Annex III Positions held by the members of the Board of Executive Directors in other companies belonging or not to the EDP Group
Annex IV Attendance list of Financial Matters Committee/Audit Committee

Annex I

Meetings of the General and Supervision Board and each member's attendance:

Meetings of the General and Supervisory Body
Attendance List
2013

Name	24-Jan	5-Mar	10-Apr	9-May	25-Jul	10-Oct	31-Oct	19-Dec	%
Eduardo de Almeida Catroga	P	P	P	P	P	P	P	P	100
Dingming Zhang (em representação da China Three Gorges Corporation)	P	A	P	P	P	P	P	R	75
Guojun Lu (em representação da China International Water & Electric Corp.)	A	A	A	R	R	A	R	R	0
Ya Yang (em representação da China Three Gorges New Energy Co. Ltd.)	A	P	A	P	R	A	P	P	50
Shengliang Wu (em representação da CWEI (Europe), S.A.)	P	P	P	P	P	P	P	P	100
Felipe Fernández Fernández (em representação da Cajastur Inversiones, S.A.)	P	P	P	P	P	A	P	P	87.5
Luis Filipe da Conceição Pereira (em representação da José de Mello Energia, S.A.)	P	P	P	P	P	P	P	P	100
Mohamed Ali Ismaeil Ali Al Fahim (em representação da Senfora SARL)	P	P	P	P	P	P	P	P	100
Carlos Jorge Ramalho Santos Ferreira (1)	A	P	-	-	-	-	-	-	50
Harkat Abderezak (em representação da Sonatrach)	A	A	A	A	A	A	A	A	0
José Maria Espírito Santo Silva Ricciardi	A	A	P	A	P	A	P	A	37.5
Alberto João Coraceiro de Castro	P	P	P	P	P	P	P	P	100
António Sarmento Gomes Mota	P	A	P	P	P	P	P	P	87.5
Maria Celeste Ferreira Lopes Cardona	P	P	A	P	P	P	P	P	87.5
Fernando Maria Masaveu Herrero	P	P	P	R	P	A	P	P	75
Ilídio da Costa Leite de Pinho	P	P	P	A	P	P	R	P	75
Jorge Avelino Braga de Macedo	P	P	P	P	P	P	P	P	100
Manuel Fernando de Macedo Alves Monteiro	P	P	A	P	P	A	P	P	75
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	P	P	P	P	P	A	P	P	87.5
Vasco Joaquim Rocha Vieira	P	P	P	P	P	P	P	P	100
Vítor Fernando da Conceição Gonçalves	P	P	P	P	P	P	P	P	100
Rui Eduardo Ferreira Rodrigues Pena	P	P	P	P	P	P	P	P	100
Augusto Carlos Serra Ventura Mateus (2)	-	-	-	P	P	P	P	P	100
Nuno Manuel da Silva Amado (2)	-	-	-	P	P	A	P	P	80

(1) Resigned on March 16, 2013

(2) Elected on May 6, 2013

P = Attendance
A = Absence
R = Representation

Total of meetings held in 2013: 8
Average attendance: 78%

Annex II

Meetings of the Executive Board of Directors and each member's attendance:

Meetings of the Executive Board of Directors

Attendance List

2013

Name	8-Jan	15-Jan	22-Jan	29-Jan	5-Feb	19-Feb	26-Feb	5-Mar	8-Mar	19-Mar	2-Apr	15-Apr	2-May	3-May	7-May	9-May	21-May	28-May	18-Jun
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Nuno Maria Pestana de Almeida Alves	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
António Manuel Barreto Pita de Abreu	P	P	P	P	P	A	P	A	P	A	P	P	P	P	P	P	A	P	P
António Fernando Melo Martins da Costa	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	P	P	P
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	P
Miguel Stilwell de Andrade	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

Name	25-Jun	9-Jul	22-Jul	25-Jul	30-Jul	3-Sep	10-Sep	24-Sep	1-Oct	8-Oct	22-Oct	25-Oct	31-Oct	5-Nov	8-Nov	14-Nov	26-Nov	10-Dec	17-Dec	19-Dec	%
António Luís Guerra Nunes Mexia	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100
Nuno Maria Pestana de Almeida Alves	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	95
João Manuel Manso Neto	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	100
António Manuel Barreto Pita de Abreu	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	87
António Fernando Melo Martins da Costa	P	P	P	P	P	P	A	A	P	P	P	P	P	P	P	P	P	P	P	P	92
João Manuel Veríssimo Marques da Cruz	P	P	P	P	P	A	P	P	P	P	P	P	P	P	A	P	P	P	P	P	92
Miguel Stilwell de Andrade	P	P	P	P	P	P	P	P	A	P	P	P	P	P	P	P	P	P	P	P	97

P = Attendance
A = Absence

Total of meetings held in 2013: 39
Average attendance: 95%

Annex III

Positions held by the members of the Board of Executive Directors in other companies belonging or not to the EDP Group:

	António Mexia	António Martins da Costa	António Pita de Abreu	João Manso Neto	Nuno Almeida Alves	Miguel Stilwell Andrade	João Marques da Cruz
Balwerk - Consultadoria Económica e Participações, S.U, Lda.	-	-	-	-	M	-	-
EDP - Estudos e Consultoria, S.A.	-	-	D	-	CBD	-	-
EDP - Energias de Portugal Sociedade Anónima, Sucursal en España	RP	RP	-	RP	RP	RP	-
EDP - Gestão da Produção de Energia, S.A.	-	-	CBD	-	-	-	-
EDP - Soluções Comerciais, S.A.	-	CBD	-	-	-	-	-
EDP Ásia - Investimentos e Consultoria Lda.	-	-	-	-	-	-	CBD
EDP - Ásia Soluções Energéticas Lda.	-	-	-	-	-	-	CBD
EDP Comercial - Comercialização de Energia, S.A.	-	-	-	-	-	CBD	-
EDP Energia Ibérica S.A.	-	-	-	D	-	-	-
EDP Energias do Brasil, S.A.	CBD	-	-	-	D	-	-
EDP Energía Gas SL	-	-	-	CBD	-	-	-
EDP Finance BV	R	R	R	R	R	R	R
EDP Gás, SGPS, S.A.	-	CBD	-	_	-	D	-
EDP Gás.Com - Comércio de Gás Natural, S.A.	-	-	-	CBD	-	D	-
EDP Imobiliária e Participações, S.A.	-	-	-	-	CBD	-	-
EDP Internacional, S.A.	-	-	-	-	-	-	-
EDP Projectos, SGPS, S.A.	-	-	-	-	-	-	-
EDP Renewables Europe SL	-	-	-	CBD	-	-	-
EDP Renováveis Brasil, S.A.	-	-	-	CBD	-	-	-
EDP Renováveis, S.A.	CBD	-	-	VP/CD	D	-	A
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	-	-	-	-	-	CBD	-
EDP Serviner - Serviços de Energia, S.A.	-	-	CBD	-	-	D	-
EDP Valor - Gestão Integrada de Serviços, S.A.	-	-	-	-	-	-	CBD
Empresa Hidroeléctrica do Guadiana, S.A.	-	-	CBD	-	-	-	-
Energia RE, S.A.	-	-	-	-	CBD	-	-
Hidrocantábrico Energía, S.A.U.	-	-	-	-	-	CBD	-
Hidroeléctrica del Cantábrico, S.A.	-	D	-	D	D	CD	-
Home Energy II S.A.	-	-	-	-	-	CBD	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	-	CBD	-	-	-	-	-
Naturgás Energía Grupo, S.A.	-	D	-	D	-	VP	-
Sãvida - Medicina Apoiada, S.A.	-	-	-	-	CBD	-	-
SCS - Serviços Complementares de Saúde, S.A.	-	-	-	-	CBD	-	-
ENEOP - Eólicas de Portugal, S.A.	-	-	-	CBD	-	-	-
Companhia de Electricidade de Macau - CEM, S.A.	-	-	-	-	-	-	CBD
Banco Comercial Portugês, S.A.	D	-	-	-	-	-	-
Operador del Mercado Ibérico de Energía, Polo Español, S.A. (OMEL)	-	-	-	R	-	-	-
OMIP – Operador do Mercado Ibérico (Portugal), SGPS, S.A.	-	-	-	R	-	-	-

CD – Counselor-Delegate
CBD – Chairman of the Board of Directors
VP - Vice-President
VP/CD - Vice-President and Counselor-Delegate
D - Director
M - Manager
R - Representative
RP – Permanent Representative

Annex IV Meetings of the Financial Matters Committee/Audit Committee and each member's attendance: mm

Meetings of the Financial Matters Committee/Audit Committee

Attendance List

2013

Name	18-Jan	1-Feb	27-Feb	12-Apr	3-May	7-Jun	28-Jun	22-Jul	13-Sep	23-Oct	25-Oct	22-Nov	13-Dec	%
Eduardo de Almeida Catroga	P	P	P	P	P	P	P	P	P	P	P	P	P	100
Vítor Fernando da Conceição Gonçalves	P	P	P	P	P	P	P	P	P	P	P	P	R	92
António Sarmento Gomes Mota	R	P	P	P	P	P	P	P	P	P	P	P	P	92
Manuel Fernando de Macedo Alves Monteiro	P	A	P	A	P	P	P	P	P	P	P	P	P	85
Maria Celeste Ferreira Lopes Cardona	P	P	P	P	P	P	A	P	A	P	P	P	P	85

P = Attendance
A = Absence
R = Representation

Total of meetings held in 2013: 13
Average attendance: 91%

04

FINANCIAL STATEMENTS AND NOTES

> SPAIN
PLAZA MAYOR
Coordinates:
40º24'56"N 3º42'26"W
Time of day: 14 PM

Financial Statements
31 December 2013

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EDP - Energias de Portugal

Consolidated Income Statement
for the years ended 31 December 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	16,103,190	16,339,854
Cost of electricity	6	-8,235,491	-8,392,199
Cost of gas	6	-1,264,745	-1,375,841
Changes in inventories and cost of raw materials and consumables used	6	-1,051,924	-1,143,647
		5,551,030	5,428,167
Revenue from assets assigned to concessions	7	424,105	433,661
Expenditure with assets assigned to concessions	7	-424,105	-433,661
		-	-
Other operating income / (expenses):			
Other operating income	8	360,003	389,967
Supplies and services	9	-934,903	-928,287
Personnel costs and employee benefits	10	-638,516	-671,536
Other operating expenses	11	-720,646	-589,853
		-1,934,062	-1,799,709
		3,616,968	3,628,458
Provisions	12	-54,877	-16,055
Depreciation, amortisation expense and impairment	13	-1,503,616	-1,493,889
Compensation of amortisation and depreciation	13	26,369	24,901
		2,084,844	2,143,415
Gains / (losses) on the sale of financial assets		-16	2,766
Financial income	15	904,910	731,658
Financial expenses	15	-1,642,350	-1,436,924
Share of profit in associates		34,132	23,777
Profit before income tax		1,381,520	1,464,692
Income tax expense	16	-187,997	-282,537
Net profit for the year		1,193,523	1,182,155
Attributable to:			
Equity holders of EDP		1,005,091	1,012,483
Non-controlling Interests	33	188,432	169,672
Net profit for the year		1,193,523	1,182,155
Earnings per share (Basic and Diluted) - Euros	30	**0.28**	**0.28**

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income as at 31 December 2013 and 2012

Thousands of Euros	2013 Equity holders of EDP	2013 Non-controlling Interests	2012 Equity holders of EDP	2012 Non-controlling Interests
Net profit for the year	1,005,091	188,432	1,012,483	169,672
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-153,390	16,297	-136,029	-46,310
Tax effect from the actuarial gains / (losses)	42,260	-5,541	26,182	15,746
	-111,130	10,756	-109,847	-30,564
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-151,878	-243,635	-93,915	-173,609
Fair value reserve (cash flow hedge)	43,468	10,701	-74,260	-16,432
Tax effect from the fair value reserve (cash flow hedge)	-12,998	-3,124	20,126	3,912
Fair value reserve (available for sale investments)	35,269	-1,115	2,338	327
Tax effect from the fair value reserve (available for sale investments)	-6,276	25	244	-149
Share of other comprehensive income of associates, net of taxes	2,705	932	-5,116	-1,168
	-89,710	-236,216	-150,583	-187,119
Other comprehensive income for the year, net of income tax	-200,840	-225,460	-260,430	-217,683
Total comprehensive income for the year	804,251	-37,028	752,053	-48,011

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THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal

Consolidated Statement of Financial Position as at 31 December 2013 and 2012

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	17	20,316,306	20,905,340
Intangible assets	18	6,028,307	6,541,862
Goodwill	19	3,295,874	3,318,457
Investments in associates	21	182,562	163,881
Available for sale investments	22	212,483	181,298
Deferred tax assets	23	388,813	340,816
Trade receivables	25	99,005	97,099
Debtors and other assets from commercial activities	26	3,188,586	2,736,902
Other debtors and other assets	27	525,077	534,573
Collateral deposits associated to financial debt	35	430,607	415,045
Total Non-Current Assets		34,667,620	35,235,273
Inventories	24	280,009	377,618
Trade receivables	25	2,208,287	2,280,104
Debtors and other assets from commercial activities	26	1,827,815	2,051,519
Other debtors and other assets	27	308,155	296,674
Current tax assets	28	439,109	435,628
Financial assets at fair value through profit or loss		4,217	390
Collateral deposits associated to financial debt	35	18,729	13,451
Cash and cash equivalents	29	2,180,122	1,695,336
Assets held for sale	42	715,837	241,851
Total Current Assets		7,982,280	7,392,571
Total Assets		42,649,900	42,627,844
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-85,573	-103,706
Share premium	30	503,923	503,923
Reserves and retained earnings	32	3,365,777	3,123,116
Consolidated net profit attributable to equity holders of EDP		1,005,091	1,012,483
Total Equity attributable to equity holders of EDP		8,445,756	8,192,354
Non-controlling Interests	33	3,082,805	3,239,314
Total Equity		11,528,561	11,431,668
Liabilities			
Financial debt	35	15,968,756	16,715,725
Employee benefits	36	1,751,066	1,750,838
Provisions	37	360,203	340,068
Hydrological correction account	34	-	33,644
Deferred tax liabilities	23	775,269	852,054
Institutional partnerships in USA wind farms	38	1,508,495	1,679,753
Trade and other payables from commercial activities	39	1,252,337	1,262,771
Other liabilities and other payables	40	375,846	409,737
Total Non-Current Liabilities		21,991,972	23,044,590
Financial debt	35	4,192,168	3,807,503
Employee benefits	36	183,469	182,587
Provisions	37	28,003	42,798
Hydrological correction account	34	35,641	22,832
Trade and other payables from commercial activities	39	3,289,002	3,220,599
Other liabilities and other payables	40	238,086	368,143
Current tax liabilities	41	585,034	467,738
Liabilities held for sale	42	577,964	39,386
Total Current Liabilities		9,129,367	8,151,586
Total Liabilities		31,121,339	31,196,176
Total Equity and Liabilities		42,649,900	42,627,844

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THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Income Statement
for the three-month period from 1 October to 31 December 2013 and 2012

Thousands of Euros	2013	2012
Turnover	4,290,989	4,249,888
Cost of electricity	-2,318,734	-2,263,904
Cost of gas	-327,555	-330,994
Changes in inventories and cost of raw materials and consumables used	-309,467	-326,646
	1,335,233	1,328,344
Revenue from assets assigned to concessions	157,104	147,896
Expenditure with assets assigned to concessions	-157,104	-147,896
	-	-
Other operating income / (expenses):		
Other operating income	94,218	170,118
Supplies and services	-262,810	-254,962
Personnel costs and employee benefits	-147,080	-190,649
Other operating expenses	-201,598	-166,833
	-517,270	-442,326
	817,963	886,018
Provisions	-14,832	-12,645
Depreciation, amortisation expense and impairment	-397,968	-414,378
Compensation of amortisation and depreciation	6,383	5,831
	411,546	464,826
Gains / (losses) on the sale of financial assets	-28	-91
Financial income	224,234	171,850
Financial expenses	-446,737	-361,446
Share of profit in associates	9,569	6,337
Profit before income tax	198,584	281,476
Income tax expense	53,930	-9,404
Net profit for the period	252,514	272,072
Attributable to:		
Equity holders of EDP	212,746	217,957
Non-controlling Interests	39,768	54,115
Net profit for the period	252,514	272,072
Earnings per share (Basic and Diluted) - Euros	**0.06**	**0.06**

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THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated Statement of Comprehensive Income
for the three-month period from 1 October to 31 December 2013 and 2012

Thousands of Euros	2013 Equity holders of EDP	2013 Non-controlling Interests	2012 Equity holders of EDP	2012 Non-controlling Interests
Net profit for the period	212,746	39,768	217,957	54,115
Items that will never be reclassified to profit or loss				
Actuarial gains / (losses)	-166,559	22,984	-148,721	-50,199
Tax effect from the actuarial gains / (losses)	44,189	-7,815	28,715	17,068
	-122,370	15,169	-120,006	-33,131
Items that are or may be reclassified to profit or loss				
Exchange differences arising on consolidation	-52,343	-78,586	-21,997	-39,112
Fair value reserve (cash flow hedge)	6,351	1,749	7,145	96
Tax effect from the fair value reserve (cash flow hedge)	-2,204	-454	-2,838	-609
Fair value reserve (available for sale investments)	25,130	-1,268	2,593	668
Tax effect from the fair value reserve (available for sale investments)	-5,390	77	-119	-265
Share of other comprehensive income of associates, net of taxes	-603	-80	-1,352	-318
	-29,059	-78,562	-16,568	-39,540
Other comprehensive income for the period (net of income tax)	-151,429	-63,393	-136,574	-72,671
Total comprehensive income for the period	61,317	-23,625	81,383	-18,556

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The following notes form an integral part of these financial statements

EDP - Energias de Portugal

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

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Exchange differences	Treasury stock	Equity attributable to equity holders of EDP	Non-controlling Interests
Balance as at 31 December 2011	**11,386,779**	**3,656,538**	**503,923**	**539,145**	**3,385,617**	**-27,088**	**41,360**	**121,469**	**-111,430**	**8,109,534**	**3,277,245**
Comprehensive income:											
Net profit for the year	1,182,155	-	-	-	1,012,483	-	-	-	-	1,012,483	169,672
Changes in the fair value reserve (cash flow hedge) net of taxes	-66,654	-	-	-	-	-54,134	-	-	-	-54,134	-12,520
Changes in the fair value reserve (available for sale investments) net of taxes	2,760	-	-	-	-	-	2,582	-	-	2,582	178
Share of other comprehensive income of associates, net of taxes	-6,284	-	-	-	-	-3,761	-	-1,355	-	-5,116	-1,168
Actuarial gains/(losses) net of taxes	-140,411	-	-	-	-109,847	-	-	-	-	-109,847	-30,564
Exchange differences arising on consolidation	-267,524	-	-	-	-	-	-	-93,915	-	-93,915	-173,609
Total comprehensive income for the year	704,042	-	-	-	902,636	-57,895	2,582	-95,270	-	752,053	-48,011
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-	-	-	-
Dividends paid	-670,549	-	-	-	-670,549	-	-	-	-	-670,549	-
Dividends attributable to non-controlling interests	-170,354	-	-	-	-	-	-	-	-	-	-170,354
Purchase and sale of treasury stock	-857	-	-	-	-6,565	-	-	-	5,708	-857	-
Share-based payments	2,051	-	-	-	35	-	-	-	2,016	2,051	-
Sale without loss of control of Vento II (EDPR NA)	176,122	-	-	-	3,113	-1,135	-	-2,470	-	-492	176,614
Changes resulting from acquisitions/ sales and equity increases	4,311	-	-	-	-	-	-	553	-	553	3,758
Other reserves arising on consolidation	123	-	-	-	75	-	-	-14	-	61	62
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 year	1,193,523	-	-	-	1,005,091	-	-	-	-	1,005,091	188,432
Changes in the fair value reserve (cash flow hedge) net of taxes	38,047	-	-	-	-	30,470	-	-	-	30,470	7,577
Changes in the fair value reserve (available for sale investments) net of taxes	27,903	-	-	-	-	-	28,993	-	-	28,993	-1,090
Share of other comprehensive income of associates, net of taxes	3,637	-	-	-	-	3,209	-	-504	-	2,705	932
Actuarial gains/(losses) net of taxes	-100,374	-	-	-	-111,130	-	-	-	-	-111,130	10,756
Exchange differences arising on consolidation	-395,513	-	-	-	-	-	-	-151,878	-	-151,878	-243,635
Total comprehensive income for the year	767,223	-	-	-	893,961	33,679	28,993	-152,382	-	804,251	-37,028
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-	-	-	-
Dividends paid	-670,932	-	-	-	-670,932	-	-	-	-	-670,932	-
Dividends attributable to non-controlling interests	-166,960	-	-	-	-	-	-	-	-	-	-166,960
Purchase and sale of treasury stock	8,976	-	-	-	-7,669	-	-	-	16,645	8,976	-
Share-based payments	1,886	-	-	-	398	-	-	-	1,488	1,886	-
Sale without loss of control of EDPR Portugal	223,797	-	-	-	112,566	-	-	-	-	112,566	111,231
Sale without loss of control of Wheatfield	34,977	-	-	-	-805	-	-	-177	-	-982	35,959
Changes resulting from acquisitions/ sales and equity increases	-101,950	-	-	-	-1,751	-577	-	-	-	-2,328	-99,622
Other reserves arising on consolidation	-124	-	-	-	-35	-	-	-	-	-35	-89
Balance as at 31 December 2013	**11,528,561**	**3,656,538**	**503,923**	**620,069**	**3,859,171**	**-53,016**	**72,935**	**-128,291**	**-85,573**	**8,445,756**	**3,082,805**

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

The following notes form an integral part of these financial statements

EDP - Energias de Portugal

Consolidated and Company Statement of Cash Flows
as at 31 December 2013 and 2012

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Operating activities				
Cash receipts from customers	14,551,137	14,709,734	2,252,436	2,053,315
Proceeds from tariff adjustments securitization	1,559,978	442,340	-	-
Payments to suppliers	-10,946,648	-11,665,153	-2,103,395	-2,168,670
Payments to personnel	-655,391	-654,672	-12,500	-22,868
Concession rents paid	-267,499	-266,570	-	-
Other receipts / (payments) relating to operating activities	-463,808	-441,352	85,359	-44,413
Net cash from operations	3,777,769	2,124,327	221,900	-182,636
Income tax received / (paid)	-257,919	-127,792	-24,212	21,633
Net cash from operating activities	3,519,850	1,996,535	197,688	-161,003
Investing activities				
Cash receipts relating to:				
Sale of assets / subsidiaries with loss of control	256,173	26,322	-	-
Other financial assets and investments	2,178	4,905	155,983	-
Property, plant and equipment and intangible assets	26,314	6,718	663	3,445
Investment grants	-	42,057	-	-
Interest and similar income	82,382	91,321	498,671	462,440
Dividends	20,604	22,932	748,954	708,313
	387,651	194,255	1,404,271	1,174,198
Cash payments relating to:				
Acquisition of assets / subsidiaries	-253,185	-177,490	-184,373	-98,898
Other financial assets and investments	-9,987	-23,619	-155,714	-
Changes in cash resulting from consolidation perimeter variations	-175,287	1,023	-	-
Property, plant and equipment and intangible assets	-2,269,316	-2,118,998	-33,914	-20,588
	-2,707,775	-2,319,084	-374,001	-119,486
Net cash from investing activities	-2,320,124	-2,124,829	1,030,270	1,054,712
Financing activities				
Receipts / (payments) relating to loans	687,121	1,530,649	-362,599	744,439
Interest and similar costs including hedge derivatives	-803,402	-706,962	-333,737	-328,717
Governmental grants received	90,539	4,817	-	-
Share capital increases / (decreases) by non-controlling interests	-96,691	-	-	-
Receipts / (payments) relating to derivative financial instruments	3,029	-57,967	6,844	3,628
Dividends paid to equity holders of EDP	-670,932	-670,829	-671,212	-670,829
Dividends paid to non-controlling interests	-158,873	-154,656	-	-
Treasury stock sold / (purchased)	8,976	-859	10,862	1,192
Sale of assets / subsidiaries without loss of control	292,143	175,687	-	-
Receipts / (payments) from wind activity institutional partnerships - USA	-35,579	-15,159	-	-
Net cash from financing activities	-683,669	104,721	-1,349,842	-250,287
Changes in cash and cash equivalents	516,057	-23,573	-121,884	643,422
Effect of exchange rate fluctuations on cash held	-31,271	-12,615	54	204
Cash and cash equivalents at the beginning of the year	1,695,336	1,731,524	1,305,235	661,609
Cash and cash equivalents at the end of the year (*)	2,180,122	1,695,336	1,183,405	1,305,235

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

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THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

EDP - Energias de Portugal, S.A.

Company Income Statement
for the years ended 31 December 2013 and 2012

Thousands of Euros	Notes	2013	2012
Turnover	6	2,477,432	2,190,214
Cost of electricity	6	-1,984,234	-1,733,128
Changes in inventories and cost of raw materials and consumables used	6	-288,639	-368,729
		204,559	88,357
Other operating income / (expenses):			
Other operating income	8	11,832	14,288
Supplies and services	9	-174,944	-180,879
Personnel costs and employee benefits	10	-15,425	-13,188
Other operating expenses	11	-13,109	-12,346
		-191,646	-192,125
		12,913	-103,768
Provisions	12	-1,184	2,927
Depreciation, amortisation expense and impairment	13	-21,031	-14,008
		-9,302	-114,849
Gains / (losses) on the sale of financial assets	14	12	87,945
Financial income	15	1,799,372	1,490,445
Financial expenses	15	-974,013	-722,215
Profit before income tax		816,069	741,326
Income tax expense	16	-25,194	91,356
Net profit for the year		790,875	832,682

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EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income as at 31 December 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the year	790,875	832,682
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	14,944	-20,939
Tax effect from the fair value reserve (cash flow hedge)	-4,681	7,340
Fair value reserve (available for sale investments)	3,410	-928
Tax effect from the fair value reserve (available for sale investments)	2,675	906
Other comprehensive income for the year, net of income tax	16,348	-13,621
Total comprehensive income for the year	807,223	819,061

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EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Notes	2013	2012
Assets			
Property, plant and equipment	17	198,603	208,569
Intangible assets		4	8
Investments in subsidiaries	20	10,092,998	9,909,534
Available for sale investments	22	43,544	40,461
Investment property		27,419	10,490
Deferred tax assets	23	25,097	69,799
Debtors and other assets from commercial activities		3,142	1,555
Other debtors and other assets	27	6,445,501	6,014,090
Collateral deposits associated to financial debt	35	334,497	348,713
Total Non-Current Assets		17,170,805	16,603,219
Inventories		510	103
Trade receivables	25	183,478	172,773
Debtors and other assets from commercial activities	26	330,275	269,143
Other debtors and other assets	27	1,974,827	2,294,529
Current tax assets	28	132,053	195,587
Collateral deposits associated to financial debt	35	12,675	12,732
Cash and cash equivalents	29	1,183,405	1,305,235
Total Current Assets		3,817,223	4,250,102
Total Assets		20,988,028	20,853,321
Equity			
Share capital	30	3,656,538	3,656,538
Treasury stock	31	-79,478	-97,611
Share premium	30	503,923	503,923
Reserves and retained earnings	32	2,161,226	1,990,679
Net profit for the period		790,875	832,682
Total Equity		7,033,084	6,886,211
Liabilities			
Financial debt	35	7,290,125	2,032,437
Provisions	37	19,942	19,716
Hydrological correction account	34	-	33,644
Trade and other payables from commercial activities		3,521	3,831
Other liabilities and other payables	40	2,450,942	3,017,085
Total Non-Current Liabilities		9,764,530	5,106,713
Financial debt	35	3,210,777	7,557,620
Provisions	37	2,208	8,166
Hydrological correction account	34	35,641	22,832
Trade and other payables from commercial activities	39	672,871	488,086
Other liabilities and other payables	40	248,938	771,228
Current tax liabilities		19,979	12,465
Total Current Liabilities		4,190,414	8,860,397
Total Liabilities		13,954,944	13,967,110
Total Equity and Liabilities		20,988,028	20,853,321

LISBON, 27 FEBRUARY 2014

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The following notes form an integral part of these financial statements

EDP - Energias de Portugal, S.A.

Company Income Statement
for the three-month period from 1 October to 30 December 2013 and 2012

Thousands of Euros	2013	2012
Turnover	737,136	624,005
Cost of electricity	-590,616	-473,204
Changes in inventories and cost of raw materials and consumables used	-92,370	-118,165
	54,150	32,636
Other operating income / (expenses):		
Other operating income	2,907	3,869
Supplies and services	-46,384	-43,201
Personnel costs and employee benefits	-4,405	-3,778
Other operating expenses	-3,245	-2,070
	-51,127	-45,180
	3,023	-12,544
Provisions	1,557	-150
Depreciation, amortisation expense and impairment	-9,375	-3,761
	-4,795	-16,455
Gains / (losses) on the sale of financial assets	-	-
Financial income	413,125	303,540
Financial expenses	-254,192	-190,004
Profit before income tax	154,138	97,081
Income tax expense	36,669	4,784
Net profit for the period	190,807	101,865

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EDP - Energias de Portugal, S.A.

Company Statement of Comprehensive Income
for the three-month period from 1 October to 31 December 2013 and 2012

Thousands of Euros	2013	2012
Net profit for the period	190,807	101,865
Items that are or may be reclassified to profit or loss		
Fair value reserve (cash flow hedge)	2,000	78
Tax effect from the fair value reserve (cash flow hedge)	-921	1,253
Fair value reserve (available for sale investments)	598	1,019
Tax effect from the fair value reserve (available for sale investments)	2,630	177
Other comprehensive income for the period, net of income tax	4,307	2,527
Total comprehensive income for the period	195,114	104,392

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EDP - Energias de Portugal, S.A.

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

Thousands of Euros	Total Equity	Share capital	Share premium	Legal reserve	Reserves and retained earnings	Fair value reserve (Cash flow hedge)	Fair value reserve (AFS investments)	Treasury stock
Balance as at 31 December 2011	**6,736,785**	**3,656,538**	**503,923**	**539,145**	**2,129,829**	**2,468**	**10,217**	**-105,335**
Comprehensive income:								
Net profit for the year	832,682	-	-	-	832,682	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	-13,599	-	-	-	-	-13,599	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	-22	-	-	-	-	-	-22	-
Total comprehensive income for the year	819,061	-	-	-	832,682	-13,599	-22	-
Transfer to legal reserve	-	-	-	39,290	-39,290	-	-	-
Dividends paid	-670,829	-	-	-	-670,829	-	-	-
Purchase and sale of treasury stock	-857	-	-	-	-6,565	-	-	5,708
Share-based payments	2,051	-	-	-	35	-	-	2,016
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 year	790,875	-	-	-	790,875	-	-	-
Changes in the fair value reserve (cash flow hedge) net of taxes	10,263	-	-	-	-	10,263	-	-
Changes in the fair value reserve (available for sale investments) net of taxes	6,085	-	-	-	-	-	6,085	-
Total comprehensive income for the year	807,223	-	-	-	790,875	10,263	6,085	-
Transfer to legal reserve	-	-	-	41,634	-41,634	-	-	-
Dividends paid	-671,212	-	-	-	-671,212	-	-	-
Purchase and sale of treasury stock	8,976	-	-	-	-7,669	-	-	16,645
Share-based payments	1,886	-	-	-	398	-	-	1,488
Balance as at 31 December 2013	**7,033,084**	**3,656,538**	**503,923**	**620,069**	**2,316,620**	**-868**	**16,280**	**-79,478**

LISBON, 27 FEBRUARY 2013

THE OFFICIAL ACCOUNTANT
N.º 17,713

THE MANAGEMENT

THE EXECUTIVE BOARD OF DIRECTORS

NOTES TO THE CONDENSED CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the years ended 31 December 2013 and 2012

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.

Activity in the energy sector in Portugal

Electricity - Portugal

The National Electricity System (SEN) basis of organization and operation, as well as the general basis applicable to the production, transportation, distribution and supply activities of electricity, and to the market organization, are established by the Decree-Law (DL) 29/2006 of 15 February, this DL was developed by the DL 172/2006 of 23 August. The DL 29/2006 was updated by DL 104/2010 of 29 September, by DL 78/2011 of 20 June, by the DL 75/2012 of 26 March and by the DL 215-A/2012 and B/2012 of 8 October, incorporating essentially the principles of the European Parliament and Council's Directive 2009/72/CE of 13 July, establishing common rules for the electricity internal market.

The National Electricity System includes the activities of generation and supply of electricity under free market competition conditions, through licensing, and the activities of transmission and distribution provided through exclusive public service concessions.

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

For transmission, distribution and supply of last resort activities, the law establishes a remuneration right fixed by ERSE, under the tariff regulations, to ensure economic and financial balance under an efficient management.

Electricity transmission is ensured by the National Transportation Network (RNT) and is carried out under public service concessions, exclusively by REN - Redes Energéticas Nacionais, SGPS, S.A., for a period of 50 years.

Generation

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

The special regime (PRE) allows producers to deliver electricity to the network, through bilateral agreements with the Supplier of Last Resort (CUR), being subject to specific legislation, namely to promote the use of endogenous renewable resources, cogeneration or micro generation. The EDP Group is present in this segment through its subsidiaries EDP Gestão da Produção, S.A. and EDP Renováveis Portugal, S.A., among others.

Following the publication of Decree-Law 240/2004 of 27 December, which established the creation of a compensation mechanism to maintain the contractual balance (CMEC), in January 2005 the EDP Group signed the early termination of contracts for the Power Purchase Agreements (PPAs) related to the binding electricity production plants of the EDP Group, effective as of 1 July 2007, date of the launch of the Iberian Electricity Market (MIBEL).

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

In June 2007, Decree-Law 226-A/2007 of 31 May, which approves the new legal regime for using hydric resources under the terms of the new Water Law (Lei da Água), came into force. This Decree-Law extends the period on which the companies, holders of hydroelectric plants relating to the various dams, can operate the public hydric resources. The extension of the operating period, and the consequent extension of the useful life of the related hydraulic fixed assets, implied a payment by the holders of the hydroelectric plants for economic and financial compensation. On that basis, the Government (INAG), REN and EDP Gestão da Produção de Energia signed on 8 March 2008, several service concession arrangements for which EDP Gestão da Produção de Energia paid approximately 759 millions of Euros (corresponding to the contractual compensation following the Dispatch 16982/07) for the extension of the period to operate the public hydric domain for an additional average period of 26 years.

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On 20 August 2012, the Administrative Order 251/2012 was published. This regulation replaces the previous mechanisms and establishes a new incentive scheme to energy generators. Capacity payments should contribute decisively and rationally to maintain the production capacity of electricity (availability incentive) and to perform future investment in new production capacity (investment incentive), and therefore, to ensure security supply levels that are not guaranteed by the operation of the normal market mechanisms. The availability incentive is applicable to thermoelectric power plants until the end of the operating license, beginning in the calendar year following the date of termination of the PAF ("Programa de Apoio Financeiro"). This incentive corresponds to an annual compensation of 6,000 Euro/MW/year. Investment incentive is applicable to new hydroelectric power plants and power enhancement projects, during the first 10 years after the formal recognition of their eligibility to receive the incentive.

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

Following the publication of Law 74/2013 of 4 June, which established a regulatory scheme in order to ensure the balance of competition in the wholesale electricity market, determining that the costs of general economic interest (CIEG) of the UGS tariff should also be supported by the producers under the ordinary regime and other producers not included in the guaranteed return system, the Dispatch 12955-A/2013, of 10 October fixed 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, during the period from 11 October to 31 December 2013. Directive 26/2013 of 27 December, established the terms and conditions of the business relationship between those electricity producers covered by Decree-Law 74/2013

Distribution

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

The distribution of electricity in medium and high-tension has been licensed to EDP Distribuição by the Portuguese Government for a period of 35 years, from 25 February 2009.

In accordance with specific legislation (Decree-law 344-B/82, with the amendments set out in Decree-law 297/86 of 19 September, Decree-law 341/90 of 30 October and Decree-law 17/92 of 5 February), the right to distribute low-tension electricity in Portugal is attributed to the municipalities (local authorities). However, Service Concession Arrangements were celebrated generally with a 20 year term between each of mainland Portugal municipalities and EDP Distribuição. These concessions are in return for payment of a rent to the respective municipalities, determined in accordance with Decree-Law 230/2008 of 27 November.

Supply

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

Electric Energy Price Regime

In the non-regulated market, electricity tariffs are defined by an agreement between each supplier and its customers. In the regulated market the tariffs charged by the Supplier of Last Resort are defined by ERSE.

The Decree-Law 104/2010 of 29 September, establishes the end of regulated tariffs for very high, high, medium and low-tension customers from 1 January 2011. For the low-voltage segment, the Decree-Law 75/2012 of 26 March, establishes the extinction of the regulated tariffs for sale to final customers from 1 July 2012 for customers with contracted power higher or equal to 10.35 kVA, and from 1 January 2013, for customers with contracted power less than 10.35 kVA. This law also establishes a system of transitional rates set by ERSE, as well as for economically vulnerable customers the right to join the contract on the open market or choose to keep the supply by the supplier of last resort, benefiting, in any case from discounts in the price of access provided by law.

Public Domain Assets

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

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Gas - Portugal

The National Natural Gas System (SNGN) basis of organization and operation, was established by the Decree-law 30/2006 of 15 February. This DL was developed by the DL 140/2006 of 26 July, that established the general basis applicable to the SNGN activities. The DL 231/2012 of 26 October, proceeds to the third amendment to the DL 140/2006, changed by the DL 65/2008 of 9 April and by the DL 66/2010 of 11 June, incorporating essentially the principles of the European Parliament and Council's Directive 2009/73/CE of 13 July, establishing common rules for the natural gas internal market.

In the distribution activity for natural gas, EDP Group develops its activity in Portugal through its subsidiary Portgás, S.A. EDP Group is present in the commercialization of natural gas, both in the regulated market (EDP Gás Serviço Universal) and the free market (EDP Gás.com and EDP Comercial). EDP Gás.com and EDP Comercial, with a trading license in the free market since 2008 and 2010, respectively, have operated in the market since the start of 2009. Additionally, the Group develops the supply business of propane gas, through EDP Gás GPL,S.A.

Since 1 January 2013 the retail rates published by ERSE have a transitory character, being susceptible to quarterly reviews, according to DL 74/2012 of 26 March. This transitional period ends: (i) at 30 June 2014, for customers with annual consumption over 10,000 m3; (ii) 31 December 2014, for customers with annual consumption over 500 m3 and less than or equal to 10,000 m3; and (iii) 31 December 2015 for customers with annual consumption of less than or equal to 500 m3.

On 15 June 2013, the tariffs set by ERSE were published for the years 2013-2014 as well as the parameters for the regulatory period 2013-2016. The income allowed for Portgás S.A. include the initial revaluation of its assets (with reference to 31 December 2007), approved by the Finance Ministry. On 20 December, ERSE published the directives 29/2013 and 30/2013 that approve the transitional sale tariffs for customers with annual consumption of less than or over to 10,000 m3 effective in the first quarter of 2014.

Activity in the energy sector in Spain

Electricity - Spain

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

Electric Sector Regulation

On 27 November 1997 the Electric Sector's Law 54/1997 was approved, which (i) implements the principles included in the Protocol signed on 11 December 1996 between the Ministry of Industry and Energy and the major electric power companies regarding greater liberalization and competition in the electricity sector and (ii) incorporates into Spanish law the provisions contained in Directive 96/92/EC on common rules for the internal electricity market. Additionally, on 6 July 2007 the Law 17/2007 of 4 July came into force, amending the Law 54/1997, to adapt it to the Directive 2003/54/EC of the European Council and Parliament of 26 June 2003 on common rules for the internal market of electricity. Law 54/1997 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles of the European Parliament and Council’s Directive 2009/72/CE of 13 July that revokes the Directive 2003/54/CE. On 27 December, was published in the Official State Gazette the Law 24/2013 which replaces Law 54/1997 maintaining the principles established in previous legislation but with particular emphasis on economic and financial sustainability of the electricity sector.

The referred Law 24/2013, provides, among others, the following basic principles defined in the previous legislation:

Generation

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

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

Electric energy is paid at the system's marginal price plus a component for the adjustment services necessary to ensure an adequate supply. Additionally, the Order ITC/2794/2007 of September 27, which revised the electricity tariffs from 1 October 2007, replaced the concept of "power availability" remuneration of electricity generation by the concept of "capacity payments" stated in article 16 of the Law 54/1997 (amended by Law 17/2007), which sets a remuneration of the availability service - for the procurement of capacity in the medium term develop on the Order ITC/3127/2011 - and the incentive to invest in long-term capacity.

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

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

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

Transmission

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

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

The Royal Decree 325/2008 of 29 February, established a new fee regime applicable to electricity transportation facilities, that entered into service from 1 January 2009. However, since the adoption of the Royal Decree 9/2013, the retribution will be calculated based on the Spanish Government ten year bond yield, plus 200 basis points.

According to the Law 24/2013 the transmission activity is performed by a single entity. There is also a distinction made between the primary transmission system (facilities> 380 kV with international networks and with extra-peninsular and insular systems) and the secondary transmission system (facilities <220 kV other than primary transmission systems and less but fulfilling the functions of transmission).

Distribution

Law 54/1997 established that the remuneration for each company must respect criteria based on the costs needed to develop the activity, taking into account a model of characterization of distribution areas and other parameters. On 19 March 2008, the Royal Decree 222/2008 of 15 February entered into force, establishing a new system of remuneration for the electricity distribution activity and modified the system of "Acometidas" (system that regulates the installation, that connects the distribution network to the point of delivery of energy to the customers). This remuneration system is based on investments and increased demand of each distributor. On 1 April 2012, came into force the Royal Decree 13/2012, amending the remuneration criteria of the distribution activity related to the assets in use that are not amortised, taking as basis for their financial retribution and their net amount. Additionally, the return on assets in use in the year t shall be initiated at 1 January t+2. However, since the adoption of the Royal Decree 9/2013, the distribution activity renumeration will be calculated based on the Spanish Government ten-year bonds yield, plus 100 b.p. during the second quarter of 2013 and 200 b.p. from 2014 forward. These principles were embodied in the new Law 24/2013.

Supply

Law 54/1997 established a progressive liberalisation of electricity supply and the introduction of supply activities to enable customers to progressively choose their suppliers and liberalising the supply market from 1 January 2003. Additionally, since 1 July 2009, distributors can no longer act as suppliers (sell electricity) acting strictly as network operators. Law 24/2013 determines that certain consumers are entitled to be provided with tarrifs for small consumers and last resort tarrifs for reference traders.

Electricity Tariffs Regime

The activities for the energy supply are paid by consumers, through fees and charges and by specific items of the state budget (Law 15/2012 and Royal Decree-Law 9/2013) and by other items to be determined.

Fees, exclusive in Spain, must be determined with the methodologies determined by the National Markets and Competence Commission (CNMC) considering the costs of the system as defined in the Law 24/2013. Charges applicable to consumers and producers are determined by calculation methods adopted by the Government and CNMC that will serve to cover certain costs of the system, without prejudice of what is in force for transport and distribution.

Transitionally, and while these methods are not approved, fees and charges are defined by the Ministry of Industry and Tourism.

On the other hand, on 1 July 2009 the system of electricity tariffs became extinct and all consumers were transferred to the free market. However, the Royal Decree 485/2009 of 3 April, provides that the consumers of low-tension, with contract capacity not exceeding 10 kW, are eligible for voluntary prices for the small consumer, which determines the maximum price of supply. These tariffs will be applicable by the suppliers of last resort, where EDP Comercializadora Último Recurso, S.A. is included.

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Vulnerable Consumers

The Royal Decree 13/2012 defined vulnerable consumers as individuals who meet certain social characteristics of consumption and consumer purchasing power determined by the Ministry of Industry, Tourism and Trade. Until then, these customers applied the criteria defined by Royal Decree 6/2009 of 30 April on the social allowance, which is a subsidy covering the difference between the value of the Tariff of Last Resort (TUR) and the reference value.

The Royal Decree-Law 9/2013 establishes that social allowance will be financed by vertically integrated companies that perform simultaneously the activities of production, distribution and sale of electricity. Law 54/2013 maintains the established by Royal Decree-Law 9/2013 and determines that the social allowance will cover the difference between the voluntary price for small consumer and a baseline, called tariff of last resort and will be applied by the correspondent reference supplier in the invoices of the covered consumers.

Gas - Spain

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

Law 34/1998, approved on 7 October 1998, amended by Law 12/2007 of 2 July 2007, transposed to Spanish legislation the provisions of Directive 2003/55/EC of the European Parliament and Council of 26 June 2003 related with common rules for the natural gas internal market. Law 34/1998 was updated by the Royal Decree 13/2012 of 30 March, incorporating the principles set by the European Parliament and Council's Directive 2009/72/CE of 13 July which came to revoked the Directive 2003/55/CE.

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

§ Gas transport companies, owners of facilities for regasification of liquefied natural gas, transport or storage of natural gas. After the publication of Royal Decree 13/2012, companies that hold the equipment from the main network of transport must operate and manage their own networks or hand over their management to an independent operator, in the cases referred by legislation;

§ Distribution companies, owners of distribution facilities, whose function is to distribute natural gas by pipeline, as well as build, maintain and operate such facilities in order to bring natural gas to the consumption points;

§ Suppliers, companies that hold access to the facilities owned by third parties, purchase natural gas for sale to consumers or other suppliers for the purpose of international exchanges;

§ Final consumers, who purchase natural gas for own consumption and direct consumers in the market, who have direct access to third party facilities.

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

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

For suppliers of last resort, the Royal Decree 485/2009 makes it possible for groups of companies that have the obligation to provide last-resort electricity and gas, to aggregate in a single company both obligations (EDP Comercializadora de Último Recurso, S.A. currently covers suppliers obligations of last resort for gas and electricity).

The Royal Decree 104/2010 of 5 February, regulates the supplier of last resort in the natural gas sector and establishes that the last resort tariff (TUR) became the only tariff from 1 January 2010, denying to suppliers of last resort the application of discounts over customers with TUR.

Law 15/2012, of 27 December, of Fiscal measures for the Energetic Sustainability, modifies the type of taxes applied to hydrocarbons of natural gas that until this date was 0% with the exception of vehicles gas, establishes three types of taxes depending of the natural gas use, and the tax payer becomes the supplier rather than the distributor.

The Ministerial Order IET/2812/2012, establishes the tariffs and the revenues related with the access to the gas sector installations by third parties, eliminating the revenues updates for the transport and distribution activities, as it defines as zero the efficiency factor applied to these infrastructures.

The Ministerial Order IET/2446/2013, of 27 December, establishes the tariffs and the revenues related with the access to the gas sector installations by third parties and the remuneration of regulated activities for the year 2014. Among other measures, it restores the revenue updates mechanism for the distribution and transport activities that had been eliminated in the previous year.

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Activity in the energy sector in Brazil

Electricity - Brazil

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

In early 90s, the Brazilian electricity sector has undergone major structural and institutional changes, having migrated from a monopoly run by the State to a market model, involving private capital. This market model includes the existence of two distinct systems, the regulated system and the liberalised system.

Regulated System

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

Since 2004, the main form of contracting by a distributor concessionaire is through the realization of public auctions regulated by ANEEL. The rules of these auctions are designed so that the winner is the one with the lowest price.

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

Liberalised system

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

The Federal Government has defined changes in the electric sector through Provisional Measures. The Provisional Measure 577, published on 31 August 2012, adresses the termination of public service concessions of electricity and the temporary service, and the intervention for the suitability of the public service of electricity.

Regulatory changes

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

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

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

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

Eletrobrás, the managing company of the sector funds, among them the CDE, is responsible for monthly transfering to the distribution utilities of the costs related to: generation allocated under the Energy Relocation Mechanism - ERM (Hydrological Risk Quotas); replacement amount not covered by quotas (Involuntary Exposure) and the additional cost of the thermal power plants activation outside the order of merit (ESS - Energy Security), occurred from January to December 2013 and the annual amounts approved by ANEEL to cover, entirely or partially, the positive balances in "Conta de Compensação de Variação de Valores de Itens da Parcela A - CVA", arising from the cost of purchasing electricity and System Services Charge - ESS.

Following the tariff readjustment process of EDP Escelsa, which occured on 30 July 2013, Resolution 1,576/13 approved the amount of 90,670 thousands of Reais, for EDP Bandeirante this process occurred on 23 October 2013 and Resolution 1,641/13 approved the amount of 237,874 thousands of Reais. These values were transferred by Eletrobrás, as a lump sum to cover the positive balances of CVAs corresponding to the acquisition of electricity and the ESS, as established in Decree 7,891, with redaction of the Decree 7,945.

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On 24 January 2013, ANEEL approved the Extraordinary Tariff Review - ETR specific for the adjustment of energy costs, transmission costs, and sectorial charges, from all distributors. Thus, the unmanageable costs and supply tariffs will be reduced, with no impact in the distributors margin. These effects will be noticeable by consumers, from the end of January 2013.

The hydropower concessions held by EDP Group - Energias do Brasil have been granted after February 1995, corresponding to the date of the entry into force of Law 8,987, thus they are not covered by the regulatory changes introduced. Still, these changes will influence the rules that will be applied on the renewal of these concessions in the future, according to the following conditions:

§ Each hydroelectric plant should be remunerated by a tariff calculated by the ANELL;

§ Power selling (Physic guarantees) defined through production quotas dedicated exclusively to the regulated sector, that is to the distributors; and

§ Compliance with the quality service standards determined by ANEEL.

Generation

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

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

§ Generation companies, producing electricity for public service distribution;

§ Independent producers (which assume the risk of the sale of electricity with distributors or directly with free consumers);

§ Auto-producers (energy generation for own consumption, the excess of which can be sold through an authorization).

Transmission

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

In December 2012, ANEEL published the Authorization Resolution No. 3,788, authorizing the transfer of the corporate direct control of Evrecy Participações Ltda., owned by EDP - Energias do Brasil S.A., to the Companhia de Transmissão de Energia Elétrica Paulista - CTEEP.

Distribution

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

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

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

Tariffs are adjusted annually based on changes in portion A costs and in the monetary correction of portion B costs, by the index of variation of Market prices index (IGPM), discounted of productivity gains (factor X). The adjustment index is calculated in such a way to pass the non-controlling cost variations of the portion A and the corrected portion B. Periodically (on average every 4 years), a Periodic Tariff Review occurs, generating the recalculation of all costs, the definition of a new BRR and a new reference company, capturing productivity gains occurred in the period between revisions. At the beginning of 2010 an addendum to the concession contracts of distribution companies was signed to ensure the neutrality of sector costs.

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Supply

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

Public Domain Assets

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

Activity in the Renewable Energies Sector

In December 2007 the EDP Group incorporated EDP Renováveis, S.L. in Spain so as to concentrate the Group's subsidiaries in the renewable energies sector. On 18 March 2008, EDP Renováveis was converted into a public limited company.

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

Electricity - Renewable

Generation

In December 2013, EDP Renováveis, the subsidiary of EDP Group for the renewable energies sector, holds the share capital of EDP Renewables Europe, S.L. (EDPR EU, previous designated as Nuevas Energias del Ocidente, S.L), EDP Renewables North America , L.L.C. (EDPR NA, previous designated as Horizon Wind Energy, L.L.C.) and EDP Renováveis Brasil, S.A., operating respectively in Europe, in the United States of America and in Brazil.

EDP Renewables Europe operates through its subsidiaries located in Portugal, Spain, France, Belgium, Poland, Romania, Italy and United Kingdom. EDPR EU's main subsidiaries are: EDP Renováveis Portugal, EDP Renewables España, EDP Renewables France, Greenwind (Belgium), EDP Renewables Polska, EDP Renewables Romania and EDP Renewables Italia. As at 31 December 2012, Spain and Portugal are the most relevant geographical markets where EDPR EU operates.

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

Regulatory framework for the activities in Spain

The Electrical Sector in Spain is regulated by Law 54 of 27 November 1997 and the subsequent amendments to legislation. In May 2007, the Spanish Government approved the Royal Decree (RD 661/2007) which implemented the new regulatory framework for wind energy installations to be built from 2008 to 2012, which will be applicable for all operating assets from 31 December 2012.

According to RD 661/2007 of 25 May 2007, published in 26 May 2007, wind farms are entitled to choose between two remuneration schemes: (i) Fixed tariff and (ii) market plus premium: wind farms receive for each hour the pool price plus a variable premium. Once the decision between the two schemes has been made for a specific wind farm, it is binding for, at least, one year. Wind farms installed before January 2008 are ruled by the transitory regime, established by Decree 436/2004. Under this transitory regime, that ended in December 2012, wind farms could choose between a fixed tariff and a market option receiving market price plus a fixed premium.

In July 2010, the Ministry of Industry established an agreement with two major associations of renewable energy (Spanish Wind Energy Association and Protermosolar) to change the existing regulation. This agreement resulted in the approval of Royal Decree 1,614/2010, of December 7, which defines (i) for the years 2011 and 2012 a reduction of 35% in the income applicable to wind generation defined by Royal Decree 661/2007, (ii) an addendum to article 44,3 of Royal Decree 661/2007 clarifying that future revisions of the income for energy production through renewable sources will only be applied to the installed capacity from 2012 and (iii) the definition of a limit of 2,589 hours of operation for the installed capacity.

On 28 January 2012 the Spanish Government enacted Royal-Decree Law 1/2012 that approves a temporary suspension of the remuneration for renewable energy capacity not included in the pre-assignation registry.

In December 2012, through the Law 15/2012 of 27 December, the Spanish Government approved a 7% across-the-board tax on electricity generation. The tax will be applied from 1 January 2013 onwards.

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

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The main regulatory modifications that Royal Decree-Law 2/2013 presents towards the Royal Decree-Law 661/2007 with impact in EDP Renováveis S.A. (EDPR) effective from 1 January 2013 onwards, are as follows:

§ Every energy production facilities operating under the special regime are to be remunerated according to current feed-in tariff schemes for the remaining useful life of the asset;

§ Energy production facilities operating under the special regime currently remunerated according to the market option were able to chose, until 15 February 2013 and for the remaining useful life of the asset, a remuneration based on the electricity wholesale market price with no renewable energy premium, and neither cap nor floor prices;

§ The index used to annually update all the regulated activities in the electricity sector is the annual inflation excluding energy products and food prices, and any impact of tax changes.

The Spanish government disclosed the Energy Market Reform, which aims to end with the Spanish tariff deficit. The government claims that the reform may eliminate 4.5 billions of Euros/year of the structural deficit by: (i) 2.7 billons of Euros reduction in regulated costs of utilities and renewable energy source companies, and (ii) 0.9 billions of Euros contribution from the Spanish Treasury which will pay throught the Budget 50% of the extra costs of generation in the non-mainland territories. However, and only with effect in 2013, the Government removed 3.6 billons of Euros of State Budget contributions which caused a tariff deficit that was not initially forecasted.

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

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

On 26 November 2013, the Government submitted to the CNMC ("Comisión Nacional de los Mercados y la Competencia"), a draft decree describing the new remuneration policy for renewables facilities. This draft decree did not include the required parameters to calculate the remuneration for the renewables' sector activities, defining that 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 newest farms will receive a flat premium per installed MW untill the end of their regulatory life. The flat premium will be subject of 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.

The spanish government did not make the announced payment of 900 millions of Euros to eliminate part of the Spanish deficit that was securitized by the own Government.

The spanish government has cancelled the results of the CESUR (Contratos de Energía para el Suministro de Último Recurso) auctions dated of 19 December 2013, that would have led to a 26% increase in the electricity price to be charged to regulated residential customers in the first quarter of 2014. Instead, there was an increase of 2,8% in the electricity cost and a 0,9% increase in the access tariff. The government has also announced a structural change in the procedure of fix the electricity prices that will be designed and published in the next months.

On 26 December 2013, the Spanish government published a new regulation that will govern the electricity sector (Law 24/ 2013) replacing the existing from 1997 (Law 54 /1997).

The government defines that the new law´s objective is to guarantee the supply of electricity and adapt to the consumers needs at the lowest possible cost. It refers the need to finish the sector´s structural deficit that has been accumulated during the last decade as the motivation to undertake the reform.

Regarding the renewable sector, the development of new installations will be conditioned to market needs, and their retribution will be based on market price with complementary revenues in order to ensure a reasonable return rate. Details on the renewable remuneration will be disclosed in the next months upon approval of the Royal Decree-Law for renewables, namely for wind farms and cogeneration assets.

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Regulatory framework for the activities in Portugal

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

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

Regulatory framework for the activities in the United States of America

The United States federal government and various state governments have been implementing policies to promote the growth of renewable energy, particularly wind power. The main federal renewable energy incentive program is the Production Tax Credit (PTC), which was created by the U.S. Congress as part of 1992 EPACT. Additionally, several states have passed legislation, mainly in the form of renewable portfolio standards (“RPS”), which require utilities to purchase a certain percentage of their energy supply from renewable sources, similar to the Renewable Energy Directive in the EU.

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

2. ACCOUNTING POLICIES

a) Basis of presentation

The accompanying consolidated and company financial statements of EDP - Energias de Portugal, S.A. reflect the results of the company's operations and its subsidiaries (EDP Group or Group) and the Group's interest in its associated companies, for the years 31 December 2013 and 2012.

EDP S.A.'s Executive Board of Directors approved the consolidated and company financial statements (referred to as financial statements) on 27 February 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 financial statements for the years ended 31 December 2013 and 2012 were prepared in accordance with IFRS as adopted by the E.U. until 31 December 2013.

The accounting policies used by the Group in preparing its accompanying consolidated financial statements as at 31 December 2013 are consistent with those used in preparing the annual consolidated financial statements as at 31 December 2012.

However, as described in note 50, the Group adopted in the preparation of consolidated financial statements as at 31 December 2013, the accounting standards issued by IASB and IFRIC interpretations effective since 1 January 2013. The accounting policies used by the Group in preparing the consolidated financial statements described in this note were adopted in accordance. The adoption of these new standards and interpretations in 2013 did not have a significant impact on the Group's accounts.

The new standards and interpretations recently issued but not yet effective and that the Group has not yet applied on its consolidated financial statements, can also be analysed in note 50.

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

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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).

In 2013, the Group began to present the segregation of provisions and employee benefits liabilities between current and non-current. Current provisions correspond to reimbursement estimates that will occur within twelve months. Employee benefits current liabilities include the contributions to be made to the pension and health care plans, and the respective payments of employee benefits expected over the next twelve months. In accordance with IAS 1, the Group retrospectively restated the comparative of 2012 having reclassified 42,798 thousands of Euros to current provisions and 182,587 thousands of Euros to current employee benefits (see notes 36 and 37).

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

b) Basis of consolidation

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

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

Subsidiaries

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

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

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

Associates

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

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

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

Jointly controlled entities

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

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

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

Goodwill

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

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

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

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

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

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

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

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

Purchases of non-controlling interests and dilution

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

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

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

Investments in foreign operations

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

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

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

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

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

Balances and transactions eliminated on consolidation

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

c) Foreign currency transactions

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

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

d) Derivative financial instruments and hedge accounting

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

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

Hedge accounting

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

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

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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.

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Subsequent measurement

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

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

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

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

Reclassifications between categories

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

Impairment

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

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

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

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

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

f) Financial liabilities

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

g) Equity instruments

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

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

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

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

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h) Property, plant and equipment

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

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

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

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

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

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

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

Borrowing costs and other directly attributable costs

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

Government grants

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

Transfers of assets from customers

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

IFRIC 18 is applicable for agreements in which an entity receives from a customer an item of Property, plant, and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of energy. This interpretation clarifies:
- the conditions in which an asset is under this interpretation;
- recognition of the asset and its initial measurement;
- identification of the services identified (one or more services in exchange for assets transferred);
- income recognition; and
- accounting for the transfer of money from customers.

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

i) Intangible assets

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

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

Acquisition and development of software

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

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

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

Concession rights on distribution of electricity and gas

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

Concession rights to use the public hydric domain

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

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

Industrial property and other rights

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

j) Leases

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

Operating leases

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

Finance leases

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

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

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

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

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

Determining whether an Arrangement contains a Lease

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

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k) Investment property

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

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

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

l) Inventories

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

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

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

m) Accounts receivable

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

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

n) Employee benefits

Pensions

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

Defined benefit plans

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

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

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

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

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

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

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

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

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Defined contribution plans

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

Other benefits

Medical benefits and other plans

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

Variable remuneration paid to employees

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

o) Provisions

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

Provisions for dismantling and decommissioning in electric power plants

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

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

p) Recognition of costs and revenues

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

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

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

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

q) Financial results

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

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

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

r) Income tax

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

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

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

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

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

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

s) Earnings per share

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

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

t) Share based payments

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

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

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

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

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

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

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

v) Cash and cash equivalents

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

w) Operating segments

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

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

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x) Tariff adjustments

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

Decree-Law 165/2008 of 21 August recognised the unconditional right of the regulated operators of the electric sector to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EDP Group booked under the income statement caption Turnover - 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 Turnover 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. The effect of the retrospective application would have a similar effect as a prospective application.

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

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

Financial Asset Model

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

Intangible Asset Model

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

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Mixed Model

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

Under the terms of the concession contracts of EDP Group to which IFRIC 12 is applicable, the construction activities are outsourced to specialised entities. Therefore, EDP Group has no margin in the construction of the assets assigned to concessions, thus the revenue and the expenditure with the acquisition of these assets have equal amounts (see note 7).

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

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

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

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

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

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

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

Impairment of available-for-sale investments

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

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

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

Fair value of financial instruments

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

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

Contractual Stability Compensation - CMEC

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

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

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

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Contractual Stability Compensation - Revisable mechanism

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

Review of the useful life of the assets

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

In the second quarter of 2011 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 Turnover - Electricity and network access, the effects of the recognition of tariff adjustments in the electricity sector, against Debtors and other assets from commercial activities and Trade and other payables from commercial activities.

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

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In Spain, the Royal Decree Law 6/2009, published on 7 May 2009 established, among other matters: (i) the possibility to securitise the Spanish tariff deficit supported by the electric sector companies using a State guarantee through the tariff deficit amortisation fund; (ii) the calendar for the elimination of the tariff deficit, such that on 1 January 2013, access tariffs would be enough to cover regulated activities' costs, without the creation of an ex-ante tariff deficit and, in order to ease this gradual elimination, the Royal Decree Law also provided for the passage of some costs included in the electricity tariff to the Spanish State Budget; (iii) the revocation, as from 1 July 2009, of Royal Decree Law 11/2007, which established the obligation to return the additional revenues obtained from the incorporation of CO_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 goodwill in associates is reviewed when circumstances indicate the existence of impairment.

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

Doubtful debts

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

Revenue recognition

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

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

Income taxes

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

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

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

Pensions and other employee benefits

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

Provisions for dismantling and decommissioning of power generation units

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

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

Measurement criteria of the concession financial receivables under IFRIC 12

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

Regulatory changes occurred in Spain

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

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

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

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

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

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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), Canadian Dollars (CAD) and Zloty (PLN). Currently, the exposure to USD/EUR, PLN/EUR and RON/EUR exchange rate risk results essentially from investments of EDP Group in wind parks in the USA, Poland and Romania. These investments were financed with debt contracted in USD, PLN and RON, which allows to mitigate the exchange rate risk related to these assets.

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

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

Sensitivity analysis - exchange rate

Regarding the financial instruments that result in an exchange rate risk exposure, a fluctuation of 10% in the Euro exchange rate in relation to the following currencies, as at 31 December 2013 and 2012, would lead to an increase / (decrease) in the EDP Group results and/or equity as follows:

	Dec 2013			
	Profit or loss		Equity	
Thousands of Euros	+10%	-10%	+10%	-10%
USD	32,758	-40,038	-16,047	19,613
RON	1,019	-1,246	-	-
PLN	20,883	-25,524	-	-
	54,660	-66,808	-16,047	19,613

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

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

Interest rate risk management

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

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

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

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

The EDP Group has a portfolio of interest rate derivatives with maturities up to 15 years. The Group's Financial Department undertakes sensitivity analyses of the fair value of financial instruments to interest rate fluctuations. After the covering effect of the derivatives 47% of the Group's liabilities are at fixed rate.

Sensitivity analysis - Interest rates (excluding the Brazilian operations)

Based on the debt portfolio engaged by the Group, except for Brazil and the related derivative financial instruments used to hedge the related interest rate risk, a 50 basis points change in the reference interest rates at 31 December 2013 and 2012 would lead to the following increases / (decreases) in equity and/or results of the EDP Group:

Thousands of Euros	Dec 2013 Profit or loss 50 pb increase	Dec 2013 Profit or loss 50 pb decrease	Dec 2013 Equity 50 pb increase	Dec 2013 Equity 50 pb decrease
Cash flow effect				
Hedged debt	-12,561	12,561	-	-
Unhedged debt	-35,321	35,321	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	23,759	-25,783
Trading derivatives (accounting perspective)	-2,428	338	-	-
	-50,310	48,220	23,759	-25,783

Thousands of Euros	Dec 2012 Profit or loss 50 pb increase	Dec 2012 Profit or loss 50 pb decrease	Dec 2012 Equity 50 pb increase	Dec 2012 Equity 50 pb decrease
Cash flow effect				
Hedged debt	-10,061	10,061	-	-
Unhedged debt	-41,619	41,619	-	-
Fair value effect				
Cash flow hedging derivatives	-	-	26,993	-29,800
Trading derivatives (accounting perspective)	-2,008	678	-	-
	-53,688	52,358	26,993	-29,800

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

Counterparty credit risk management

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

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

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

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

Liquidity risk management

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

Energy market risk management

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

As a result of its energy management operations, EDP Group has a portfolio of operations related to electric energy, carbon emissions (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 and forwards of electricity and fuels to fix prices.

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

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

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

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

The principal price and volume risk indicator used is the margin at risk (P@R), which estimates the impact of the variation of the different risk factors (price of electricity and hydrological) on the following year's margin, P@R corresponding to the difference between an expected margin and a pessimistic scenario with a probability to occur of 5% (confidence interval of 95%) considering a time frame of 1 year. Both the volumes which are certain and those, which although uncertain, are expected, namely production of the plants and the corresponding consumption of fuel, are considered. In June 2013, P@R has included wholesale gas business. The P@R Distribution by risk factor is as follows:

	P@R Distribution by risk factor	
Thousands of Euros	**Dec 2013**	**Dec 2012**
Risk factor		
Negotiation	2,000	-
Fuel	21,000	26,000
CO2	15,000	2,000
Electricity	21,000	18,000
Hydrological	36,000	38,000
Diversification effect	-51,000	-43,000
	44,000	41,000

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

	Dec 2013	Dec 2012
Credit risk rating (S&P)		
AAA to AA-	14.51%	6.63%
A+ to A-	59.60%	56.54%
BBB+ to BBB-	10.31%	33.55%
BB+ to B-	0.82%	0.59%
No rating assigned	14.76%	2.69%
	100.00%	100.00%

Brazil - Interest rate and exchange rate risk management

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

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

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

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

	VaR	
Thousands of Euros	Dec 2013	Dec 2012
Exchange rate risk	1,093	1,309
Interest rate risk	3,788	4,097
Covariation	-1,340	-1,993
	3,541	3,413

5. CONSOLIDATION PERIMETER

During 2013, the following changes occurred in the EDP Group consolidation perimeter as described below:

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

Companies sold and liquidated:
- Millenium Energy, S.L. sold by 115,493 thousands of Euros all of its interests in the gas transmission business (Gas Transporte Span, S.L. and Naturgas Energia Transportes, S.A.U.);
- EDP Gestão da Produção de Energia, S.A. sold all of its interests in Soporgen, S.A. by the amount of 5,060 thousands of Euros;
- Arquiled - Projectos de Iluminação, S.A. liquidated Futurcompact, Lda.;
- A 49% share interest in EDP Renováveis Portugal, S.A. was sold by 257,954 thousands of Euros, as part of a transaction totalling 368,483 thousands of Euros deducted of loans totalling 110,529 thousands of Euros, with a loss of share interest held by EDP Group in Eólica de Alagoa, S.A., Eólica de Montenegrelo, S.A., Eólica da Serra das Alturas, S.A. and Malhadizes, S.A. This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the positive difference between the book value and the fair value of the non-controlling interests sold, totalling 112,566 thousands of Euros, was booked against reserves under the corresponding accounting policy;
- A 49% share interest in Wheat Field Holding, L.L.C. (which was incorpored in September 2013) was sold by 34,977 thousands of Euros (corresponding to a sale price of 48,400 thousands of US Dollar deducted of capital contributions, transaction fees and tax effect), with a subsequent 49% shareholding reduction of share interest in Wheat Field Wind Power Project, L.L.C.
  This transaction was treated as a disposal of non-controlling interests without a loss of control and therefore the negative difference between the book value and the fair value of the non-controlling interests sold, totalling a negative amount of 982 thousands of Euros, was booked against reserves under the corresponding accounting policy;
- EDP-Gestão da Produção de Energia S.A. liquidated Agência de Desenvolvimento Regional do Vale do Tua, S.A.;
- EDPR Renovables España, S.L. liquidated Parc Eolic Molinars S.L.

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Companies merged:
- Naturgas Energia Participaciones, S.A.U. was merged into Naturgas Energia Grupo, S.A;
- The following companies were merged into Hidroeléctrica del Cantábrico, S.A.:
  - Eléctrica de la Ribera del Ebro, S.A.;
  - Hidrocantábrico Servicios, S.A.;
  - Patrimonial de la Ribera del Ebro, S.L.;
  - Ciclo combinado Soto 5, S.L.

Companies incorporated:
- Empresa de Energia Cachoeira Caldeirão, S.A.;
- South África Wind & Solar Power, S.L.;
- Sustaining Power Solutions, L.L.C.;
- Green Power Offsets, L.L.C. *;
- Arquiled Brasil - Projectos de Iluminação Ltda;
- Bourbriac II, S.A.S.;
- EDPR France Holding, S.A.S.;
- Parc Eolien de Montagne Fayel, S.A.S.;
- IME - IE Mobil Eléctrica, ACE;
- Arbuckle Mountain;
- Rising Tree Wind Farm II *;
- Wheat Field Holding, L.L.C.;
- Les Eoliennes en Mer de Dieppe - Le Tréport, S.A.S.;
- Les Eoliennes en Mer de Vendée, S.A.S.;
- EDP Mediadora S.A.

* 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 31 December 2013 do not have any assets, liabilities, or any operating activity.

Other changes:
- EDP Ventures, SGPS, S.A. increased its shareholding from 40.01% to 46.15% in the share capital of Arquiled - Projectos de Iluminação, S.A.;
- Arquiled - Projectos de Iluminação, S.A. increased its shareholding to 96% in the share capital of Arquiservice - Consultoria Serviços, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Greenwind, S.A.;
- EDP Renewables Europe, S.L. increased its shareholding to 100% in the share capital of Relax Wind Park I, S.P. ZO.O through its subsidiary EDP Renewables Polska, S.P. ZO.O.;
- EDP Energias do Brasil, S.A. increased its shareholding to 100% in the share capital of Terra Verde Bioenergia Participações, S.A.;
- Decrease of the financial interest in Principle Power, Inc. from 50.29% to 33.46% through dilution, following a share capital increase not subscribed by EDP Inovação, S.A.

The companies included in the consolidation perimeter of EDP Group as at 31 December 2013 and 2012 are listed in Annex I.

6. TURNOVER

Turnover analysed by sector is as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Electricity and network access	14,253,446	14,404,399	2,057,232	1,761,552
Gas and network access	1,660,121	1,771,137	233,116	232,827
Sales of CO2 licences	26,419	17,313	52,511	51,421
Other	163,204	147,005	134,573	144,414
	16,103,190	16,339,854	2,477,432	2,190,214

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

	Dec 2013					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	8,046,860	3,146,863	2,467,747	371,294	220,682	14,253,446
Gas and network access	260,379	1,399,742	-	-	-	1,660,121
Sales of CO2 licences	26,419	-	-	-	-	26,419
Other	75,626	40,944	46,197	13	424	163,204
	8,409,284	4,587,549	2,513,944	371,307	221,106	16,103,190

	Dec 2012					
Thousands of Euros	Portugal	Spain	Brazil	U.S.A.	Other	Group
Electricity and network access	8,105,482	3,232,648	2,516,774	364,631	184,864	14,404,399
Gas and network access	251,013	1,520,124	-	-	-	1,771,137
Sales of CO2 licences	17,313	-	-	-	-	17,313
Other	81,569	35,859	22,634	-	6,943	147,005
	8,455,377	4,788,631	2,539,408	364,631	191,807	16,339,854

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In 2013, on a consolidated basis, the caption Electricity and network access in Portugal includes a net revenue of 1,905,932 thousands of Euros (income in 30 December 2012: 1,457,820 thousands of Euros) regarding the tariff adjustments of the period (see notes 26 and 39), as described under accounting policy - note 2 x).

Additionally, the caption Electricity and network access includes, on a consolidated basis, 115,576 thousands of Euros (31 December 2012: 474,575 thousands of Euros) related to the Contractual Stability Compensation (CMEC) as a result of the Power Purchase Agreements (PPA) termination.

Following the revision of the Commercial Relations Code (RRC), from 1 January 2012 onwards, EDP Serviço Universal began to sell in the market all the electric power of the special regime production (PRE) acquired under the applicable legislation, also buying in the market all the electricity needed to supply its customers. Following this amendment, from 1 January 2012 onward, the electricity purchases from special regime producers and the respective sales in the market are accounted under cost of electricity and turnover at its gross amounts, respectively, resulting in an increase in these captions in relation to prior periods. As at 31 December 2013, the electricity from special regime producers sold in the market amounts to 907,092 thousands of Euros (31 December 2012: 837,773 thousands of Euros).

The breakdown of Revenue by segment is presented in the segmental reporting (see note 54).

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

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Cost of electricity	8,235,491	8,392,199	1,984,234	1,733,128
Cost of gas	1,264,745	1,375,841	-	-
Changes in inventories and cost of raw materials and consumables used				
Fuel, steam and ashes	483,178	497,340	-	-
Gas	325,663	493,792	235,909	316,730
Cost of consumables used	17,152	16,552	-	-
CO2 licences	135,146	48,394	52,716	51,991
Own work capitalised	-74,154	-87,808	-	-
Other	164,939	175,377	14	8
	1,051,924	1,143,647	288,639	368,729
	10,552,160	10,911,687	2,272,873	2,101,857

On a company basis, Cost of electricity includes costs of 1,038,501 thousands of Euros (31 December 2012: 908,895 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.

The adoption of the European Community Directive 2009/92 of 31 July 2009 to the national legislations, determined that the thermoelectric power plants that operate under a market regime in Portugal and Spain, will not have CO2 licences granted free of charge since 1 January 2013, this resulted in an increase of the CO2 licences cost when compared to 2012.

7. REVENUE FROM ASSETS ASSIGNED TO CONCESSIONS

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Revenue from assets assigned to concessions	424,105	433,661
Expenditure with assets assigned to concessions		
Subcontracts and other materials	-334,446	-336,283
Personnel costs capitalised (see note 10)	-81,130	-85,775
Capitalised borrowing costs (see note 15)	-8,529	-11,603
	-424,105	-433,661
	-	-

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

	Dec 2013			Dec 2012		
Thousands of Euros	Portugal	Brazil	Total	Portugal	Brazil	Total
Revenue from assets assigned to concessions	307,415	116,690	424,105	336,135	97,526	433,661
Expenditure with assets assigned to concessions	-307,415	-116,690	-424,105	-336,135	-97,526	-433,661
	-	-	-	-	-	-

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8. OTHER OPERATING INCOME

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

Thousands of Euros	Group Dec 2013	Group Dec 2012
Gains on fixed assets	22,416	10,940
Customers contributions	20,297	40,071
Income arising from institutional partnerships - EDPR NA	125,101	127,350
Gains on business combinations	10,767	32,393
Gains on sale of electricity transmission assets in Brazil	-	12,478
Remeasurement of IFRIC 12 indenisation amount in Brazil concessions	-	40,838
Gains on disposals - assets of gas and electricity business	58,296	-
Other operating income	123,126	125,897
	360,003	389,967

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 18,132 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 19,533 thousands of Euros (31 December 2012: 37,335 thousands of Euros), as referred in accounting policy 2h).

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

In the last quarter of 2013, the Group EDP Energias do Brasil updated the contigent price for the acquisition of the hydro power plant of Jari, considering that the DIFAL tax benefit agreed as a condition for the contigent price payment was not obtained until 31 December 2013. This operation generated a gain on business combinations of 7,285 thousands of Euros. This caption also includes the purchase price allocation of the identificable assets acquired and liabilities assumed of Molen Wind II, S.P. ZO.O. which was carried out by EDPR Polska, and originated an operating income of 3,477 thousands of Euros (see note 19).

Gains on disposals - assets of gas and electricity business is related with the gain on the sale of the assets of the gas transmission business in the amount of 55,829 thousands of Euros and cogeneration activity in the amount of 2,239 thousands of Euros (see note 42).

Other operating income includes the power purchase agreements between EDPR NA and its customers which were valued based on market assumptions, at the acquisition date, using discounted cash flow models. At that date, these agreements were valued at approximately 190,400 thousands of USD and recorded as a non-current liability (see note 39). This liability is depreciated over the period of the agreements against Other operating income. As at 31 December 2013, the amortisation for the period amounts to 8,362 thousands of Euros (31 December 2012: 9,888 thousands of Euros). This caption also includes 13,779 thousands of Euros related with the indemnity received following an amendment of the power purchase agreement between Mesquite Wind, L.L.C. (subsidiary of Vento I, L.L.C) and its client.

During 2012, EDPR Italia acquired 100% of Pietragalla Eólico S.R.L. share capital. Additionally, EDPR Romenia acquired 100% of the share capital of six solar photovoltaic companies. EDPR Group carried out the purchase price allocation to the identifiable assets acquired and liabilities assumed of these companies which originated an operating income of 29,754 thousands of Euros in EDPR Romania and 2,639 thousands of Euros in EDPR Italia (see note 19). These bargain purchases arose from EDPR Group negotiation power, financing capacity and liquidity, as well as from the Romanian Solar market stage of development which enables favourable transactions.

In May 2012, EDP Energias do Brasil, S.A. signed a sale agreement to sell its financial investment in Evrecy Participações, Ltda. (owner of electricity transmission assets) to Companhia de Transmissão de Energia Elétrica Paulista - CTEEP for 25,181 thousands of Euros (63,164 thousands of Brazilian Real). On 21 December 2012, after ANEEL's approval, the disposal process was completed, originating a gain of 12,478 thousands of Euros.

In 2012, Provisional Measure 579/12, meanwhile converted into Law 12.783/13, was issued in Brazil, which establishes the calculation rule for the indemnities payable to distribution companies, related to the assets not fully amortised or depreciated at the end of the concession period, based on the new replacement value methodology. This methodology determined an increase in the indemnity receivable by Bandeirante and Escelsa, accounted for as a financial asset under IFRIC 12 terms, of 40,838 thousands of Euros (102,439 thousands of Brazilian Real), against other operating income. This amount corresponds to the difference between the residual value of the assets according to the new replacement value versus the historical cost (see note 26).

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

Thousands of Euros	Company Dec 2013	Company Dec 2012
Gains on fixed assets	204	1,264
Other operating income	11,628	13,024
	11,832	14,288

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9. SUPPLIES AND SERVICES

Supplies and services are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Consumables and communications	51,028	52,345	8,333	9,382
Rents and leases	115,413	112,579	44,375	45,676
Maintenance and repairs	333,423	326,291	17,427	17,452
Specialised works:				
- Commercial activity	162,432	152,507	5,600	5,554
- IT services, legal and advisory fees	87,729	98,019	20,785	30,226
- Other services	55,151	59,106	15,570	11,459
Provided personnel	-	-	46,671	44,309
Other supplies and services	129,727	127,440	16,183	16,821
	934,903	928,287	174,944	180,879

10. PERSONNEL COSTS AND EMPLOYEE BENEFITS

Personnel costs and employee benefits are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Personnel costs				
Board of Directors remuneration	15,884	16,742	5,886	5,437
Employees' remuneration	494,129	502,028	1,835	1,527
Social charges on remuneration	122,184	120,082	441	406
Performance, assiduity and seniority bonus	68,865	77,776	6,039	4,507
Other costs	29,749	24,817	846	886
Own work capitalised:				
- Assigned to concessions (see note 7)	-81,130	-85,775	-	-
- Other	-66,450	-73,473	-53	-
	583,231	582,197	14,994	12,763
Employee benefits				
Pension plans costs	25,817	29,266	212	230
Medical plans costs and other benefits	11,898	8,585	156	134
Past service cost (Curtailment / Plan amendments)	-9,243	25,133	-	-
Other	26,813	26,355	63	61
	55,285	89,339	431	425
	638,516	671,536	15,425	13,188

Pension plans costs include 10,265 thousands of Euros (31 December 2012: 12,205 thousands of Euros) related to defined benefit plans (see note 36) and 15,552 thousands of Euros (31 December 2012: 17,061 thousands of Euros) related to defined contribution plans. Medical plans costs and other employee benefits include 11,898 thousands of Euros (31 December 2012: 8,585 thousands of Euros) related to the charge of the period. As at 31 December 2012, the Past service cost (Curtailment / Plan amendments) results essentially from: (i) a restructuring of EDP Brasil with a total cost of 3,690 thousands of Euros. This plan covered 65 employees of Escelsa and 55 of Bandeirante; and (ii) 76 new early retirement agreements of EDP Gestão da Produção de Energia, S.A. following Setúbal power plant decommissioning process, in the amount of 21,391 thousands of Euros.

Other employee benefits include costs with medical services of employees in the amount of 7,825 thousands of Euros (31 December 2012: 8,044 thousands of Euros) and costs with tariff discount of active workers in the amount of 17,348 thousands of Euros (31 December 2012: 11,532 thousands of Euros).

The breakdown by management positions and category of professional staff as at 31 December 2013 and 2012 is as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Executive Board members*	55	55	7	7
Senior management	712	676	-	-
Specialists	4,366	4,223	3	-
Middle Technicians	167	207	-	-
Intermediate Technicians	67	71	-	-
Qualified and highly Qualified Professionals	6,609	6,891	-	-
Semi Qualified Professionals	203	152	-	-
	12,179	12,275	10	7

* Do not include Non-executive Board members

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11. OTHER OPERATING EXPENSES

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Concession rents paid to local authorities and others	274,399	276,374
Direct and indirect taxes	241,776	118,401
Irrecoverable debts	15,252	25,954
Donations	21,947	20,624
Impairment losses:		
- Trade receivables	34,849	58,176
- Debtors	4,826	1,820
Other operating costs	127,597	88,504
	720,646	589,853

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

The caption Direct and indirect taxes, as at 31 December 2013, includes the amount of 121.4 millions of Euros related to a new tax of 7% over electricity generation in Spain from 1 January 2013, following the publication of Law 15/2012 on 27 December.

The caption Other operating costs, as at 31 December 2013, includes the amount of 42,668 thousands of Euros related to fines and penalties recognized for the delay in the start of the commercial activity of Porto de Pecém thermoelectric plant and for lower than required availability levels. Additionally, this caption also includes the inventories write-off in the amount of 9,165 thousands of Euros based on the assessment following the ANEEL Resolution 367/09 under which the distributors Bandeirante and Escelsa conducted a physical inventory of all assets assigned to concessions.

The impairment losses on doubtful debts and others are analysed in notes 25 and 26, respectively.

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

	Company	
Thousands of Euros	Dec 2013	Dec 2012
Direct and indirect taxes	1,766	1,492
Donations	9,212	8,443
Impairment losses:		
- Trade receivables	-	-
- Debtors	19	15
Other operating costs	2,112	2,396
	13,109	12,346

12. PROVISIONS

Provisions are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Charge for the period	102,082	54,411	11,232	12,171
Write-back for the period	-47,205	-38,356	-10,048	-15,098
	54,877	16,055	1,184	-2,927

Provisions for the period, at 31 December 2013, include a net increase in provisions for labor, legal and other contingences in Brazil in the amount of 17 millions of Euros, as well as provisions for contractual, legal and other liabilities and charges in Spain of approximately 35 millions of Euros, which are classified as probable contingencies (see note 37).

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13. DEPRECIATION, AMORTISATION EXPENSE AND IMPAIRMENT

Depreciation, amortisation expense and impairment are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Property, plant and equipment				
Buildings and other constructions	22,947	15,836	2,837	2,899
Plant and machinery	918,726	936,805	27	26
Other	67,272	77,445	12,706	11,075
Impairment loss	56,772	54,131	4,782	-
	1,065,717	1,084,217	20,352	14,000
Intangible assets				
Concession rights and impairment	84,369	78,319	-	-
Intangible assets assigned to concessions - IFRIC 12	349,787	328,248	-	-
Other intangibles	2,616	3,105	9	8
	436,772	409,672	9	8
Investment property	-	-	670	-
Compensation of amortisation and depreciation				
Partially-funded property, plant and equipment	-26,369	-24,901	-	-
Impairment of Goodwill	1,127	-	-	-
	1,477,247	1,468,988	21,031	14,008

In 2013, as a result of impairment tests (which assumptions are mentioned in note 19) of wind generation assets and cogeneration in Spain, the EDP Group recognised impairment losses in the caption Property, plant and equipment, in the amount of 16,046 thousands of Euros (EDPR Group) and 31,066 thousands of Euros (HC Energia), due to regulatory changes following the publication of the Royal Decree-Law 9/2013 related with changes in remuneration of wind assets and special regime. Additionally, in EDPR Group there was a write-off of assets under construction in United States of America in the amount of 3,717 thousands of Euros (see note 17).

During 2012, as a result of impairment tests related to wind generation assets in Spain and the United States of America, EDPR Group recognised impaiment losses of 45,617 and 7,784 thousands of Euros, respectively.

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 20,830 thousands of Euros (59,738 thousands of Reais) was booked, under the caption amortisation of intangible assets assigned to concessions - IFRIC 12 (see note 18).

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

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

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

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

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

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15. FINANCIAL INCOME AND EXPENSES

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Financial income		
Interest income from bank deposits and other applications	47,264	53,998
Interest income from loans to associates	19,895	12,263
Interest from derivative financial instruments	135,549	135,149
Derivative financial instruments	394,180	223,691
Other interest income	46,184	57,846
Foreign exchange gains	46,436	59,665
CMEC	51,113	77,322
Other financial income	164,289	111,724
	904,910	731,658
Financial expenses		
Interest expense on financial debt	908,567	807,627
Capitalised borrowing costs:		
- Assigned to concessions (see note 7)	-8,529	-11,603
- Other	-124,919	-131,400
Interest from derivative financial instruments	116,196	110,444
Derivative financial instruments	404,497	277,315
Other interest expense	36,590	41,239
Foreign exchange losses	51,310	54,801
CMEC	19,035	18,240
Unwinding of liabilities	101,865	114,969
Net interest on the net pensions plan liability (see note 36)	30,900	48,202
Net interest on the medical liabilities and other benefits (see note 36)	40,097	45,251
Other financial expenses	66,741	61,839
	1,642,350	1,436,924
Financial income / (expenses)	-737,440	-705,266

The caption Financial income - CMEC totalling 51,113 thousands of Euros includes 16,646 thousands of Euros related to interest on the initial CMEC (31 December 2012: 18,976 thousands of Euros) included in the annuity for 2013, 33,720 thousands of Euros related to the financial effect considered in the calculation of the initial CMEC (31 December 2012: 55,687 thousands of Euros) and 747 thousands of Euros relating to the financial component of the revisable mechanism of CMEC for 2013 (31 December 2012: 2,659 thousands of Euros).

The caption Other financial income includes essentially 89,195 thousands of Euros related with interest income on tariff adjustment and tariff deficit in the national electricity system in Portugal (31 December 2012: 68,808 thousands of Euros), 6,277 thousands of Euros (31 December 2012: 10,851 thousands of Euros) related with interest income on tariff adjustment and tariff deficit in Spain, 50,457 thousands of Euros related to gains, on four securitization operations of part of the 2012 electricity tariff deficit related to the 2012 over cost for the aquisition of electricity from Special Regime Generators and a sale transaction related with 2011 CMEC revisable component (see note 26).

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

Financial expenses - CMEC, in the amount of 19,035 thousands of Euros (31 December 2012: 18,240 thousands of Euros), relates mainly to the unwinding of the initial CMEC, booked against Deferred Income (see note 39).

The Unwinding of discounted value liabilities refers essentially to, (i) the unwinding of the dismantling and decommissioning provision for wind generation assets of 10,173 thousands of Euros (31 December 2012: 7,862 thousands of Euros), (ii) the implied financial return in institutional partnership in USA wind farms which amounted to 60,840 thousands of Euros (31 December 2012: 68,431 thousands of Euros), and (iii) the financial expenses related to the discount of the debt associated to the concessions of Alqueva/Pedrógão, Investco and Enerpeixe of 10,505 thousands of Euros (31 December 2012: 10,610 thousands of Euros), 3,534 thousands of Euros (31 December 2012: 3,035 thousands of Euros) and 9,097 thousands of Euros (31 December 2012: 10,575 thousands of Euros), respectively. Additionally in 2012, this caption included the unwinding of the put option over EDP Renewables Italia in the amount of 214 thousands of Euros.

As at 31 December 2012, the caption Other financial expenses includes the available-for-sale financial assets impairment loss in the amount of 9,328 thousands of Euros, which refers essentially to the impairment of the investment held in BCP in the amount of 5,495 thousands of Euros, as a result of the listed price decrease of these shares (see note 22).

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

Thousands of Euros	Company Dec 2013	Company Dec 2012
Financial income		
Interest income from loans to subsidiaries and related parties	490,544	433,734
Derivative financial instruments	487,722	350,285
Income from equity investments	752,630	643,458
Other financial income	68,476	62,968
	1,799,372	1,490,445
Financial expenses		
Interest expense on financial debt	400,695	312,049
Derivative financial instruments	502,826	339,879
Other financial expenses	70,492	70,287
	974,013	722,215
Financial income / (expenses)	825,359	768,230

As at 31 December 2012, the caption Other financial expenses includes an impairment loss for financial investments of 25,307 thousands of Euros related to the net effect of the increase of impairment losses on equity investments in subsidiaries and the decrease of provision to cover the negative equity of subsidiary companies.

Income from equity investments is analysed as follows:

Thousands of Euros	Company Dec 2013	Company Dec 2012
Group companies	749,453	640,299
Other companies		
REN - Rede Eléctrica Nacional, S.A.	3,177	3,159
	752,630	643,458

16. INCOME TAX

In accordance with current legislation, tax returns are subject to review and correction by the tax authorities during subsequent periods. In Portugal the limit is 4 years, or 5 or 6 years if tax losses and tax benefits have been used. In Spain the period is 4 years and in Brazil it is 5 years. In the United States of America, 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 years (5 years in Portugal for the tax losses assessed in 2012 and 2013, 18 in Spain, 20 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 the year. The EDP Group companies are taxed, whenever possible, on a consolidated basis as allowed by the tax legislation of the respective countries.

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

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

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.

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

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

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

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

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

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

On 31 December 2013, 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	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Current tax	-263,896	-154,025	-25,434	-15,204
Deferred tax	75,899	-128,512	240	106,560
	-187,997	-282,537	-25,194	91,356

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

	Dec 2013		
Thousands of Euros	Rate %	Tax basis	Tax
Nominal rate and income tax	26.5%	1,381,520	366,103
Tax losses and tax credits	0.4%	20,015	5,304
Dividends	-1.0%	-53,162	-14,088
Tax benefits	-4.3%	-222,060	-58,846
Non deductible provisions and amortisations for tax purposes	1.8%	95,800	25,387
Accounting revaluations	-11.8%	-617,698	-163,690
Fair value of financial instruments and financial investments	-3.1%	-161,287	-42,741
Financial investments in associates and subsidiaries	-0.7%	-36,279	-9,614
Different tax rates (includes state surcharge)	7.8%	405,479	107,452
Other adjustments and changes in estimates	-2.0%	-102,906	-27,270
Effective tax rate and total income tax	13.6%	709,422	187,997

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

The reconciliation between the nominal and the effective income tax rate for the Group, as at 31 December 2012, is analysed as follows:

	Dec 2012		
Thousands of Euros	**Rate %**	**Tax basis**	**Tax**
Nominal rate and income tax	26.5%	1,464,692	388,143
Tax losses and tax credits	-2.2%	-122,974	-32,588
Tax benefits	-2.2%	-119,887	-31,770
Financial investments in associates and subsidiaries	-5.0%	-276,325	-73,226
Different tax rates (includes state surcharge)	4.3%	236,506	62,674
Other adjustments and changes in estimates	-2.1%	-115,834	-30,696
Effective tax rate and total income tax	19.3%	1,066,178	282,537

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

	Dec 2013		
Thousands of Euros	**Rate %**	**Tax basis**	**Tax**
Nominal rate and income tax	26.5%	816,069	216,258
Tax losses and tax credits	-0.3%	-10,502	-2,783
Dividends	-26.3%	-809,551	-214,531
Different tax rates (includes state surcharge)	2.7%	84,064	22,277
Other adjustments and changes in estimates	0.5%	14,992	3,973
Effective tax rate and total income tax	3.1%	95,072	25,194

As a result of the change in the economic, regulatory and tax environment in Spain, the caption Tax losses and tax credits in 31 December 2013 includes the reversal of deferred tax assets in the amount of 27 millions of Euros and the recognition of deferred tax liabilities in the amount of 26 millions of Euros related to contingencies on tax losses carry forward in Spain.

The reconciliation between the nominal and the effective income tax rate for the Company, as at 31 December 2012, is analysed as follows:

	Dec 2012		
Thousands of Euros	**Rate %**	**Tax basis**	**Tax**
Nominal rate and income tax	26.5%	741,326	196,451
Non deductible provisions and amortisations for tax purposes	2.8%	79,328	21,022
Tax losses and tax credits	-6.8%	-190,177	-50,397
Dividends	-24.2%	-677,947	-179,656
Difference between tax and accounting gains/losses	-3.6%	-100,457	-26,621
Different tax rates (includes state surcharge)	2.4%	66,834	17,711
Financial investments in associates and subsidiaries	-9.1%	-255,181	-67,623
Other adjustments and changes in estimates	-0.3%	-8,465	-2,243
Effective tax rate and total income tax	-12.3%	-344,739	-91,356

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

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

	Group		Company	
Thousands of Euros	**Dec 2013**	**Dec 2012**	**Dec 2013**	**Dec 2012**
Profit before tax	1,381,520	1,464,692	816,069	741,326
Income tax	-187,997	-282,537	-25,194	91,356
Effective income tax rate	13.6%	19.3%	3.1%	-12.3%

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17. PROPERTY, PLANT AND EQUIPMENT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Cost				
Land and natural resources	150,968	175,796	60,148	74,569
Buildings and other constructions	735,522	654,384	85,393	93,556
Plant and machinery:				
- Hydroelectric generation	8,458,713	8,866,085	254	254
- Thermoelectric generation	7,956,245	7,672,378	-	-
- Renewable generation	11,818,196	11,565,234	-	-
- Electricity distribution	1,410,666	1,360,638	-	-
- Gas distribution	1,151,465	1,136,865	-	-
- Other plant and machinery	129,518	121,409	182	182
Other	811,162	809,611	117,256	117,155
Assets under construction	2,797,262	2,784,191	45,402	26,747
	35,419,717	35,146,591	308,635	312,463
Accumulated depreciation and impairment losses				
Depreciation charge	-1,008,945	-1,030,086	-15,570	-14,000
Accumulated depreciation in previous years	-13,995,143	-13,147,618	-89,680	-89,894
Impairment losses	-56,772	-54,131	-4,782	-
Impairment losses in previous years	-42,551	-9,416	-	-
	-15,103,411	-14,241,251	-110,032	-103,894
Carrying amount	20,316,306	20,905,340	198,603	208,569

The movements in Property, plant and equipment, for the Group, for the year ended 31 December 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 31 December
Cost							
Land and natural resources	175,796	8,209	-2,266	2,070	-11,268	-21,573	150,968
Buildings and other	654,384	155	-2,614	185,570	-92,962	-9,011	735,522
Plant and machinery	30,722,609	16,434	-32,198	786,242	-573,374	5,090	30,924,803
Other	809,611	14,128	-38,651	35,783	-3,139	-6,570	811,162
Assets under construction	2,784,191	1,548,197	-33,387	-1,409,385	-70,421	-21,933	2,797,262
	35,146,591	1,587,123	-109,116	-399,720	-751,164	-53,997	35,419,717

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals/ Write-offs	Transfers	Exchange Differences	Perimeter Variations/ Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses							
Land and natural resources	-	4,032	-	-	-	-	4,032
Buildings and other constructions	160,069	23,697	-1,699	-	-13,299	-5,996	162,772
Plant and machinery	13,461,264	970,631	-26,811	-3	-103,971	-17,518	14,283,592
Other	619,918	67,357	-30,545	-42	-2,182	-1,491	653,015
	14,241,251	1,065,717	-59,055	-45	-119,452	-25,005	15,103,411

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. The subgroup EDP Brasil carried out investments related with Porto de Pecém coal power plant, with Santo Antônio do Jari hydroelectric plant and Cachoeira Caldeirão hydroelectric plant. In the Portuguese generation activity, the Group is carrying out hydroelectric investments in the construction of several new power plants and power enhancement projects (Baixo Sabor, Foz Tua, Ribeiradio-Ermida, Venda Nova III and Salamonde II).

Charge / Impairment losses include an impairment of 50,829 thousands of Euros are related with wind generation assets and cogeneration plants in Spain and with wind generation assets in the United States of America (see note 13).

Transfers include the Brazil generation assets, which were classified as assets held for sale (see note 42).

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

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

Perimeter Variations / Regularisations include the effect of the acquisition of 100% of the share capital of Lone Valley Solar Park I L.L.C. (ex-EDPR Agincourt L.L.C.), Lone Valley Solar Park II L.L.C. (ex-EDPR Marathon L.L.C.), Gravitangle - Fotovoltaica Unipessoal, Lda., Dejann Trading and Investments Proprietary Ltd., Molen Wind II S.P. ZO.O. and the liquidation of Parc Eolic Molinars S.L. (see note 5).

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The movements in Property, plant and equipment, for the Group, for the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Cost							
Land and natural resources	176,310	3,987	-586	2,643	-7,963	1,405	175,796
Buildings and other constructions	551,944	983	-3,989	149,309	-44,505	642	654,384
Plant and machinery	29,893,469	38,453	-124,274	1,215,204	-296,607	-3,636	30,722,609
Other	775,526	28,111	-36,615	48,273	-3,118	-2,566	809,611
Assets under construction	2,731,386	1,601,467	-6,994	-1,477,183	-63,675	-810	2,784,191
	34,128,635	1,673,001	-172,458	-61,754	-415,868	-4,965	35,146,591

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange Differences	Perimeter Variations / Regulari-sations	Balance at Balance at 31 December
Accumulated depreciation and impairment losses							
Buildings and other constructions	155,315	15,836	-3,926	-	-7,731	575	160,069
Plant and machinery	12,699,358	990,512	-117,152	-58,140	-50,723	-2,591	13,461,264
Other	565,649	77,869	-21,188	-56	-2,468	112	619,918
	13,420,322	1,084,217	-142,266	-58,196	-60,922	-1,904	14,241,251

Charge / Impairment losses includes an impairment of 53,401 thousands of Euros on wind generation assets in the United States of America and Spain (see note 13), and 22,499 thousands of Euros regarding the depreciation of Setúbal thermoelectric power plant, up to its recoverable amount, following the decision to terminate the operation at 31 December 2012.

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

Transfers include 61,754 thousands of Euros of cost of acquisition and 58,196 thousands of Euros of accumulated depreciation, related to cogeneration activity assets, which were classified as assets held for sale (see note 42).

Transfers from assets under construction into operation in 2012, refer mainly to wind farms of EDP Renováveis that became operational and to the first group of thermoelectric plant of Porto de Pecém I.

The movement in Exchange differences in the year results mainly from the appreciation of the Zloty (PLN) and the depreciation of the American Dolar (USD) and Brazilian Real (BRL) against the Euro in 2012.

Perimeter Variations / Regularisations includes the effect of the acquisition of Pietragalla Eolico S.R.L., J&Z SP. ZO.O., the acquisition of solar photovoltaic companies in Romenia, the effect of the sale of the companies holders of the mini-hydrics detained in Spain, as well as the decrease of the financial interest in Windplus, S.A. from 42% to 31% due to a share capital increase with dilution of the shareholding held by EDP Inovação, S.A. These transactions occurred during 2012.

As at 31 December 2013, Property, plant and equipment financed through lease contracts for the Group, amount to 14,709 thousands of Euros (14,985 thousands of Euros at 31 December 2012), with accumulated depreciation of 6,598 thousands of Euros (6,277 thousands of Euros at 31 December 2012) and the respective future lease payments amount to 7,564 thousands of Euros (8,606 thousands of Euros at 31 December 2012). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2013			Dec 2012		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	3,116	306	3,422	3,281	268	3,549
Between one and five years	3,524	252	3,776	4,070	255	4,325
More than five years	352	14	366	712	20	732
	6,992	572	7,564	8,063	543	8,606

During 2013, the costs incurred with these assets amounted to 674 thousands of Euros (31 December 2012: 657 thousands of Euros) and are booked in the income statement under Supplies and services.

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The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2013 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 31 December
Cost						
Land and natural resources	74,569	-	-3	-	-14,418	60,148
Buildings and other constructions	93,556	-	-1,023	-	-7,140	85,393
Other	117,591	3,286	-9,976	6,803	-12	117,692
Assets under construction	26,747	25,464	-	-6,803	-6	45,402
	312,463	28,750	-11,002	-	-21,576	308,635

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses						
Land and natural resources	-	4,032	-	-	-	4,032
Buildings and other constructions	23,303	3,587	-606	-	-3,839	22,445
Other	80,591	12,733	-9,759	-	-10	83,555
	103,894	20,352	-10,365	-	-3,849	110,032

Acquisitions / Increases include the investment in the new building of EDP Group in Lisbon in the amount of 15,419 thousands of Euros.

The movements in Property, plant and equipment, for the Company, for the year ended 31 December 2012 are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 31 December
Cost						
Land and natural resources	75,026	-	-457	-	-	74,569
Buildings and other constructions	95,906	-	-3,291	361	580	93,556
Other	109,742	6,203	-1,272	2,918	-	117,591
Assets under construction	12,432	17,594	-	-3,279	-	26,747
	293,106	23,797	-5,020	-	580	312,463

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Regulari-sations	Balance at 31 December
Accumulated depreciation and impairment losses						
Buildings and other constructions	22,473	2,899	-2,632	-	563	23,303
Other	69,884	11,101	-978	-	584	80,591
	92,357	14,000	-3,610	-	1,147	103,894

As at 31 December 2013 and for the Company, the Property, plant and equipment financed by leasing contracts amount to 3,792 thousands of Euros (3,883 thousands of Euros at 31 December 2012), with accumulated depreciation of 1,545 thousands of Euros (1,494 thousands of Euros at 31 December 2012) and the respective future lease payments amount to 2,047 thousands of Euros (2,277 thousands of Euros at 31 December 2012). Property, plant and equipment financed by leasing contracts is detailed as follows:

	Dec 2013			Dec 2012		
Thousands of Euros	Principal	Interest	Future lease payments	Principal	Interest	Future lease payments
Less than one year	850	86	936	823	79	902
Between one and five years	983	67	1,050	1,097	71	1,168
More than five years	59	2	61	201	6	207
	1,892	155	2,047	2,121	156	2,277

During 2013, the costs incurred related to these assets amount to 164 thousands of Euros (147 thousands of Euros at 31 December 2012) and are booked under Supplies and services in the income statement.

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18. INTANGIBLE ASSETS

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Cost		
Concession rights	15,017,524	15,443,537
CO2 licences	235,594	320,164
Other intangibles	161,526	101,616
Intangible assets in progress	580,193	551,038
	15,994,837	16,416,355
Accumulated depreciation and impairment losses		
Depreciation of concession rights	-434,156	-406,567
Depreciation of other intangibles	-2,616	-3,105
Accumulated depreciation in previous years	-9,529,758	-9,464,821
	-9,966,530	-9,874,493
Carrying amount	6,028,307	6,541,862

The concession rights over the electricity distribution networks in Brazil, namely Bandeirante (State of São Paulo) and Escelsa (State of Espírito Santo) are amortised on a straight-line basis over the concession period until 2028 and 2025, respectively. Concession rights in Portugal relate to the natural gas distribution network (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).

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 year ended 31 December 2013, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,369,904	6,410	-	-209,055	-88,088	-	1,079,171
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,400,419	18,580	-	-	-	-	1,418,999
- Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licences	320,164	61,472	-146,042	-	-	-	235,594
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,524,033	1,757	-58,441	292,571	-389,747	-	12,370,173
- Intangible assets in progress	160,408	422,348	-1,521	-400,632	-12,265	6,717	175,055
Other intangibles	101,616	64,052	-29	729	-4,821	-21	161,526
Other intangible in progress	390,630	23,941	-411	-8,828	-2,934	2,740	405,138
	16,416,355	598,560	-206,444	-325,215	-497,855	9,436	15,994,837

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Accumulated depreciation and impairment losses							
Concession rights	740,426	84,369	-	-	-21,150	-	803,645
Assigned to concessions (IFRIC 12):	9,102,486	349,787	-53,130	-	-271,603	2,124	9,129,664
Other intangibles	31,581	2,616	-26	-6	-1,139	195	33,221
	9,874,493	436,772	-53,156	-6	-293,892	2,319	9,966,530

The caption Hydric Portugal includes an increase of 18,522 thousands of Euros (31 December 2012: 28,497 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 to licences purchased in the market. The Disposals / write-off of CO2 licences include CO2 licences consumed during 2012 and delivered to regulatory authorities in the amount of 144,595 thousands of Euros.

Additions for other intangibles include the power purchase agreements of Rising Tree in the amount of 47,297 thousands of Euros and the recognition of the deferred portion of green certificate rights in Romania in the amount of 12,941 thousands of Euros.

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Transfers include 217,154 thousands of Euros of cost of acquisition and 6 thousands of Euros of accumulated depreciation, related with Brazil generation assets, which were classified as assets held for sale (see note 42). Additionally, the net transfers of intangible assets assigned to concessions of 108,061 thousands of Euros relate to increases of financial assets under IFRIC 12, included under Debtors and other assets from commercial activities (see note 26).

The movements in Intangible assets during the year ended 31 December 2012, for the Group, are analysed as follows:

Thousands of Euros	Balance at 1 January	Additions	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Cost							
Concession rights:							
- Distribution and generation Brazil	1,448,562	-	-	-	-78,658	-	1,369,904
- Gas Portugal	138,354	-	-	-	-	-	138,354
- Hydric Portugal	1,371,528	28,866	-	-	-	25	1,400,419
- Other concession rights	10,827	-	-	-	-	-	10,827
CO2 licences	359,058	169,046	-206,191	-1,749	-	-	320,164
Assigned to concessions (IFRIC 12):							
- Intangible assets	12,493,994	497	-35,309	332,523	-267,672	-	12,524,033
- Intangible assets in progress	191,760	432,382	-446	-455,704	-7,584	-	160,408
Other intangibles	97,157	155	-10	389	-1,518	5,443	101,616
Other intangible in progress	371,535	23,781	-40	-389	-1,582	-2,675	390,630
	16,482,775	654,727	-241,996	-124,930	-357,014	2,793	16,416,355

Thousands of Euros	Balance at 1 January	Charge / Impairment losses	Disposals / Write-offs	Transfers	Exchange differences	Perimeter variations / Regularisa-tions	Balance at 31 December
Accumulated depreciation and impairment losses							
Concession rights	675,011	78,319	-	-	-12,904	-	740,426
Assigned to concessions (IFRIC 12)	8,978,242	328,248	-24,301	-	-179,703	-	9,102,486
Other intangibles	29,044	3,105	-	-	-580	12	31,581
	9,682,297	409,672	-24,301	-	-193,187	12	9,874,493

Additions of CO2 Licences as at 31 December 2012 include 109,026 thousands of Euros of CO2 licences granted free of charge to the EDP Group plants operating in Portugal and in Spain and 60,020 thousands of Euros of licences purchased at market. The market for CO2 licences is regulated by "Plano Nacional de Atribuição de Licenças de Emissão" (PNALE) in Portugal, and by "Plan Nacional de Asignación de Derechos de Emisión de Gases de Efecto Invernadero" (PNADE) in Spain, which covers the period 2008-2012. The disposals / write-off of CO2 licences correspond to CO2 licences consumed during 2011 and delivered to regulatory authorities in the amount of 199,909 thousands of Euros and 6,282 thousands of Euros sold in the market.

Transfers in CO2 Licences in the amount of 1,749 thousands of Euros are related with the transfer of cogeneration assets to assets held for sale (see note 42).

The net transfers of intangible assets under construction assigned to concessions in the amount of 123,181 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. This amount includes the effect of the useful lives extension of assets assigned to concessions, determined by the application of the new depreciation rates on the electric sector in Brazil by "Agência de Energia Eléctrica" (ANEEL), in the amount of 12,985 thousands of Euros (32,572 thousands of Reais), during 2012.

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19. GOODWILL

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
HC Energia Group	1,946,935	1,919,526
EDP Renováveis Group	1,255,013	1,301,218
EDP Brasil Group	52,904	55,564
Other	41,022	42,149
	3,295,874	3,318,457

The movements in Goodwill during 2013, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisa-tions	Balance at 31 December
HC Energia Group	1,919,526	27,409	-	-	-	-	1,946,935
EDP Renováveis Group	1,301,218	1,152	-21,050	-	-26,307	-	1,255,013
EDP Brasil Group	55,564	-	-	-	-2,660	-	52,904
Other	42,149	-	-	-1,127	-	-	41,022
	3,318,457	28,561	-21,050	-1,127	-28,967	-	3,295,874

The movements in Goodwill during 2012, are analysed as follows:

Thousands of Euros	Balance at 1 January	Increases	Decreases	Impairment	Exchange differences	Regularisa-tions	Balance at 31 December
HC Energia Group	1,916,548	2,978	-	-	-	-	1,919,526
EDP Renováveis Group	1,311,133	12,465	-32	-	-10,047	-12,301	1,301,218
EDP Brasil Group	57,427	-	-	-	-1,863	-	55,564
Other	42,149	-	-	-	-	-	42,149
	3,327,257	15,443	-32	-	-11,910	-12,301	3,318,457

HC Energia Group

During 2013, the goodwill held in HC Group increased by 26,406 thousands of Euros as a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interests from Liberbank (ex-Cajastur), through the existing written put option held by this entity over 3.13% of the share capital of HC Energia. In December 2013, the put option held by Liberbank over 3.13% of the share capital of HC Energia was partially exercised in 3%. As a result of the revaluation of the liability relating to the anticipated acquisition of non-controlling interests from Liberbank, through the put option held over 0.13% of the share capital of HC Energia, to be exercised until 31 December 2017, the goodwill increased by 1,003 thousands of Euros (31 December 2012: increase by 2,978 thousands of Euros), as described under accounting policy - note 2b).

EDP Renováveis Group

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

	EDP Renováveis Group	
Thousands of Euros	Dec 2013	Dec 2012
Goodwill in EDPR Europe Group	678,544	699,522
Goodwill in EDPR North America Group	574,867	600,302
Others	1,602	1,394
	1,255,013	1,301,218

EDPR Europe Group

The goodwill movement in EDPR EU Group in 2013 includes essentially a decrease in the amount of 19,173 thousands of Euros related to the contingent prices revision of some purchase agreements signed before 1 January 2010, date of the adoption of the revised IFRS 3 (as described in accounting policy 2b).

In 2012, the increase net of regularisations in EDP Renováveis Group includes the goodwill after purchase price allocation for the companies acquisition of EDPR Italia Group and EDPR Romania Group.

EDPR North America Group

The goodwill movement in EDPR North America in 2013 relates with the depreciation of the USD against the Euro.

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Other information for purchase price allocation included in 2013

During 2013 EDP Renewables Polska, Sp. zo. o. acquired 65.07% of the share capital of the company Molen Wind II Sp. zo. o. (see note 5) and has carried out the purchase price allocation which originated the recognition of an operating income of 3,477 thousands of Euros (see note 8).

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	1,691	10,739	12,430
Other assets (including licences)	10,112	-	10,112
Total assets	11,803	10,739	22,542
Deferred tax liabilities	-	2,040	2,040
Other liabilities	1,868	-	1,868
Total liabilities	1,868	2,040	3,908
Net assets	9,935	8,699	18,634
Non-controlling interests	-3,470	-3,039	-6,509
Net assets acquired	6,465	5,660	12,125
Consideration transferred	8,648		8,648
Goodwill/ (Badwill)			-3,477

Other information for purchase price allocation included in 2012

During 2012 the EDPR Italia Group acquired 100% of the share capital of the company Pietragalla Eolico S.R.L. and has carried out the purchase price allocation which originated the recognition of an operating income of 2,639 thousands of Euros.

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	1,227	10,300	11,527
Total assets	1,227	10,300	11,527
Deferred tax liabilities	-	2,833	2,833
Current liabilities	1,035	-	1,035
Total liabilities	1,035	2,833	3,868
Net assets acquired	192	7,467	7,659
Consideration transferred	5,020		5,020
Goodwill / (Badwill)			-2,639

During 2012 the EDPR Romania Group acquired 100% of the share capital of the companies Cujmir Solar S.R.L., Foton Delta S.R.L., Foton Epsilon S.R.L., Potelu Solar S.R.L., Studina Solar S.R.L. and Vanju Mare Solar S.R.L. and has carried out the final purchase price allocation that originated the recognition of an operating income in the amount of 29,754 thousands of Euros.

Thousands of Euros	Book value	PPA	Assets and Liabilities at fair value
Property, plant and equipment	26	43,305	43,331
Other assets (including licences)	500	14,167	14,667
Total assets	526	57,472	57,998
Deferred tax liabilities	-	9,195	9,195
Other liabilities	513	-	513
Total liabilities	513	9,195	9,708
Net assets acquired	13	48,277	48,290
Consideration transferred	18,536		18,536
Goodwill/ (Badwill)			-29,754

Goodwill impairment test analysis – EDP Group

The recoverable amount of the goodwill in subsidiaries is assessed annually, as at 30 September, independently of the existence of any indicators of impairment. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the value in use of the assets, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

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The recoverable amount testing is performed for each cash generating unit, identified in each country where EDP Group develops its activities/operations, namely:

- HC Energia (including NG Energia) - Generation, Distribution & Supply of electricity and Distribution & Supply of gas;
- EDPR Europe – Wind generation;
- EDPR North America and EDPR Brasil - Wind generation;
- EDP Brasil - Generation, Distribution, and Supply of electricity.

Therefore, for the purposes of these tests, the EDP Group has defined a set of assumptions to determine the recoverable amount of the main investments of the Group.

Goodwill impairment test analysis – HC Energia Group (including NG Energia)

The discount rates after taxes used by the Group in the impairment test analysis range between 5.70% and 6.77% (2012: between 6.77% and 7.47% respectively).

Regarding to generation business the future cash flow projection corresponds to the remaining useful life of the respective assets (power plants). In the electricity and gas transmission business the cash flow projection period considered was five years added by a growth rate, since long-term contracts exist. For the remaining businesses there are estimated price curves for the reference periods.

The main assumptions on which impairment tests are based are as follows:

- In the generation business, the estimated energy produced by the power plants: consider the best estimate of future market demand and total installed capacity;

- Prices of electricity, gas and coal were defined considering the market expectations regarding future price curves and considering the regulation in force. Contracted prices for future long term purchases were also used;

- Investment costs: the best available estimates of the future investments were used in order to guarantee a regular use of existing assets, as well as the estimates that resulted from legislative changes;

- Operating costs: operating costs were projected consistent with the company's experience and internal models;

- The growth rates used to make projections are the following: (i) for the electricity generation is zero; (ii) for electricity supply is 1.25%; (iii) for electricity distribution is 2.1%; and (iv) for gas activity is 1%. These growth rates are based on the market growth and inflation expectations;

- In the regulated business, namely distribution of electricity and gas, officially approved asset remuneration was used, considering the regulated mechanisms for the annual remuneration updates;

- Discount rate: the discount rates used reflect EDP Group's best estimate regarding the specific risks associated to each CGU.

The Group has performed a series of sensitivity analyses to the results of impairment tests in some key variables, such as (i) cost of fuel and respectively pool price (ii) discount rates; and (iii) trade energy. The sensitivity analysis results show that (i) an increase of 5% in the cost of fuel accompained by the expected impact in the prices and operation hours of the generation assets, or (ii) a decrease of 5% of trade energy, or (iii) an increase of 100 bps on the discount rate do not result in any impairment indicators.

Goodwill impairment test analysis – EDP Renováveis

The future cash flows projection used is the useful life of the assets (25 years) which is consistent with the current depreciation method. This projection also incorporate the long-term energy sale contracts in place and long-term estimates of energy prices, for the asset with market exposure.

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The main assumptions used for the impairment tests are as follows:

- Power produced: net capacity factors used for each CGU utilize the wind studies carried out, which takes into account the long-term predictability of wind output and that wind generation is supported in nearly all countries by regulatory mechanisms that allow for production and priority dispatching whenever weather conditions permit;

- Electricity remuneration: regulated or contracted remuneration has been applied where available, as for the CGUs that benefit from regulated remuneration or that have signed contracts to sell their output during all or part of their useful life; where this is not available, prices were derived using price curves projected by the company based on its experience, internal models and using external data references;

- New capacity: tests were based on the best information available on the wind farms expected to be built in coming years, adjusted by probability of success and by the growth prospects of the company based on the Business Plan Targets, its historical growth and market size projections. The tests considered the contracted and expected prices to buy turbines from various suppliers;

- Operating costs: established contracts for land leases and maintenance agreements were used; other operating costs were projected consistent with the company's experience and internal models;

- Terminal value: considered at 15% of the initial investment in each wind farm, considering inflation; and

- Discount rate: the discount rates used are post-tax, reflect EDPR Group's best estimate of the risks specific to each CGU and range as follows:

	2013	2012
Portugal and Spain	5.3% - 6.5%	7.0% - 7.1%
United States	6.0% - 7.3%	5.5% - 6.8%
Rest of Europe	4.8% - 7.6%	5.9% - 8.2%

Impairment tests were performed taking into account the regulation changes in each country, as disclosed in note 1.

A series of sensitivity analysis were performed on the results of impairment tests namely in some of the key variables, such as:

- EDPR NA, decrease in the Net Capacity Factors;
- EDPR NA, 5% and 10% reduction of Merchant Prices.

Furthermore, EDPR Group has done an additional sensitivity analysis by increasing 100 basis points the discount rate used in the base case for EDPR NA and EDPR EU CGU's. These sensitivity analysis performed for each assumption independently did not indicate any impairment for the goodwill allocated to each country.

Goodwill impairment test analysis – EDP Brasil

For EDP Brasil, the cash flows were determined based on the production and consumption volume and estimated tariffs and installed capacity and tariff evolution prospects in the different markets / power purchase agreements. The period considered for the cash flows corresponds to the useful life of the plant & machinery and other relevant equipments or until the end of the concession contracts, if lower than the useful life.

The discount rates used reflect the specific risks for each activities: 7.6% in generation, 8.2% in distribution and 9.1% in supply.

The terminal value of the distribution business corresponds to the present value of the assets at the end of the concession period (Regulatory Asset Base). In the generation / supply business, the terminal value corresponds to the present value of the assets net of amortisation at the end of the concession period.

This sensitivity analysis of considering +100bps on the discount rate does not result in any impairment indicators for "goodwill".

20. INVESTMENTS IN SUBSIDIARIES (COMPANY BASIS)

This caption is analysed as follows:

	Company	
Thousands of Euros	Dec 2013	Dec 2012
Acquisition cost	11,196,465	11,012,092
Effect of equity method (transition to IFRS)	-902,524	-902,524
Equity investments in subsidiaries	10,293,941	10,109,568
Impairment losses on equity investments in subsidiaries	-200,943	-200,034
	10,092,998	9,909,534

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

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Investments in subsidiaries are analysed as follows:

Thousands of Euros	Company Dec 2013 Net amount	Company Dec 2012 Net amount
Investments in subsidiaries:		
EDP Renováveis S.A.	2,939,889	2,939,889
EDP Gestão de Produção de Energia, S.A.	2,156,054	2,156,054
Hidroeléctrica del Cantábrico, S.A.	2,087,871	1,981,798
EDP Distribuição de Energia, S.A.	1,686,145	1,686,145
EDP Servicios Financieros España, S.A.	482,695	482,695
EDP Investments and Services, S.L.	281,854	281,854
EDP Comercial, S.A.	238,473	238,473
Balwerk - Consultadoria Económica e Participações, Soc. Unipessoal, Lda	71,686	1,686
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	60,600	53,100
Other	87,731	87,840
	10,092,998	9,909,534

The variation in the caption Investments in subsidiaries on a company basis (183,464 thousands of Euros) results from the partial exercise of the put option held by Liberbank (ex-Cajastur) over the capital of HC Energia, resulting in an increase of EDP share in 3% (in the amount of 106,073 thousands of Euros), with a remaining put option of 0.13% to be exercised until 31 December 2017. Additionally during 2013, supplementary capital contributions were granted to the subsidiaries Balwerk - Consultadoria Económica e Participações, Soc. Unipessoal, Lda (70,000 thousands of Euros) and EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A. (7,500 thousands of Euros).

21. INVESTMENTS IN ASSOCIATES

This caption is analysed as follows:

Thousands of Euros	Group Dec 2013	Group Dec 2012	Company Dec 2013	Company Dec 2012
Investments in associates	182,699	164,018	137	137
Impairment losses in investments in associates	-137	-137	-137	-137
Carrying amount	182,562	163,881	-	-

As at 31 December 2013, for the Group, Investments in associates include goodwill of 44,577 thousands of Euros (31 December 2012: 47,009 thousands of Euros).

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

Thousands of Euros	Group Dec 2013 Cost	Group Dec 2013 Impairment	Group Dec 2012 Cost	Group Dec 2012 Impairment
CEM - Companhia de Electricidade de Macau, S.A.	68,612	-	69,262	-
D. E. de Canárias, S.A.	8,806	-	9,933	-
ENEOP - Eólicas de Portugal, S.A.	26,876	-	9,908	-
SeaEnergy Renewables Inch Cape Limited	13,827	-	14,498	-
Setgás-Soc.de Prod.e Distrib.de Gás, S.A.	34,827	-	32,600	-
Principle Power, Inc.	5,648	-	5,179	-
Other	24,103	-137	22,638	-137
	182,699	-137	164,018	-137

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

Thousands of Euros	Group Dec 2013	Group Dec 2012
Balance as at 1 January	164,018	160,443
Acquisitions / Perimeter entries	40	6,054
Disposals	-25	-2,389
Share of profit of associates	34,132	23,777
Dividends received	-15,629	-17,391
Exchange differences	-3,254	-2,101
Income changes in associates	4,141	-4,882
Others	-724	507
Balance as at 31 December	182,699	164,018

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22. AVAILABLE FOR SALE INVESTMENTS

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Banco Comercial Português, S.A.	65,790	29,653	-	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	41,828	38,408	41,828	38,408
Tejo Energia, S.A.	21,500	26,246	-	-
Others	83,365	86,991	1,716	2,053
	212,483	181,298	43,544	40,461

During 2013, the financial investment held in Banco Comercial Português, S.A., increased by 36,137 thousands of Euros being the increase booked against fair value reserves (see note 32).

During 2013, the financial investment held in REN - Redes Energéticas Nacionais, SGPS, S.A., increased by 3,420 thousands of Euros being the increase booked against fair value reserves (see note 32).

The financial investment held in Tejo Energia, S.A. in 2013, decreased by 4,746 thousands of Euros being the decrease booked against fair value reserves (see note 32).

The caption Other includes units of participation in a fund of stocks and bonds held by Energia RE in the amount of 53,751 thousands of Euros (31 December 2012: 48,229 thousands of Euros), as a result of its reinsurance activity.

According to the assumptions of IFRS 13 (note 47), available for sale investments are classified into three levels of fair value, Level 1 includes financial investment held in Banco Comercial Português, S.A., REN - Redes Energéticas Nacionais, SGPS, S.A. and Rede Energia, S.A. since they are indexed to market price, Level 2 includes the fund of stocks and bonds held by Energia RE and, finally Level 3 covers all other available for sale investments. These include mainly Tejo Energia, S.A., whose fair value in the amount of 21.5 millions of Euros, was calculated according to Dividend Discount Model methodology, based on a discount rate of 7,1%. The sensitivity analysis considering an increase or decrease of 100 basis points in the discount rate determined a fair value of 20.2 millions of Euros and 22.8 millions of Euros, respectively.

In 2013, the movements in Available-for-sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	29,653	-	-	-	36,137	-	65,790
REN - Redes Energéticas	38,408	-	-	-	3,420	-	41,828
Tejo Energia	26,246	-	-	-	-4,746	-	21,500
Others	86,991	5,047	-549	-4,641	-5,298	1,815	83,365
	181,298	5,047	-549	-4,641	29,513	1,815	212,483

In 2012, the movements in Available-for-sale investments are analysed as follows:

Thousands of Euros	Balance at 1 January	Acquisitions	Disposals	Impairment	Change in fair value	Other variations	Balance at 31 December
Banco Comercial Português	19,665	10,031	-	-5,495	5,452	-	29,653
REN - Redes Energéticas	39,361	-	-	-	-953	-	38,408
Tejo Energia	29,507	-	-	-	-3,261	-	26,246
Others	82,780	12,701	-1,126	-3,833	1,451	-4,982	86,991
	171,313	22,732	-1,126	-9,328	2,689	-4,982	181,298

As at 30 June 2012, the investment held in Banco Comercial Português, S.A. decreased by 5,495 thousands of Euros, having an impairment loss been recognised in the income statement. During the third quarter of 2012, regarding BCP share capital increase, EDP Group subscribed 250,778,389 shares of BCP at 0.04 Euros per share in a total investment of 10,031 thousands of Euros. After this operation, the Group holds 395,370,529 shares, maintaining its actual share of 2.01%, but reducing the share average cost , which in comparison with the securities market value as at 31 December 2012, generated a positive effect of 5,452 thousands of Euros in fair value reserves.

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

Thousands of Euros	Dec 2013	Dec 2012
Banco Comercial Português	41,589	5,452
REN - Redes Energéticas Nacionais	16,008	12,588
Tejo Energia	15,145	19,891
Others	7,877	7,419
	80,619	45,350

In addition in 2013, the variation in fair value reserve of available for sale investments includes the negative amount of 1,115 thousands of Euros attributable to non-controlling interests.

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23. DEFERRED TAX ASSETS AND LIABILITIES

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

	Net Deferred tax assets		Net Deferred tax liabilities	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Europe				
Tax losses and tax credits	236,905	301,906	-	-
Provisions	501,054	474,694	1,108	5,714
Financial instruments	28,131	45,852	12,405	17,956
Tangible and intangible fixed assets	177,842	192,061	174,132	139,770
Reinvested gains	-	-	7,854	7,837
Financial and available-for-sale investments	71,949	41,904	20,781	17,235
Tariff adjustments and tariff deficit	47,263	33,592	586,205	425,327
Allocation of fair value to assets and liabilities acquired	31,061	32,391	620,757	628,885
Accounting revaluations	193,534	-	114,624	113,375
Deferred income relating to CMEC	-	-	205,468	287,656
Other temporary differences	24,711	15,484	33,911	20,306
Assets/liabilities compensation of deferred taxes	-1,096,644	-994,016	-1,096,644	-994,016
	215,806	143,868	680,601	670,045
Brazil				
Tax losses and tax credits	87,987	82,005	-	-
Provisions	83,651	107,692	-	-
Allocation of fair value to assets and liabilities acquired	-	-	53,500	139,731
Use of public property	27,943	31,688	12,510	16,946
Fair value of financial assets	-	-	12,173	-
Other temporary differences and assets/liabilities compensation of deferred taxes	-27,683	-25,298	-11,442	5,430
	171,898	196,087	66,741	162,107
United States of America and Canada				
Tax losses and tax credits	666,681	607,466	-	-
Property, plant and equipment	2,937	2,346	311,399	297,861
Allocation of fair value to assets and liabilities acquired	-	-	93,090	81,288
Gains from institutional partnerships in USA wind farms	-	-	299,403	251,786
Other temporary differences	7,768	2,123	312	41
Assets/liabilities compensation of deferred taxes	-676,277	-611,074	-676,277	-611,074
	1,109	861	27,927	19,902
	388,813	340,816	775,269	852,054

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

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

	Net Deferred tax assets		Net Deferred tax liabilities	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Tax losses and tax credits	39,386	61,424	-	-
Provisions	4,246	3,486	-	-
Financial instruments	6,808	16,248	7,407	12,829
Financial and available-for-sale investments	9,844	4,030	-	-
Property, plant and equipment	13,150	11,722	-	-
Accounting revaluations	-	-	14,194	13,092
Other temporary differences	3,169	3,065	29,905	4,255
Assets/liabilities compensation of deferred taxes	-51,506	-30,176	-51,506	-30,176
	25,097	69,799	-	-

The deferred tax movement, for the Group and for the Company, in 2013 and 2012 is analysed as follows:

	Deferred taxes Group		Deferred taxes Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Balance at 1 January	-511,238	-442,588	69,799	18,344
Charges to the profit and loss account	75,899	-128,512	240	106,560
Charges against reserves	14,266	67,752	-2,086	8,229
Exchange differences and other variations	34,617	-7,890	-42,856	-63,334
Balance at 31 December	-386,456	-511,238	25,097	69,799

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On an individual basis, the caption Other temporary differences includes the tax losses charge-off from the subsidiaries of the EDP Sucursal Group for fiscal consolidation.

Taxes recorded against reserves are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Current tax				
Changes in fair value of derivative financial instruments	80	17	80	17
	80	17	80	17
Deferred tax				
Financial instruments and fair value	-16,202	25,729	-4,761	7,323
Actuarial gains and losses	36,719	41,928	-	-
Changes in fair value of financial assets held for sale	-6,251	95	2,675	906
	14,266	67,752	-2,086	8,229
	14,346	67,769	-2,006	8,246

The Group tax losses carried forward are analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Expiry date:		
2013	-	552
2014	6,169	4,694
2015	23,644	60,057
2016	1,523	1,505
2017	381,153	486,853
2018	37,208	7,645
2019 a 2032	2,212,057	2,199,483
Without expiry date	430,119	818,541
	3,091,873	3,579,330

24. INVENTORIES

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Merchandise	65,788	75,307
Finished, intermediate products and sub-products	8,406	28,799
Raw and subsidiary materials and consumables (coal and other fuels)	105,041	202,230
Nuclear fuel	18,491	16,905
Others	82,283	54,377
	280,009	377,618

The caption Others include CO2 licences held for trading, measured at the lower of acquisition cost and net realisable value, which corresponds to the market quote, as described in accounting policy 2 y), in the amount of 16,745 thousands of Euros (31 December 2012: 103 thousands of Euros) (see note 48).

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25. TRADE RECEIVABLES

Trade receivables are analysed as follows:

Thousands of Euros	Group Dec 2013	Group Dec 2012	Company Dec 2013	Company Dec 2012
Trade receivables - Non-Current				
Corporate sector and individuals:				
- Brazil	9,458	11,281	-	-
Public Sector:				
- Portugal	121,227	126,501	-	-
- Brazil	9,948	8,571	-	-
	140,633	146,353	-	-
Impairment losses	-41,628	-49,254	-	-
	99,005	97,099	-	-
Trade receivables - Current				
Corporate sector and individuals:				
- Portugal	1,294,075	1,050,200	193,432	182,731
- Spain	586,343	684,331	-	-
- Brazil	370,035	496,175	-	-
- U.S.A.	41,328	42,575	-	-
- Other	78,007	55,620	-	-
Public Sector:				
- Portugal	102,903	102,510	-	-
- Brazil	22,433	53,574	-	-
- Spain	32,296	91,327	-	-
	2,527,420	2,576,312	193,432	182,731
Impairment losses	-319,133	-296,208	-9,954	-9,958
	2,208,287	2,280,104	183,478	172,773
	2,307,292	2,377,203	183,478	172,773

The movement in Impairment losses, in 2013, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Exchange differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Corporate sector and individuals							
Portugal	157,648	50,756	-20,044	-10,395	-	145	178,110
Brazil	48,404	9,330	-1,216	-	-9,204	13	47,327
Spain	55,902	9,234	-4,796	-	-	-	60,340
Public sector							
Portugal	78,848	-	-6,651	-	-	-	72,197
Brazil	379	373	-	-	-109	-	643
Spain	4,281	33	-2,170	-	-	-	2,144
	345,462	69,726	-34,877	-10,395	-9,313	158	360,761

The movement in Impairment losses, in 2012, for the Group is analysed as follows:

Thousands of Euros	Balance at 1 January	Charge for the year	Reversal of Impairment losses	Charge-off	Exchange differences	Perimeter Variations / Regulari-sations	Balance at 31 December
Corporate sector and individuals							
Portugal	133,518	39,339	-7,415	-7,796	-	2	157,648
Brazil	72,522	4,623	-18,343	-	-6,450	-3,948	48,404
Spain	49,706	7,566	-1,400	-	-	30	55,902
Public sector							
Portugal	80,784	3,287	-5,223	-	-	-	78,848
Brazil	228	337	-148	-	-30	-8	379
Spain	4,587	3 024	-3,330	-	-	-	4,281
	341,345	58,176	-35,859	-7,796	-6,480	-3,924	345,462

During 2013 and 2012, the movement in Impairment losses in EDP S.A. is related with reversals, booked against income statement.

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26. DEBTORS AND OTHER ASSETS FROM COMMERCIAL ACTIVITIES

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Amounts receivable from tariff expenses - Electricity - Spain	188,314	-
Amounts receivable from tariff adjustments - Electricity - Portugal	1,237,623	980,225
Amounts receivable relating to CMEC	898,500	944,167
Amounts receivable from concessions - IFRIC 12	768,963	706,480
Sundry debtors and other operations	98,496	109,335
	3,191,896	2,740,207
Impairment losses on debtors	-3,310	-3,305
	3,188,586	2,736,902

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

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Amounts receivable from tariff expenses - Electricity - Spain	75,803	432,415	-	-
Amounts receivable from tariff adjustments - Electricity - Portugal	1,056,572	668,965	-	-
Receivables relating to other goods and services	47,735	75,366	7,394	43,078
Amounts receivable relating to CMEC	167,982	432,133	-	-
Accrued income relating to energy sales and purchase activity	169,984	111,116	265,778	163,640
Advances to Property, plant and equipment suppliers	5,456	54,851	-	-
Sundry debtors and other operations	322,935	292,588	58,053	63,356
	1,846,467	2,067,434	331,225	270,074
Impairment losses on debtors	-18,652	-15,915	-950	-931
	1,827,815	2,051,519	330,275	269,143

The Amounts receivable from tariff expenses - Electricity - Spain correspond to the accumulated amount receivable from the Spanish Government of the Spanish electricity system tariff deficit as at 31 December 2013, according to the applicable legal framework (see note 3). During 2013, the Spanish Electricity Deficit Amortisation Fund (FADE), launched fifteen bond issuances explicitly guaranteed by the Kingdom of Spain which allowed HC Energia Group to receive approximately 487,280 thousands of Euros related with tariff adjustments from previous years.

The caption Amounts receivable relating to CMEC totalize 1,066,482 thousands of Euros, and includes 898,500 thousands of Euros as non-current and 167,982 thousands of Euros as current. The amount receivable relating to the initial CMEC includes 645,193 thousands of Euros as non-current and 44,114 thousands of Euros as current, and corresponds to the initial CMEC granted to EDP Produção (833,467 thousands of Euros) deducted from the annuities for the years 2007 to 2013. The remaining 235,307 thousands of Euros as non-current and 123,868 thousands of Euros as current correspond to the receivable amounts through the revisibility calculation from 2012 to 2013.

The caption Amounts receivable from concessions - IFRIC 12 in the amount of 768,963 thousands of Euros relates to the financial asset to be received by the EDP Group regarding the electricity and gas concessions in Portugal and Brazil, resulting from the application of the mixed model (see note 2 aa). The variation in the period includes mainly the effect of the depreciation of Brazilian Real against Euro in the amount of 47,136 thousands of Euros and transfers from intangible assets assigned to concessions in the amount of 108,061 thousands of Euros (see note 18).

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	374,859	424,787
Receipts through the electric energy tariff	-666,216	-
Tariff adjustment of 2011	987	-
Tariff adjustment for the year	619,015	980,007
Transfer from tariff adjustments payable	-9,491	-
Interest income	68,808	-
Securitisation adjustment of 2010 CMEC	-143,566	-
Transfer from Non-Current to Current	424,569	-424,569
Balance as at 31 December 2012	668,965	980,225
Receipts through the electric energy tariff	-604,066	-
Partial securitisations of 2012 over costs for the special regime generators	-863,230	-
Tariff adjustment of 2012	-1,396	-
Tariff adjustment for the year	961,593	1,224,468
Transfer to tariff adjustment payable	-7,504	-842
Interest income	88,175	1,020
Securitisation adjustment of 2011 CMEC	-153,213	-
Transfer from Non-Current to Current	967,248	-967,248
Balance as at 31 December 2013	1,056,572	1,237,623

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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 (see note 15). 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.

On 13 December 2012, 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 2010, in accordance with the terms of Decree-Law n.º 109/2011 of 18 November. The transaction amounted to 144,320 thousands of Euros, of which 141,081 thousands of Euros were received at the moment of the transaction and 3,239 thousands of Euros were deferred in 12 monthly payments between February 2013 and January 2014, generating a financial profit of 254 thousands of Euros, including transaction costs.

The movements in Impairment losses on debtors - Non-Current are analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Balance at beginning of year	3,305	2,876
Charge of the year	5	11
Perimeter variations / Other regularisations	-	418
Balance at year end	3,310	3,305

The movements in Impairment losses on debtors - Current are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Balance at beginning of year	15,915	15,878	931	938
Charge of the year	5,022	1,809	19	15
Reversal of impairment losses / Charge-off	-1,998	-5,126	-	-22
Perimeter variations / Other regularisations	-287	3,354	-	-
Balance at year end	18,652	15,915	950	931

27. OTHER DEBTORS AND OTHER ASSETS

Other debtors and other assets are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Debtors and other assets - Non-Current				
Loans to subsidiaries	-	-	6,382,524	5,885,502
Loans to related parties	336,518	265,542	90	90
Guarantees and tied deposits	61,510	72,498	5	5
Derivative financial instruments (see note 43)	62,812	147,026	62,882	128,493
Sundry debtors and other operations	64,237	49,507	-	-
	525,077	534,573	6,445,501	6,014,090
Debtors and other assets - Current				
Loans to subsidiaries	-	-	445,877	1,036,546
Dividends attributed by subsidiaries	-	-	89,880	86,204
Loans to related parties	45,013	38,348	17,148	17,167
Receivables from the State and concessors	44,820	48,349	-	-
Derivative financial instruments (see note 43)	154,482	129,814	116,848	127,169
Subsidiary Companies	-	-	1,302,940	1,022,077
Guarantees and tied deposits	6,386	19,548	-	-
Sundry debtors and other operations	57,454	60,615	2,134	5,366
	308,155	296,674	1,974,827	2,294,529
	833,232	831,247	8,420,328	8,308,619

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28. CURRENT TAX ASSETS

Current tax assets are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Income tax	201,594	168,834	120,503	81,917
Value added tax (VAT)	215,389	207,245	7,942	110,415
Turnover tax (Brazil)	4,409	17,026	-	-
Other taxes	17,717	42,523	3,608	3,255
	439,109	435,628	132,053	195,587

On an individual basis, the decrease in Value Added Tax (VAT), relates to the receipt in 2013 of VAT refunds, submitted by EDP S.A. in 2012. In EDP Group, this effect was offset by the increase in recoverable VAT by the Group companies, in particular by EDP Comercial and EDP Distribuição in the amount of 16 and 48 millions of Euros, respectively and in EDP Renewables subgroup (45 millions of Euros).

On EDP Group, the caption Other taxes includes the amount of 8,132 thousands of Euros (31 December 2012: 30,026 thousands of Euros) related with credits from PIS and COFINS in Brazil, resulting from the interpretation provided by the Internal Revenue Service in answer to Inquiry COSIT 27/2008 corresponding to credits calculated based on expenses with materials applied or consumed in the electricity supply activity and on the depreciation of fixed assets to be offset with debits of these contributions.

29. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analysed as follows:

Thousands of Euros	Group		Company	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Cash	88	60	-	-
Bank deposits				
Current deposits	491,626	416,038	12,286	26,345
Term deposits	1,343,411	1,052,822	891,119	601,914
Other deposits	306,057	29,149	-	-
	2,141,094	1,498,009	903,405	628,259
Operations pending cash settlement				
Current deposits	-	196,976	280,000	676,976
Other short term investments	38,940	291	-	-
	2,180,122	1,695,336	1,183,405	1,305,235

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

On a company basis, the caption Operations pending cash settlement relates with commercial paper issued by EDP, S.A., in the amount of 280,000 thousands of Euros, which according to the Group accounting policy is booked as financial debt at the trade date of each emission. This commercial paper was issued on 30 December 2013 and was acquired by EDP Finance B.V., but the settlement date was on 2 January 2014.

30. SHARE CAPITAL AND SHARE PREMIUM

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

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

On 21 February 2013, Parpública – Participações Públicas (SGPS) S.A. (Parpública) notified EDP that on 19 February 2013 sold 151,517,000 shares, which correspond to 4,14% of EDP share capital. The decrease of the shareholding resulted from a private offer via an "accelerated bookbuilding" process, in which Caixa – Banco Investimento, S.A. and Morgan Stanley & Co. International plc acted as Joint Bookrunners and its corresponding settlement was held on the regulated market "Eurolist by NYSE Euronext Lisbon".

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

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

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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 year	-	-
Balance as at 31 December	3,656,538	503,923

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

	Group		Company	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Net profit attributable to the equity holders of EDP (in Euros)	1,005,090,734	1,012,483,169	790,875,101	832,681,740
Net profit from continuing operations attributable to the equity holders of EDP (in Euros)	1,005,090,734	1,012,483,169		
Weighted average number of ordinary shares outstanding	3,627,442,609	3,624,042,958	3,628,955,609	3,625,555,958
Weighted average number of diluted ordinary shares outstanding	3,627,732,136	3,624,622,918	3,629,245,136	3,626,135,918
Basic earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.28		
Diluted earnings per share attributable to equity holders of EDP (in Euros)	0.28	0.28		
Basic earnings per share from continuing operations (in Euros)	0.28	0.28		
Diluted earnings per share from continuing operations (in Euros)	0.28	0.28		

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 year.

The average number of shares was determined as follows:

	Group		Company	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Ordinary shares issued at the beginning of the year	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of shares issued during the year	-	-	-	-
Average number of realised shares	3,656,537,715	3,656,537,715	3,656,537,715	3,656,537,715
Effect of treasury stock	-29,095, 106	-32,494, 757	-27,582, 106	-30,981, 757
Average number of shares during the year	3,627,442,609	3,624,042,958	3,628,955,609	3,625,555,958
Effect of stock options	289,527	579,960	289,527	579,960
Diluted average number of shares during the year	3,627,732,136	3,624,622,918	3,629,245,136	3,626,135,918

31. TREASURY STOCK

This caption is analysed as follows:

	Group		Company	
	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Book value of EDP, S.A. treasury stock (thousands of Euros)	85,573	103,706	79,478	97,611
Number of shares	27,597,268	31,904,523	26,084,268	30,391,523
Market value per share (in Euros)	2.670	2.290	2.670	2.290
Market value of EDP, S.A.'s treasury stock (thousands of Euros)	73,685	73,061	69,645	69,597

Operations performed from 1 January to 31 December 2013:

	EDP, S.A.	Energia RE
Volume acquired (number of shares)	722,574	-
Average purchase price (in Euros)	2.513	-
Total purchase value (thousands of Euros)	1,816	-
Volume sold (number of shares)	-5,029,829	-
Selling price average (in Euros)	2.514	-
Total sale value (thousands of Euros)	12,646	-
Final position (number of shares)	26,084,268	1,513,000
Highest market price (in Euros)	2.811	-
Lowest market price (in Euros)	2.210	-
Average market price (in Euros)	2.531	-

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

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

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32. RESERVES AND RETAINED EARNINGS

This caption is analysed as follows:

Thousands of Euros	Group Dec 2013	Group Dec 2012	Company Dec 2013	Company Dec 2012
Legal reserve	620,069	578,435	620,069	578,435
Fair value reserve (cash flow hedge)	-74,003	-121,097	-1,125	-16,069
Tax effect of fair value reserve (cash flow hedge)	20,987	34,979	257	4,938
Fair value reserve (available for sale investments)	80,619	45,350	11,648	8,238
Tax effect of fair value reserve (available for sale investments)	-7,684	-1,408	4,632	1,957
Exchange differences arising on consolidation	-128,291	24,268	-	-
Treasury stock reserve (EDP, S.A.)	79,478	97,611	79,478	97,611
Other reserves and retained earnings	2,774,602	2,464,978	1,446,267	1,315,569
	3,365,777	3,123,116	2,161,226	1,990,679

Legal reserve

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

Fair value reserve (cash flow hedge)

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

Fair value reserve (available-for-sale investments)

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

Thousands of Euros	Group Increases	Group Decreases
Balance as at 1 January 2012	485,789	-442,777
Changes in fair value	8,674	-13,939
Transfer of impairment to profit or loss	-	7,603
Balance as at 31 December 2012	494,463	-449,113
Changes in fair value	41,809	-9,661
Transfer of impairment to profit or loss	-	3,121
Balance as at 31 December 2013	536,272	-455,653

Changes in fair value reserve attributable to the EDP Group during 2013 are analysed as follows:

Thousands of Euros	Increases	Decreases
Banco Comercial Português, S.A.	36,137	-
REN - Redes Energéticas Nacionais, SGPS, S.A.	3,420	-
Tejo Energia, S.A.	-	-4,746
Others	2,252	-4,915
	41,809	-9,661

Exchange differences on consolidation

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

Currency		Exchange rates at Dec 2013 Closing rates	Exchange rates at Dec 2013 Average exchange rate	Exchange rates at Dec 2012 Closing rates	Exchange rates at Dec 2012 Average exchange rate
Dollar	USD	1.379	1.328	1.319	1.285
Brazilian Real	BRL	3.258	2.868	2.704	2.508
Macao Pataca	MOP	11.014	10.609	10.533	10.062
Canadian Dollar	CAD	1.467	1.368	1.314	1.284
Zloty	PLN	4.154	4.197	4.074	4.185
Romanian Leu	RON	4.471	4.419	4.445	4.459
Pound Sterling	GBP	0.834	0.849	0.816	0.811
Rand	ZAR	14.566	12.827	-	-

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

33. NON-CONTROLLING INTERESTS

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Non-controlling interests in income statement	188,432	169,672
Non-controlling interests in equity and reserves	2,894,373	3,069,642
	3,082,805	3,239,314

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
EDP Renováveis Group	1,662,908	1,516,865
EDP Brasil Group	1,289,891	1,604,316
Other	130,006	118,133
	3,082,805	3,239,314

During 2013, EDP Group generated profits of 188,432 thousands of Euros attributable to non-controlling interests (31 December 2012: 169,672 thousands of Euros).

The movement in non-controlling interests of EDP Renováveis Group is mainly related to profits attributable to non-controlling interests of 63,864 thousands of Euros, a decrease of 24,754 thousands of Euros related to dividends paid, additional acquisitions of wind farms in Europe, without a change of control, which resulted in a decrease of non-controlling interests of 26,600 thousands of Euros and 8,381 thousands of Euros of negative exchange differences. In June 2013, in accordance with the EDP / CTG strategic partnership, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in EDP Renováveis Portugal, S.A., and, as a result, the Group recognised non-controlling interests of 111,231 thousands of Euros and an impact in reserves attributable to EDP Group of 112,566 thousands of Euros. In November 2013, EDP Renováveis Group has completed the sale, without loss of control of a 49% equity shareholding in Wheat Field Holding, L.L.C. to Fiera Axium Infrastructure US L.P., and, as a result, the Group recognised non-controlling interests of 35,959 thousands of Euros and an impact in reserves attributable to EDP Group of 982 thousands of Euros.

The movement booked in non-controlling interests of EDP Brasil Group includes 117,369 thousands of Euros of profits attributable to non-controlling interests, a decrease of 138,938 thousands of Euros related to dividends paid, negative variations resulting from share capital decreases, deliberated on 3 May 2013 by Lajeado Energia General Shareholders Meeting with an effect in non-controlling interests of 69,256 thousands of Euros (198,619 thousands of Reais), the effect of actuarial gains net of taxes recognised in the year which resulted in an increase in non-controlling interests of 10,753 thousands of Euros and 235,342 thousands of Euros resulting from negative exchange differences.

34. HYDROLOGICAL ACCOUNT

This caption is analysed as follows:

	Group and Company	
Thousands of Euros	Dec 2013	Dec 2012
Non-Current	-	33,644
Current	35,641	22,832
	35,641	56,476

The movements in the Hydrological account are analysed as follows:

	Group and Company	
Thousands of Euros	Dec 2013	Dec 2012
Balance at the beginning of the year	56,476	69,142
Amounts received / (paid) during the year	-22,831	-15,155
Financial charges	1,996	2,489
Balance at the end of the year	35,641	56,476

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

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

In October 2010 it was issued the Decree-Law 110/210, which determines the extinction of the hydrological account mechanism on 31 December 2016. The differential of hydrological adjustment should be reflected in the tariff calculation applicable to all energy consumers, to cover the variation risk of tariff costs and revenues associated to the hydrological variability in Portugal. This decree regulates that the account of hydrological correction should be maintained in the balance sheet of EDP - Energias de Portugal, S.A. and the correspondent annual movements explained in the notes to the financial statements.

In 2014 and according with the Dispatch 8 of the Office of the Energy Secretary of State, of 24 September, the amount to be applied for the benefit of the global system use tariff should correspond to the whole of the existing hydrological account, and therefore the entire balance of this caption is presented as Current liabilities.

35. FINANCIAL DEBT

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Debts and borrowings - Non-current				
Bank loans:				
- EDP, S.A.	1,050,369	1,097,196	1,050,369	1,097,196
- EDP Finance B.V.	3,404,831	3,653,295	-	-
- EDP Brasil Group	485,233	803,140	-	-
- EDP Renováveis Group	719,705	792,181	-	-
- EDP Produção	137,270	150,876	-	-
- Others	29,685	37,840	-	-
	5,827,093	6,534,528	1,050,369	1,097,196
Non-convertible bond loans:				
- EDP, S.A.	689,011	731,942	6,039,011	731,942
- EDP Finance B.V.	8,743,467	8,654,038	-	-
- EDP Brasil Group	422,982	385,244	-	-
- EDP Renováveis Group	29,102	-	-	-
	9,884,562	9,771,224	6,039,011	731,942
Commercial paper:				
- EDP, S.A.	196,993	196,976	196,993	196,976
	196,993	196,976	196,993	196,976
Other loans:				
- Investco preference shares	15,127	17,263	-	-
- EDP Brasil Group	19,284	35,000	-	-
- EDP Renováveis Group	11,363	21,787	-	-
- Others	2,775	3,482	-	-
	48,549	77,532	-	-
	15,957,197	16,580,260	7,286,373	2,026,114
Accrued interest	14,257	20,056	-	-
Other liabilities:				
- Fair value of the issued debt hedged risk	-2,698	115,409	3,752	6,323
Total Debt and borrowings	15,968,756	16,715,725	7,290,125	2,032,437
Collateral Deposits - Non-current (*)				
Collateral deposit - BEI	-334,497	-348,713	-334,497	-348,713
Other collateral deposits	-96,110	-66,332	-	-
Total Collateral Deposits	-430,607	-415,045	-334,497	-348,713
	15,538,149	16,300,680	6,955,628	1,683,724

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	Group		Company	
Thousands of Euros	**Dec 2013**	**Dec 2012**	**Dec 2013**	**Dec 2012**
Debt and borrowings - Current				
Bank loans:				
- EDP, S.A.	46,827	61,567	46,827	61,567
- EDP Finance B.V.	1,636,171	2,205,915	-	-
- EDP Brasil Group	139,836	113,666	-	-
- EDP Renováveis Group	91,088	95,486	-	-
- Others	23,716	42,116	-	-
	1,937,638	2,518,750	46,827	61,567
Non-convertible bond loans:				
- EDP, S.A.	200,000	150,000	200,000	150,000
- EDP Finance B.V.	1,376,628	348,231	-	-
- EDP Brasil Group	187,489	141,521	-	-
	1,764,117	639,752	200,000	150,000
Commercial paper:				
- EDP, S.A.	106,500	319,500	2,881,000	7,335,000
- EDP Renováveis Group	6,139	-	-	-
- HC Energia Group	1,000	2,192	-	-
	113,639	321,692	2,881,000	7,335,000
Other loans	19,905	15,806	-	-
	3,835,299	3,496,000	3,127,827	7,546,567
Accrued interest	345,287	311,503	82,950	11,053
Other liabilities:				
- Fair value of the issued debt hedged risk	11,582	-	-	-
Total Debt and borrowings	4,192,168	3,807,503	3,210,777	7,557,620
Collateral Deposits - Current (*)				
Collateral deposit - BEI	-12,675	-12,732	-12,675	-12,732
Other collateral deposits	-6,054	-719	-	-
Total Collateral Deposits	-18,729	-13,451	-12,675	-12,732
	4,173,439	3,794,052	3,198,102	7,544,888

(*) Collateral Deposits informative note

Following EDP's downgrading in 2012 and in the course of negotiations with BEI, on 31 October 2012, EDP has constituted an escrow deposit which amount at 31 December 2013 is 347,172 thousands of Euros (334,497 thousands of Euros non-current and 12,675 thousands of Euros current), associated with several loans contracted in previous years with this entity. This escrow deposit will be reduced by the repayment of these loans. In addition, the Group has 102,164 thousands of Euros (96,110 thousands of Euros non-current and 6,054 thousands of Euros current) of other deposits constituted as collateral for financial guarantee.

The Group has project finance loans with the usual guarantees for such loans, namely pledged or promissory pledges over shares, bank accounts and assets relating to the projects. As at 31 December 2013 and 2012 these loans amounted to 985,551 thousands of Euros and 1,018,578 thousands of Euros, respectively. These amounts are already included in the Group's consolidated debt (see note 44).

EDP Group has short-term credit facilities of 159,000 thousands of Euros, indexed to Euribor for the agreed period of use with spread conditions agreed in advance, and with a firm underwriting commitment, being totally available; as well as Commercial Paper programs of 100,000 thousands of Euros with guaranteed placement, being fully available as at 31 December 2013. EDP Group has a medium term Revolving Credit Facility (RCF) of 2,000,000 thousands of Euros, with a firm underwriting commitment, being fully available as at 31 December 2013. For liquidity management needs in USD, EDP Group has an RCF of 1,500,000 thousands of USD with a firm underwriting commitment, which as at 31 December 2013 is totally drawn down.

Commercial Paper non-current refers to a Commercial Paper program with a firm underwriting commitment for a period up to one year in the amount of 200,000 thousands of Euros, with interests and fees paid in advance in the amount of 3,007 thousands of Euros.

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The nominal value of Bond loans issued with external counterparts and outstanding, as at 31 December 2013, is analysed as follows:

Issuer	Date issued	Interest rate	Type of hedge	Conditions / Redemption	Thousands of Euros Group	Thousands of Euros Company
Issued by EDP S.A.						
EDP, S.A. (ii)	May-08	Variable rate (iv)	n.a.	May-18	300,000	300,000
EDP, S.A.	Dec-11	Fixed rate EUR 6%	n.a.	Dec-14	200,000	200,000
EDP, S.A.	May-12	Fixed rate EUR 6%	n.a.	May-15	250,000	250,000
EDP, S.A.	Oct-13	Variable rate (iv)	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 (iv)	n.a.	Dec-22	93,357	-
EDP Finance B.V.	Jun-05	Fixed rate EUR 3.75%	n.a.	Jun-15	500,000	-
EDP Finance B.V. (i)	Jun-05	Fixed rate EUR 4.125%	n.a.	Jun-20	300,000	-
EDP Finance B.V.	Jun-06	Fixed rate EUR 4.625%	n.a.	Jun-16	500,000	-
EDP Finance B.V.	Nov-07	Fixed rate USD 6.00%	Net Investment	Feb-18	725,111	-
EDP Finance B.V. (i)	Nov-08	Fixed rate GBP 8.625%	Fair Value	Jan-24	410,314	-
EDP Finance B.V.	Nov-08	Zero coupon EUR (iv)	n.a.	Nov-23	160,000	-
EDP Finance B.V. (iii)	Feb-09	Fixed rate EUR 5.50%	n.a.	Feb-14	1,000,000	-
EDP Finance B.V. (i)	Jun-09	Fixed rate JPY (iv)	n.a.	Jun-19	69,099	-
EDP Finance B.V.	Jun-09	Fixed rate EUR 4.75%	n.a.	Sep-16	1,000,000	-
EDP Finance B.V.	Sep-09	Fixed rate USD 4.90%	Net Investment	Oct-19	725,111	-
EDP Finance B.V.	Feb-10	Variable Rate USD (iv)	Net Investment	Feb-15	72,511	-
EDP Finance B.V. (i)	Mar-10	Fixed Rate EUR 3.25%	Fair Value	Mar-15	1,000,000	-
EDP Finance B.V.	Feb-11	Fixed Rate EUR 5.875%	n.a.	Feb-16	750,000	-
EDP Finance B.V. (i)	Feb-11	Fixed Rate CHF 3.50%	Fair Value	Feb-14	177,911	-
EDP Finance B.V.	Sep-12	Fixed Rate EUR 5.75%	n.a.	Sep-17	750,000	-
EDP Finance B.V. (i)	Nov-12	Fixed Rate CHF 4.00%	Fair Value	Nov-18	103,922	-
EDP Finance B.V. (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 (iv)	n.a.	Dec-14	200,000	-
					10,207,336	-
Issued by the EDP Energias do Brasil Group in the Brazilian domestic market						
Escelsa	Jul-07	105.0% do CDI	n.a.	Jul-14	25,586	-
Bandeirante	Jul-10	CDI + 1.50%	n.a.	Jun-14	119,720	-
Energest	Apr-12	CDI + 0.98%	n.a.	Apr-17	36,837	-
Energias do Brasil	Sep-12	105.5% do CDI	n.a.	Feb-14	138,139	-
Energias do Brasil	Apr-13	CDI + 0.55%	n.a.	Apr-16	153,487	-
Lajeado Energia	Nov-13	CDI + 1,20%	n.a.	Nov-19	138,139	-
					611,908	-
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	10,744	-
Central Eólica Baixa do Feijão	Oct-13	CDI + 1.1%	n.a.	Feb-15	18,418	-
					29,162	-
					11,748,406	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) Part of this loan is associated to interest rate swaps.
(iv) These issues correspond to private placements.

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Loans by maturity, are analysed as follows:

Thousands of Euros	Group Dec 2013	Group Dec 2012	Company Dec 2013	Company Dec 2012
Bank loans				
Up to 1 year	1,994,741	2,558,583	48,681	64,171
From 1 to 5 years	4,786,170	5,142,798	686,399	659,126
More than 5 years	1,054,398	1,407,686	363,970	438,070
	7,835,309	9,109,067	1,099,050	1,161,367
Bond loans				
Up to 1 year	2,063,882	908,935	279,440	156,537
From 1 to 5 years	6,795,551	6,952,783	5,192,763	456,324
More than 5 years	3,087,095	2,937,950	850,000	281,941
	11,946,528	10,799,668	6,322,203	894,802
Commercial paper				
Up to 1 year	113,639	324,089	2,882,656	7,336,912
From 1 to 5 years	196,993	196,976	196,993	196,976
	310,632	521,065	3,079,649	7,533,888
Other loans				
Up to 1 year	19,906	15,896	-	-
From 1 to 5 years	29,123	52,837	-	-
More than 5 years	19,426	24,695	-	-
	68,455	93,428	-	-
	20,160,924	20,523,228	10,500,902	9,590,057

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

Thousands of Euros	Dec 2013 Carrying amount	Dec 2013 Market value	Dec 2012 Carrying amount	Dec 2012 Market value
Debt and borrowings - Non-Current	15,968,756	16,869,725	16,715,725	17,164,909
Debt and borrowings - Current	4,192,168	3,902,289	3,807,503	3,452,211
	20,160,924	20,772,014	20,523,228	20,617,120

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

As at 31 December 2013, 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	-	3,227,530	3,411,432	2,802,696	2,366,179	4,160,919	15,968,756
Debt and borrowings - Current	4,192,168	-	-	-	-	-	4,192,168
	4,192,168	3,227,530	3,411,432	2,802,696	2,366,179	4,160,919	20,160,924

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

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

Thousands of Euros	2014	2015	2016	2017	2018	Following years	Total
Bank loans:							
Euro	736,278	306,556	745,443	1,653,205	977,079	722,386	5,140,947
Brazilian Real	100,429	87,586	32,580	33,062	61,913	219,678	535,248
US Dollar	1,094,420	761,076	-	-	-	-	1,855,496
Others	63,614	61,290	29,769	20,506	16,105	112,334	303,618
	1,994,741	1,216,508	807,792	1,706,773	1,055,097	1,054,398	7,835,309
Bond loans:							
Euro	1,822,281	1,776,686	2,250,000	1,026,632	537,216	2,240,640	9,653,455
Brazilian Real	214,612	153,794	143,050	64,460	46,091	45,520	667,527
US Dollar	26,989	72,511	-	-	725,111	800,935	1,625,546
	2,063,882	2,002,991	2,393,050	1,091,092	1,308,418	3,087,095	11,946,528
Commercial paper:							
Euro	107,500	-	196,993	-	-	-	304,493
Brazilian Real	6,139	-	-	-	-	-	6,139
	113,639	-	196,993	-	-	-	310,632
Other loans:							
Euro	10,947	2,995	9,201	1,306	-	638	25,087
Brazilian Real	7,751	5,036	4,396	3,525	2,664	18,788	42,160
US Dollar	1,208	-	-	-	-	-	1,208
	19,906	8,031	13,597	4,831	2,664	19,426	68,455
	4,192,168	3,227,530	3,411,432	2,802,696	2,366,179	4,160,919	20,160,924

36. EMPLOYEE BENEFITS

Employee benefits are analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Provisions for social liabilities and benefits	960,356	939,399
Provisions for medical liabilities and other benefits	974,179	994,026
	1,934,535	1,933,425

This caption is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Non-Current	1,751,066	1,750,838
Current	183,469	182,587
	1,934,535	1,933,425

Provisions for social liabilities and benefits as at 31 December 2013 include 955,199 thousands of Euros relating to retirement pension defined benefit plans (31 December 2012: 932,194 thousands of Euros) and 5,157 thousands of Euros related to the estimated cost of services rendered by third parties under the human resources rationalisation program (31 December 2012: 7,205 thousands of Euros).

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Balance at the beginning of the year	939,399	1,003,943
Charge for the period	41,165	60,407
Past service cost (Curtailment / Plan amendments)	-5,489	20,269
Actuarial (gains)/losses	137,274	8,067
Charge-off	-145,973	-149,441
Transfers, reclassifications and exchange differences	-6,020	-3,846
Balance at the end of the year	960,356	939,399

The breakdown of actuarial gains and losses is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Actuarial (gains)/losses arising from:		
- changes in demographic assumptions	166,612	-
- changes in financial assumptions	-34,113	32,147
- experience adjustments	24,792	39,534
Actuarial (gains)/losses arising from return on plan assets	-27,324	-59,502
Actuarial (gains)/losses of asset ceiling	7,307	-4,112
	137,274	8,067

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Balance at the beginning of the year	994,026	819,215
Charge for the period	51,995	53,836
Past service cost (Curtailment / Plan amendments)	-3,754	1,174
Actuarial (gains)/losses	-181	174,272
Charge-off	-46,959	-44,308
Transfers, reclassifications and exchange differences	-20,948	-10,163
Balance at the end of the year	974,179	994,026

The breakdown of actuarial gains and losses is analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Actuarial (gains)/losses arising from:		
- changes in demographic assumptions	21,562	29,604
- changes in financial assumptions	-15,609	139,433
- experience adjustments	-6,134	5,235
	-181	174,272

The publication of the Decree-Law 167-E/2013 and the Administrative Order 378-G/2013 increased in nearly one year the estimated age of access to the Social Security retirement pension. This change resulted in an increase in the post-employment liability for the active population, which is based on the company' estimatives will adhere to ACT early retirement program and the actual early retirees. This effect in the amount of 164,932 thousands of Euros is recognized in OCI as an assumption change.

As mentioned under Accounting policies - note 2 n), the EDP Group opted, upon transition to IFRS, to charge to reserves, the total amount of the deferred actuarial losses existing at that date, for the several employee benefits plans. The impact on reserves at 31 December 2004 amounted to 1,162,000 thousands of Euros. In the following years, in compliance with the accounting policy adopted, the actuarial gains and losses of these plans were recorded directly in reserves, having recognised in 2013 gains of 137,093 thousands of Euros and in 2012 gains of 182,339 thousands of Euros.

The weighted average duration of the defined benefit liabilities in Portugal is 9 years.

Employee benefit plans

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

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

I. Defined benefit pension plans

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

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

In Spain, following the collective labour agreement ("Convenio Colectivo") signed in December 2007, HC Energia Group companies implemented an early retirement program that has been in place during the period from 2008 to 2012.

Bandeirante in Brazil has two defined benefit plans managed by the CESP Foundation, until 31 May 2011. From this date, the plans management became the responsibility of EnerPrev, a closed complementary welfare entity, sponsored by companies of EDP Brasil, in order to manage a set of benefit plans for employees and ex-employees of Bandeirante:

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

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

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

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As at 31 December 2013 and 2012 the number of participants covered by the pension plans was as follows:

	2013			2012		
	Portugal	Spain	Brazil	Portugal	Spain	Brazil
Number of participants						
Retirees and pensioners	17,742	1,425	1,747	17,959	1,517	1,743
Active workers	5,661	1,405	1,425	5,932	1,433	1,493
	23,403	2,830	3,172	23,891	2,950	3,236

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

	Dec 2013				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	3.00%	not applicable	12.00%	12.00%	12.00%
Discount rate	3.00%	3.35%	12.00%	12.00%	12.00%
Salary increase rate	3.00%	3.00%	Until 2016 - 6.4% // After 2017 - 5.65%	Until 2016 - 6.4% // After 2017 - 5.65%	Until 2016 - 6.4% // After 2017 - 5.65%
Pension increase rate	2.00%	not applicable	5.00%	5.00%	5.00%
Social Security salary appreciation	2014 - 0% // After 2014 - 1,9%	not applicable	5.00%	5.00%	5.00%
Inflation rate	2.00%	2.25%	5.00%	5.00%	5.00%
Mortality table	Born< 1950 -- TV88/90 // Born>= 1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

	Dec 2012				
	Portugal	Spain	Brazil		
			Bandeirante	Escelsa	Energest
Assumptions					
Expected return of plan assets	3.25%	not applicable	9.30%	9.30%	9.30%
Discount rate	3.25%	3.35%	9.30%	9.30%	9.30%
Salary increase rate	3.00%	3.00%	6.90%	6.90%	6.90%
Pension increase rate	2.00%	not applicable	5.00%	5.00%	5.00%
Social Security salary appreciation	2013 - 0% // After 2013 - 1.9%	not applicable	not applicable	not applicable	not applicable
Inflation rate	2.00%	2.25%	5.00%	5.00%	5.00%
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	PERM/F-2000P	RP-2000 Generational	RP-2000 Generational	RP-2000 Generational
Disability table	50%EKV 80	not applicable	Wyatt 85 Class 1	Wyatt 85 Class 1	Wyatt 85 Class 1
Expected % of eligible employees accepting early retirement	(a)	not applicable	not applicable	not applicable	not applicable

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

The assumptions used in the calculation of the liability for employees defined benefit plans, were updated considering the evolutions occurred in the financial markets during 2013.

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The liability for retirement pensions and related coverage for the Group, as at 31 December 2013 and 2012 is analysed as follows:

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,858,039	89,902	223,775	2,171,716
Fair value of plan assets at the end of the year	-993,423	-	-256,584	-1,250,007
Asset ceiling	-	-	33,490	33,490
Provision at the end of the year	864,616	89,902	681	955,199

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Provision for Pension Plans				
Liability at the end of the year	1,727,211	104,539	349,616	2,181,366
Fair value of plan assets at the end of the year	-960,342	-	-321,431	-1,281,773
Asset ceiling	-	-	32,601	32,601
Provision at the end of the year	766,869	104,539	60,786	932,194

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

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

Thousands of Euros	2013	2012	2011	2010	2009
Provision for Pension Plans					
Liability at the end of the year	2,171,716	2,181,366	2,206,529	2,340,207	2,302,307
Fair value of plan assets at the end of the year	-1,250,007	-1,281,773	-1,252,622	-1,290,865	-1,233,762
Asset ceiling	33,490	32,601	40,754	43,733	27,436
Provision at the end of the year	955,199	932,194	994,661	1,093,075	1,095,981

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Portugal Pension Funds are analysed as follows: 253

Thousands of Euros	2013	2012	2011	2010	2009
Experience adjustments for the Plan liabilities	-25,100	-25,009	-53,764	11,939	-9,112
Experience adjustments for the Plan assets	64,074	32,511	-70,732	-33,724	13,676

The experience adjustments (effects of the differences between the previous actuarial assumptions and what has really occurred) for the Brazil Pension Funds are analysed as follows:

Thousands of Euros	2013	2012	2011	2010	2009
Experience adjustments for the Plan liabilities	308	3,469	-12,478	-3,238	2,701
Experience adjustments for the Plan assets	-36,750	21,032	35,706	4,244	5,160

The past service liability of the pension plans for the Group, as at 31 December 2013 and 2012 is as follows:

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,727,211	104,539	349,616	2,181,366
Current service cost	10,753	-503	15	10,265
Net interest on the pensions plan liability	53,420	2,772	29,818	86,010
Benefits paid	-190,246	-9,666	-15,915	-215,827
Past service cost (Curtailment / Plan amendments)	-5,489	-	-	-5,489
Actuarial losses and gains	262,390	-7,240	-97,859	157,291
Currency fluctuation	-	-	-50,437	-50,437
Other	-	-	8,537	8,537
Liability at the end of the year	1,858,039	89,902	223,775	2,171,716

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Evolution of the liability				
Liability at the beginning of the year	1,804,825	90,599	311,105	2,206,529
Current service cost	11,796	376	33	12,205
Net interest on the pensions plan liability	86,121	5,662	30,020	121,803
Benefits paid	-189,262	-10,217	-16,424	-215,903
Past service cost (Curtailment / Plan amendments)	20,217	-	52	20,269
Actuarial losses and gains	-6,486	18,341	59,827	71,682
Currency fluctuation	-	-	-38,480	-38,480
Other	-	-222	3,483	3,261
Liability at the end of the year	1,727,211	104,539	349,616	2,181,366

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

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	10,753	-503	15	10,265
Past service cost (Curtailment / Plan amendments)	-5,489	-	-	-5,489
Operational component (see note 10)	5,264	-503	15	4,776
Net interest on the net pensions plan liability	23,258	2,772	4,870	30,900
Financial component (see note 15)	23,258	2,772	4,870	30,900
	28,522	2,269	4,885	35,676

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Current service cost	11,796	376	33	12,205
Past service cost (Curtailment / Plan amendments)	20,217	-	52	20,269
Operational component (see note 10)	32,013	376	85	32,474
Net interest on the net pensions plan liability	40,568	5,662	1,972	48,202
Financial component (see note 15)	40,568	5,662	1,972	48,202
	72,581	6,038	2,057	80,676

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

	Dec 2013			
Thousands of Euros	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	960,342	-	321,431	1,281,773
Group contribution	-	-	5,066	5,066
Plan participants contributions	-	-	989	989
Benefits paid	-61,155	-	-15,814	-76,969
Interest on the pensions plan assets	30,162	-	24,948	55,110
Actuarial gains/(losses)	64,074	-	-36,750	27,324
Currency fluctuation	-	-	-53,280	-53,280
Other variations	-	-	9,994	9,994
Assets value at the end of the year	993,423	-	256,584	1,250,007

The actuarial gains/losses in Brazil include the positive amount of 7,307 thousands of Euros (20,956 thousands of Reais) related to actuarial gains and losses of the asset ceiling not recognised in reserves (2012: negative in 4,113 thousands of Euros).

To determine the amount of provisions for pension funds, it has been deducted from the assets funds the value of the asset ceiling of 33,490 thousands of Euros, converted at the closing rate of Brazilian Real (109,097 thousands of Reais). As at 31 December 2012 the value of the asset ceiling was 32,601 thousands of Euros.

	Dec 2012			
Thousands of Euros	Portugal	Spain	Brazil	Group
Pension funds				
Fair value of plan assets at the beginning of the year	941,238	-	311,384	1,252,622
Group contribution	-	-	6,313	6,313
Plan participants contributions	-	-	925	925
Benefits paid	-58,960	-	-15,892	-74,852
Interest on the pensions plan assets	45,553	-	28,048	73,601
Actuarial gains/(losses)	32,511	-	26,991	59,502
Currency fluctuation	-	-	-36,495	-36,495
Other variations	-	-	157	157
Assets value at the end of the year	960,342	-	321,431	1,281,773

As at 31 December 2013 and 2012, the assets of the pension fund in Portugal are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2013	11,779	417,126	343,953	147,783	72,782	993,423
31 December 2012	-2,512	535,916	222,703	147,783	56,452	960,342

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2013	1.19%	41.99%	34.62%	14.88%	7.32%	100.00%
31 December 2012	-0.26%	55.80%	23.19%	15.39%	5.88%	100.00%

The portfolio shares and bonds have a quoted market price in an active market.

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Properties included in the fund, that are being used by the Group amount to 118,232 thousands of Euros as at 31 December 2012 (118,232 thousands of Euros at 31 December 2012). Bonds include 13,216 thousands of Euros (16,166 thousands of Euros as at 31 December 2012) relating to bonds issued by EDP Finance B.V.

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

Thousands of Euros	2013	2012
Shares:		
EDP Renováveis	5,714	5,911
EDP S.A.	-	-
	5,714	5,911

Pension fund assets in Brazil as at 31 December 2013 and 2012 are analysed as follows:

	Fund assets by nature					
Thousands of Euros	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2013	-	229,562	22,171	900	3,951	256,584
31 December 2012	-	289,354	26,144	1,109	4,824	321,431

	Fund assets by nature					
%	Liquidity	Bonds	Shares	Property	Other	Total
31 December 2013	-	89.47%	8.64%	0.35%	1.54%	100.00%
31 December 2012	-	90.02%	8.13%	0.35%	1.50%	100.00%

Assumptions regarding the discount rate

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

The real return rate on assets of the pension fund in 2013 was positive in 10.31% (2012: positive in 8.73%).

As at 31 December 2013 the amount of future benefits expected to be paid, related to the activity in Portugal, Spain and Brazil, is analysed as follows:

Expected future benefits to be paid			
Portugal	Pensions	Medical plans and other benefits	Total
2014	200,916	34,664	235,580
2015	193,912	35,079	228,991
2016	181,906	36,020	217,926
2017	172,629	36,779	209,408
2018	162,431	37,444	199,875
2019	150,598	38,262	188,860
2020	140,467	38,842	179,309
2021	128,030	38,979	167,009
2022	112,827	39,558	152,385
2023	99,080	38,830	137,910

In 2013 and 2012, no contributions were made to the pension funds.

In 2013, the pensions paid by the funds in Portugal totalled 61,155 thousands of Euros (31 December 2012: 58,960 thousands of Euros).

Expected future benefits to be paid	
Spain	Other Benefits
2014	8,525
2015	9,096
2016	9,284
2017	5,941
2018	4,926
2019	4,535
2020	4,116
2021	3,700
2022	3,286
2023	2,875

In 2013, the pensions paid by the Funds in Spain totalled 9,666 thousands of Euros (10,218 thousands of Euros in December 2012).

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The amount of 89,902 thousands of Euros related to HC Energia Group, included in Provisions for social welfare and benefits, includes 58,623 thousands of Euros (31 December 2012: 64,996 thousands of Euros) related with provisions for the revision of the collective labour agreement. The provision includes 31,279 thousands of Euros (31 December 2012: 39,543 thousands of Euros) related with responsibilities with pre-retirement before 31 December 2007.

Expected future benefits to be paid

Brazil	Pensions	Medical Plans	Other Benefits	Total
2014	14,004	7,179	311	21,494
2015	14,897	8,035	44	22,976
2016	15,909	8,940	170	25,019
2017	17,195	9,856	43	27,094
2018	18,418	10,913	142	29,473
2019 to 2013	113,626	72,472	232	186,330

The contributions made to the Pension funds in 2013 amounted to 5,066 thousands of Euros (31 December 2012: 6,313 thousands of Euros) and were fully paid in cash.

The pensions paid by the Funds in 2013 totalled 15,814 thousands of Euros (31 December 2012: 15,892 thousands of Euros).

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

	Liabilities at the end of the year	
Thousands of Euros	**Increase**	**Decrease**
Discount rate (0.5% movement)	-67,029	72,386
Pension increase (0.5% movement)	354,140	-183,863
Social Security Pension increase (0.5% movement)	-134,714	217,477
Mortality (increase of 1 year in expected lifetime of plan participants)	40,653	-

The sensitivity analysis for the Pension Plan in Brazil is analysed as follows:

	Liabilities at the end of the year	
Thousands of Euros	**Increase**	**Decrease**
Discount rate (0.5% movement)	-9,490	10,461
Mortality (increase of 1 year in expected lifetime of plan participants)	2,342	-

II. Defined contribution pension plan

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

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

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

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

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

	Dec 2013		Dec 2012	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Assumptions				
Discount rate	3.00%	12.00%	3.25%	9.3%
Annual increase rate of medical service costs	3.50%	11,59% (b)	3.5%	11.44% (c)
Estimated administrative expenses per beneficiary per year (Euros)	219€ / year	not applicable	215€ / year	not applicable
Mortality table	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational	Born<1950 -- TV88/90 // Born>=1950 -- TV99/01	RP-2000 Generational
Disability table	50%EKV 80	Wyatt 85 Class 1	50%EKV 80	Wyatt 85 Class 1
Expected % of subscription of early retirement by employees eligible	a)	not applicable	a)	not applicable

(a) 40% of the eligible population (employees entitled to early retirement, as stated in the Collective Labour Agreement: 36 years of service with at least 60 years of age or 40 years of service at any age).
(b) 11.59% in the first year, decreasing to 6.05% in 10 years.
(c) 11.44% in the first year, decreasing to 6% in 11 years.

The number of participants covered by the Medical and other benefits plans as at 31 December 2013 and 2012 is as follows:

	Dec 2013		Dec 2012	
	Portugal	**Brazil**	**Portugal**	**Brazil**
Number of participants				
Retirees and pensioners	17,731	2,321	17,947	2,151
Current employees	5,661	1,215	5,932	1,168
	23,392	3,536	23,879	3,319

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

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Thousands of Euros	2013	2012	2011	2010	2009
Provision for medical care					
Liability at the end of the year	974,179	994,026	819,215	800,473	770,357
Provision at the end of the year	974,179	994,026	819,215	800,473	770,357

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

Thousands of Euros	2013	2012	2011	2010	2009
Experience adjustments for the Medical Plan liabilities	48,685	36,991	35,051	15,249	57,164
	48,685	36,991	35,051	15,249	57,164

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

Thousands of Euros	2013	2012	2011	2010	2009
Experience adjustments for the Medical Plan liabilities	-42,551	-39,238	-2,469	-7,931	-9,771
	-42,551	-39,238	-2,469	-7,931	-9,771

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

	Dec 2013			Dec 2012		
Thousands of Euros	**Portugal**	**Brazil**	**Group**	**Portugal**	**Brazil**	**Group**
Evolution of the liability						
Liability at the beginning of the year	859,961	134,065	994,026	741,503	77,712	819,215
Current service cost	8,319	3,579	11,898	6,575	2,010	8,585
Net interest on the net medical liabilities and other benefits	27,637	12,460	40,097	36,488	8,763	45,251
Benefits paid	-39,870	-7,089	-46,959	-37,249	-7,059	-44,308
Past service cost (Curtailment / Plan amendments)	-3,754	-	-3,754	1,174	-	1,174
Actuarial gains and losses	-20,683	20,502	-181	108,338	65,934	174,272
Currency fluctuation	-	-24,046	-24,046	-	-13,295	-13,295
Other and "mútua"	3,098	-	3,098	3,132	-	3,132
Liability at end of the year	834,708	139,471	974,179	859,961	134,065	994,026
Provision at end of the year	834,708	139,471	974,179	859,961	134,065	994,026

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

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

	Dec 2013			Dec 2012		
Thousands of Euros	Portugal	Brazil	Group	Portugal	Brazil	Group
Cost for the year						
Current service cost	8,319	3,579	11,898	6,575	2,010	8,585
Past service cost (Curtailment / Plan amendments)	-3,754	-	-3,754	1,174	-	1,174
Operational component (see note 10)	4,565	3,579	8,144	7,749	2,010	9,759
Net interest on the net medical liabilities and other benefits	27,637	12,460	40,097	36,488	8,763	45,251
Financial component (see note 15)	27,637	12,460	40,097	36,488	8,763	45,251
Net cost for the year	32,202	16,039	48,241	44,237	10,773	55,010

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

	Liabilities at the end of the year	
Thousands of Euros	Increase	Decrease
Discount rate (0.5% movement)	-57,762	64,870
Health care cost trend (0.5% movement)	23,237	-21,106
Mortality (increase of 1 year in expected lifetime of plan participants)	17,328	-

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

	Liabilities at the end of the year	
Thousands of Euros	Increase	Decrease
Discount rate (0.5% movement)	-7,466	8,216
Mortality (increase of 1 year in expected lifetime of plan participants)	4,132	-

37. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Provision for legal and labour matters and other contingencies	62,417	78,495	-	-
Provision for customer guarantees under current operations	12,679	10,121	-	-
Provisions for dismantling and decommissioning	169,775	169,402	-	-
Provision for other liabilities and charges	143,335	124,848	22,150	27,882
	388,206	382,866	22,150	27,882

This caption is analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Non-Current	360,203	340,068	19,942	19,716
Current	28,003	42,798	2,208	8,166
	388,206	382,866	22,150	27,882

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Balance at the beginning of the year	78,495	87,143
Charge for the year	32,940	26,018
Reversals	-18,754	-12,739
Charge-off for the year	-29,925	-21,695
Other and exchange differences	-339	-232
Balance at the end of the year	62,417	78,495

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.

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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 11,790 thousands of Euros (31 December 2012: 14,722 thousands of Euros). These requests result from the application of Administrative Orders DNAEE 38 of 27 February 1986 and 45 of 4 March 1986 - Plano Cruzado, effective from March to November 1986;

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

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

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

v) In 2012, following the decision by the arbitration court, which partially accepted Terriminas' claim, and condemned EDP Produção to pay the amount of 1,329 thousands of Euros regarding the price differential for 1985 and 1986, EDP Group has booked a provision to cover this contingency. Therefore, at 31 December 2013, 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;

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

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

	Group	
Thousands of Euros	**Dec 2013**	**Dec 2012**
Balance at the beginning of the year	10,121	37,867
Charge for the year	18	27
Reversals	-	-2,924
Charge-off for the year	-6,800	-34,119
Other and exchange differences	9,340	9,270
Balance at the end of the year	12,679	10,121

Provisions for customer guarantees under current operations of 12,679 thousands of Euros (31 December 2012: 10,121 thousands of Euros) includes essentially provisions for commercial losses.

The movement in Provision for dismantling and decommissioning is analysed as follows:

	Group	
Thousands of Euros	**Dec 2013**	**Dec 2012**
Balance at the beginning of the year	169,402	140,212
Unwinding	10,173	7,862
Increase of the responsibility	10,308	23,125
Decrease of the responsibility	-12,921	-
Other and exchange differences	-7,187	-1,797
Balance at the end of the year	169,775	169,402

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As at 31 December 2013, Provision for dismantling and decommissioning includes the following situations:

I) The Group holds a provision of 19,188 thousands of Euros (31 December 2012: 29,059 thousands of Euros) to cover the cost of dismantling the Trill Nuclear Plant from the final close down until its transfer to Enresa, the company that will dismantle it. The assumptions used in the calculation of the provision include an inflation rate of 2% and a discount rate of 6.25%. 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 66,468 thousands of Euros (31 December 2012: 63,336 thousands of Euros) to cover the costs of returning the sites to their original state, of which 37,960 thousands of Euros refer to the wind farms of the EDPR NA Group, 27,715 thousands of Euros to the wind farms of the EDPR EU Group and 793 thousands of Euros to the wind farms of the EDPR Brasil Group. The assumptions used when computing these provisions consider: (i) an average per MW cost of decommissioning of 14,000 Euros in Europe and 18,549 Euros in the U.S.A.; (ii) a salvage value of 25,000 Euros in Europe and 17,776 Euros in the U.S.A.; (iii) a discount rate of 6.33% in Europe and 5.38% in the U.S.A.; (iv) an inflation rate of 2% in Europe and 2.5% in the U.S.A., and (v) an original capitalization period of 25 years.

iii) Under the current and future social/economical trends and the practices followed by the EDP Group in matters of sustainability and environment, the group accounts for provisions to cover the costs with the decommissioning, dismantlement and environmental rehabilitation of electric power plants. As at 31 December 2013, the provision which amounts to 60,080 thousands of Euros (31 December 2012: 56,044 thousands of Euros) and 23,344 thousands of Euros (31 December 2012: 20,194 thousands of Euros) to the electric power plants located in Portugal and Spain, respectively. According to accounting policy referred in note 2 o), these provisions are calculated at the present value of the future liability and are accounted for as part of the cost of the related asset (increase in property, plant and equipment) and are depreciated on a straight line basis over the average useful life of the assets. The calculation of these provisions was based on an inflation rate between 1.5% and 2% and discount rates between 3% and 6.5%.

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

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Balance at the beginning of the year	124,848	149,927	27,882	72,172
Charge for the year	69,124	28,366	11,232	12,171
Reversals	-28,451	-22,693	-10,048	-55,882
Charge-off for the year	-21,464	-22,930	-10,495	-
Other and exchange differences	-722	-7,822	3,579	-579
Balance at the end of the year	143,335	124,848	22,150	27,882

Following the grant of the construction license for the hydroelectric plant - UHE Cachoeira Caldeirão, EDP Brasil took the responsability to implement and perform several social and environmental programs being booked a provision for other liabilities and charges in the amount of 15,328 thousands of Euros, against Property, Plant and Equipment. As at 31 December 2013, this amount was transfered to assets held for sale (see note 42), the net effect is presented under Other.

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

The losses of these processes were considered as possible, do not require the recognition of provisions and are periodically reassessed. At 31 December 2013, the more relevant situations considered as possible contingencies are described as follows:

i) Bandeirante is involved in a lawsuit with the client White Martins, S.A. in the amount of 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 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 14,582 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 25,644 thousands of Euros.

On 27 October 2009 and 5 January 2010, the EDP Group received two tax assessments regarding 2005 and 2006 taxable income for the EDP tax Group, which included an adjustment of 591 millions of Euros regarding its subsidiary, EDP Internacional SGPS, related to the tax treatment considered by the EDP Group in relation to a capital loss generated with the liquidation of a subsidiary, whose main assets consisted of investments in operating subsidiaries in Brazil, namely Escelsa and Enersul. As at 31 December 2013, the amount of this tax contingency totals 235.2 millions of Euros (31 December 2012: 224 millions of Euros).

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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.

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

38. INSTITUTIONAL PARTNERSHIPS IN USA WIND FARMS

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Deferred income related to benefits provided	672,154	737,598
Liabilities arising from institutional partnerships in USA wind farms	836,341	942,155
	1,508,495	1,679,753

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

39. TRADE AND OTHER PAYABLES FROM COMMERCIAL ACTIVITIES

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

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Government grants for investment in fixed assets	568,666	522,551
Amounts payable for tariff adjustments - Electricity - Portugal	-	842
Energy sales contracts - EDPR NA	35,750	49,449
Deferred income - CMEC	351,822	392,841
Amounts payable for concessions	226,569	240,051
Other creditors and sundry operations	69,530	57,037
	1,252,337	1,262,771

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

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Suppliers	1,269,457	1,169,387	323,313	236,425
Accrued costs related with supplies	422,541	391,834	287,104	175,934
Property, plant and equipment suppliers and accruals	457,165	731,769	1,589	6,708
Holiday pay, bonus and other charges with employees	145,013	142,229	11,882	7,284
CO_2 emission licences	109,355	142,084	-	-
Amounts payable for tariff adjustments - Electricity - Portugal	285,274	144,994	-	-
Amounts payable for tariff adjustments - Electricity - Spain	-	8,280	-	-
Deferred income - CMEC	56,461	-	-	-
Other creditors and sundry operations	543,736	490,022	48,983	61,735
	3,289,002	3,220,599	672,871	488,086

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

Thousands of Euros	Current	Non-Current
Balance as at 1 January 2012	67,473	12,376
Payment through the electricity tariff	-70,177	-
Tariff adjustment of the year	141,202	-
Interest expense	4,453	-
Transfer to tariff adjustments receivable	-10,333	842
Transfer from Non-Current to Current	12,376	-12,376
Balance as at 31 December 2012	144,994	842
Payment through the electricity tariff	-138,029	-
Tariff adjustment of 2012	2,203	
Tariff adjustment of the year	280,129	-
Interest expense	3,481	
Transfer of tariff adjustment to receive	-7,504	-842
Balance as at 31 December 2013	285,274	-

The caption CO2 emission licences includes the CO2 consumptions made during 2013 in Portugal and Spain, in the amount of 47,433 thousands of Euros and 61,922 thousands of Euros, respectively. These licences will be returned to the regulatory authorities of each country in 2014.

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

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

Deferred income - CMEC current and non-current in the amount of 408,283 thousands of Euros (31 December 2012: 392,841 thousands of Euros) refers to the initial CMEC amount (833,467 thousands of Euros) net of the amortisation of initial CMEC during the years 2007 to 2013 and including unwinding (see note 15).

Amounts payable for concessions refer to the non-current amounts payable includes the concession rights for the operation of the hydric domain of Alqueva and Pedrógão transferred by EDIA of 150,116 thousands of Euros (31 December 2012: 150,489 thousands of Euros) and to the financial compensation for the use of the public domain related to concession agreements of Investco, S.A. and Enerpeixe, S.A. in Brazil of 77,238 thousands of Euros (31 December 2012: 89,562 thousands of Euros).

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

40. OTHER LIABILITIES AND OTHER PAYABLES

Other liabilities and other payables are analysed as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Other liabilities and other payables - Non-Current				
Loans from non-controlling interests	215,730	108,850	-	-
Put options over non-controlling interest liabilities	8,138	90,371	-	-
Derivative financial instruments (see note 43)	116,631	145,614	-	-
Payables - Group companies	-	-	2,439,880	3,006,023
Amounts payable for acquisitions and success fees	14,720	41,735	-	-
Other creditors and sundry operations	20,627	23,167	11,062	11,062
	375,846	409,737	2,450,942	3,017,085
Other liabilities and other payables - Current				
Loans from non-controlling interests	99,253	81,008	-	-
Dividends attributed to related companies	36,145	56,394	-	-
Derivative financial instruments (see note 43)	74,429	62,629	80,128	61,543
Payables - Group companies	-	-	131,407	679,503
Amounts payable for acquisitions and success fees	16,863	135,932	-	-
Other creditors and sundry operations	11,396	32,180	37,403	30,182
	238,086	368,143	248,938	771,228
	613,932	777,880	2,699,880	3,788,313

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The variation in the caption Loans from non-controlling interests Current and Non-Current is mainly related to EDPR Portugal loan formerly due to EDPR-EU in the second quarter of 2013 in the amount of 110,529 thousands of Euros that following the sale process of 49% of its shareholding in EDPR Portugal to CTG, shareholder of EDP Group, were also acquired by CTG. The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 31 December 2013, this loan amounts to 99,414 thousands of Euros.

The caption Payables - Group companies Current on a company basis includes 131,407 thousands of Euros (31 December 2012: 462,142 thousands of Euros) related to debt financing obtained by EDP S.A. Sucursal in Spain through EDP Finance BV and EDP Servicios Financieros España, S.A., respectively (see note 46).

The caption Payables - Group companies Non-Current on a company basis, of 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.

The variation in the caption Put options over non-controlling interest liabilities - Non-Current, includes the exercise by Liberbank (Ex-Cajastur) in 3% of the original written put option held over EDP of 3.13% of HC Energia share capital (see note 19). At 31 December 2013, this caption includes the remaining responsibility of 0.13% in the amount of 4,641 thousands of Euros.

The Amounts payable for acquisitions and success fees Non-Current includes mainly the amounts related to the contingent prices of several European and Brazilian projects. The reduction occurred in this caption is related with the contingent price revision associated with the acquisitions of Polish wind farms in the amount of 17,423 thousands of Euros, Greenwind in the amount of 1,750 thousands of Euros and EDPR France in the amount of 1,705 thousands of Euros. Additionally, it also includes the exercise of the remaining put option of 6.48% over EDPR Italia share capital in the amount of 2,894 thousands of Euros.

Following Ente Vasco de la Energia decision to exercise the NG Energia put option, an agreement was signed on 28 July 2010 between EVE and HC Energia that sets up the following terms: (i) Purchase by HC Energia from EVE of 29.43% of the share capital of NG Energia; (ii) HC Energia will have a call option to acquire from EVE the remaining 5% stake of NG Energia between 1 June 2016 and 1 June 2018, at an exercise price calculated in accordance with a pre-set formula based on expected future dividends to be distributed by NG Energia; and (iii) Change of the HC Energia/EVE shareholder agreement, with the involvement of EVE in NG Energia' strategic management to be adjusted in accordance with its shareholding position. As a consequence of the agreement mentioned above, during the first semester of 2013 the Group HC Energia paid the remaining amount of 96,003 thousands of Euros related to the acquisition of 29.43% of the NG Energia' share capital. Additionally, the variation also includes the payment of the contigent price of the solar photovoltaic companies in Romania (EDPR Solar Romania) in the amount of 9,444 thousands of Euros and the contigent price revision of the acquisition of the hydro power plant of Jari in the amount of 10,983 thousands of Euros.

41. CURRENT TAX LIABILITIES

Current tax liabilities are analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Income tax	158,367	103,633
Withholding tax	57,565	64,763
Value added tax (VAT)	163,996	94,461
Turnover tax (Brazil)	40,008	52,956
Social tax (Brazil)	18,767	41,984
Other taxes	146,331	109,941
	585,034	467,738

As at 31 December 2013, for the Group, the caption Other taxes includes essentially the foreign taxes regarding HC Energia Group of 79,773 thousands of Euros, NG Energia Group of 25,626 thousands of Euros (31 December 2012: HC Energia Group of 44,512 thousands of Euros and NG Energia Group of 29,667 thousands of Euros) and EDP Brasil Group of 9,246 thousands of Euros (31 December 2012: 12,710 thousands of Euros).

42. 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	Dec 2013	Dec 2012
Assets held for sale		
Assets of the business of gas transmission - NG Energia	-	212,850
Assets of the business of cogeneration	-	29,001
Assets of the business of electricity generation - Jari e Cachoeira	715,837	-
	715,837	241,851
Liabilities held for sale		
Liabilities of the business of gas transmission - NG Energia	-	-23,628
Liabilities of the business of cogeneration	-	-15,758
Liabilities of the business of electricity generation - Jari e Cachoeira	-577,964	-
	-577,964	-39,386
	137,873	202,465

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

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

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

43. DERIVATIVE FINANCIAL INSTRUMENTS

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

In 2013 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	12,858	-	-	122,412	-	122,412
Foreign exchange forwards	2,360	-	33,305	-	-	33,305
	15,218	-	33,305	122,412	-	155,717
Fair value hedge						
Interest rate swaps	58,315	-	-	1,000,000	500,000	1,500,000
Cross-currency interest rate swaps	62,393	-60,056	177,911	423,922	410,314	1,012,147
	120,708	-60,056	177,911	1,423,922	910,314	2,512,147
Cash flow hedge						
Commodities swaps	10,756	-6,729	362,884	61,578	-	424,462
Interest rate swaps	-	-50,176	47,342	214,592	365,748	627,682
Foreign exchange forwards	180	-5,703	215,460	8,232	-	223,692
	10,936	-62,608	625,686	284,402	365,748	1,275,836
Trading						
Commodities swaps	14,335	-14,982	2,101,868	46,818	-	2,148,686
Interest rate swaps	35,337	-29,097	518,566	85,627	708,069	1,312,262
Cross-currency interest rate swaps	7,589	-15,784	-	69,750	590,017	659,767
Currency forwards	13,171	-5,160	510,361	115,952	-	626,313
Options purchased and sold	-	-3,373	-	-	-	-
	70,432	-68,396	3,130,795	318,147	1,298,086	4,747,028
	217,294	-191,060	3,967,697	2,148,883	2,574,148	8,690,728

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In 2012 the fair value and the maturity of the derivative financial instruments are analysed as follows:

	Fair value		Notional			
Thousands of Euros	Assets	Liabilities	Up 1 year	From 1 to 5 years	Over 5 Years	Total
Net Investment hedge						
Cross currency interest rate swaps	3,867	-422	-	122,412	-	122,412
	3,867	-422	-	122,412	-	122,412
Fair value hedge						
Interest rate swaps	68,239	-	-	1,000,000	-	1,000,000
Cross-currency interest rate swaps	131,981	-37,933	-	497,911	514,236	1,012,147
	200,220	-37,933	-	1,497,911	514,236	2,012,147
Cash flow hedge						
Commodities swaps	7,894	-16,106	553,172	98,354	-	651,526
Interest rate swaps	14	-108,903	120,888	248,837	552,033	921,758
Foreign exchange forwards	125	-8,728	255,759	259,379	-	515,138
OMIP futures	2,346	-	13,686	-	-	13,686
	10,379	-133,737	943,505	606,570	552,033	2,102,108
Trading						
Commodities swaps	7,157	-10,164	2,340,530	898	-	2,341,428
Interest rate swaps	45,181	-11,209	470	501,881	600,470	1,102,821
Cross-currency interest rate swaps	4,707	-2,378	-	57,000	104,460	161,460
Currency forwards	5,329	-12,400	453,045	30,738	-	483,783
	62,374	-36,151	2,794,045	590,517	704,930	4,089,492
	276,840	-208,243	3,737,550	2,817,410	1,771,199	8,326,159

The fair value of the derivative financial instruments is booked in Other debtors and other assets (see note 27) and other liabilities and other payables (see note 40), according to its nature.

Fair value of derivative financial instruments is based on quotes indicated by external entities, as such, according to IFRS13 requirements, the fair value of the derivative financial instruments is classified as of Level 2 (see note 47). 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.

The changes in the fair value, including accrued interest, of hedging instruments and risks being hedged are as follows:

			2013		2012	
			Changes in fair value		Changes in fair value	
Thousands of Euros	Hedging instrument	Hedged risk	Instrument	Risk	Instrument	Risk
Net investment	Cross-curr. int. rate swaps	Subsidiary in PLN and BRL	9,413	-8,890	-4,362	4,966
Net investment	Currency forwards	Subsidiary in CAD	2,360	-2,360	-	-
Fair value	Interest rate swap	Interest rate	-9,924	11,173	13,937	-12,459
Fair value	Cross-curr. int. rate swaps	Exchange and interest rate	-91,711	89,442	51,020	-46,166
Cash flow	Interest rate swap	Interest rate	58,713	-	-37,356	-
Cash flow	Currency forwards	Exchange rate	3,080	-	8,784	-
Cash flow	OMIP futures	Commodity prices	-2,346	-	3,046	-
Cash flow	Commodities swaps	Commodity prices	12,239	-	-29,600	-
			-18,176	89,365	5,469	-53,659

During 2013 and 2012 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 3M, Euribor 6M, Wibor 3M and Wibor 6M.
Currency forwards	Fair value indexed to the following exchange rates: EUR/USD, EUR/RON, EUR/PLN, EUR/GBP, CAD/DKK, CAD/USD, USD/JPY and EUR/CAD.
Commodities swaps	Fair value indexed to the market quotes of the following commodities: Brent, NBP Natural Gas, Electricity, Fuel, Coal, Fuel, Freights, CER and CO2;
OMIP futures	Fair value indexed to the quotes from electricity markets.

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The changes in the fair value reserve related to cash flow hedges in 2013 and 2012 were as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Balance at the beginning of the year	-121,097	-40,625
Fair value changes	40,283	-78,747
Transfers to results from hedging of financial liabilities and commodity prices	7,799	-590
Changes resulting from acquisitions/sales without control changes	-988	-1,135
Balance at the end of the year	-74,003	-121,097

The gains and losses on the financial instruments portfolio, excluding accrued interest, booked in the income statement in 2013 and 2012 are as follows:

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Derivatives held for trading	-11,182	-59,964	-15,117	10,562
Net investment hedge - ineffectiveness	523	604	-	-
Fair value hedges				
Derivatives	-101,635	64,957	-86,375	-39,323
Hedged liabilities	100,615	-58,625	86,375	39,323
Cash flow hedges				
Transfer to results from hedging of financial liabilities	1,349	-440	-	-
Transfer to results from hedging of commodity prices	-9,148	1,030	-1,022	698
Ineffectiveness	13	-156	13	-156
	-19,465	-52,594	-16,126	11,104

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2013 are as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	3,122,879	EUR	[4.95% - -0.23%]	[5.50% - -0.23%]
Interest rate swaps	209,910	USD	[5.82% - 5.79%]	[3.85% - 3.35%]
Interest rate swaps	107,155	PLN	[5.41% - 3.30%]	[2.70% - 2.61%]
Currency and interest rate contracts				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.22% - 1.84%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	20,918	USD / BRL	6.94%	[1.69% - 1.62%]
CIRS (currency interest rate swaps)	69,099	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	146,759	EUR / PLN	[2.55% - 1.73%]	[0.29% - 0.25%]
CIRS (currency interest rate swaps)	45,403	EUR / BRL	[7.91% - 7.62%]	[0.29% - 0.22%]
CIRS (currency interest rate swaps)	281,833	EUR / CHF	[4.52% - 2.93%]	[4.01% - 3.51%]
CIRS (currency interest rate swaps)	500,000	USD / EUR	[5.36% - 5.33%]	4.13%
Exchange rate contracts				
Currency forwards	215,112	BRL / USD		

The effective interest rates of the derivative financial instruments relating to financing operations at 31 December 2012 were as follows:

	Group			
	Notional Euro'000	Currency	EDP Pays	EDP Receives
Interest rate contracts				
Interest rate swaps	2,687,645	EUR	[5.01% - -0.34%]	[5.50% - -0.34%]
Interest rate swaps	238,584	USD	[5.82% - 5.79%]	[4.01% - 3.51%]
Interest rate swaps	98,350	PLN	5.41%	4.22%
Currency interest rate				
CIRS (currency interest rate swaps)	730,314	EUR / GBP	[4.21% - 2.15%]	[8.63% - 6.63%]
CIRS (currency interest rate swaps)	25,204	USD / BRL	8.19%	[1.81% - 1.78%]
CIRS (currency interest rate swaps)	79,255	USD / JPY	6.80%	3.11%
CIRS (currency interest rate swaps)	134,010	EUR / PLN	[3.84% - 3.16%]	0.19%
CIRS (currency interest rate swaps)	45,403	EUR / BRL	[5.65% - 5.38%]	[0.22% - 0.19%]
CIRS (currency interest rate swaps)	281,833	EUR / CHF	[4.48% - 2.91%]	[4.01% - 3.51%]
Exchange rate contracts				
Currency forwards	240,313	BRL / USD		

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44. COMMITMENTS

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

	Group		Company	
Thousands of Euros	Dec 2013	Dec 2012	Dec 2013	Dec 2012
Financial guarantees				
EDP, S.A.	241,196	312,237	241,196	312,237
HC Energia Group	4,005	37,539	-	-
EDP Brasil Group	1,061,209	867,623	-	-
Other	6,022	7,122	-	-
	1,312,432	1,224,521	241,196	312,237
Operating guarantees				
EDP, S.A.	599,502	745,324	599,502	745,324
HC Energia Group	338,059	334,226	-	-
EDP Brasil Group	375,682	433,613	-	-
EDP Renováveis Group	867,846	1,208,810	-	-
Other	9,224	9,272	-	-
	2,190,313	2,731,245	599,502	745,324
Total	3,502,745	3,955,766	840,698	1,057,561
Real guarantees	21,739	29,504	-	-

The financial guarantees contracted include, at 31 December 2013 and 2012, 1,264,945 thousands of Euros and 1,139,074 thousands of Euros, respectively, relating to loans obtained by Group companies and already included in the consolidated debt.

EDP and its subsidiaries are required to provide bank or corporate guarantees for the current generation and distribution activities. The total guarantees outstanding include, at 31 December 2013 and 2012, 299,470 thousands of Euros and 397,266 thousands of Euros, respectively, of guarantees provided to market operators to enable EDP and its subsidiaries to participate in the energy markets.

Operating guarantees contracted include, as at 31 December 2013 and 2012, 303,182 thousands of Euros and 494,327 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.

As at 31 December 2013, guarantees include 294,144 thousands of Euros and 216,013 thousands of Euros, related to Jari and Cachoeira Caldeirão, respectively, which are classified as Assets and Liabilities Held for Sale (note 42).

Real guarantees, as at 31 December 2013, include 1,915 thousands of Euros (31 December 2012: 9,615 thousands of Euros) related with guarantees provided to projects and loans obtained in Brazil.

Regarding the information disclosed above:

i) The Group also has project finance loans with usual guarantees for these loans, namely pledges or promissory pledges over shares, bank accounts and assets relating to the projects. At 31 December 2013 and 2012 these loans amounted to 985,551 thousands of Euros and 1,018,578 thousands of Euros, respectively, and are included in the Group's consolidated debt (see note 35);

ii) EDPR NA is providing its tax equity investors with standard corporate guarantees typical of these agreements to indemnify them against costs they may incur as a result of fraud, wilful misconduct or a breach of EDPR NA of any operational obligation under the tax equity agreements. As at 31 December 2013 and 2012, EDPR's obligations under the tax equity agreements, in the amount of 803,006 thousands of Euros and 901,301 thousands of Euros, are reflected in liabilities under the Institutional Partnerships in USA wind farms;

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

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

	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)	24,195,249	4,958,608	8,093,550	6,143,530	4,999,561
Finance lease commitments	7,564	3,422	3,776	366	-
Operating lease commitments	771,522	46,090	61,304	59,038	605,090
Purchase obligations	22,248,682	4,191,480	4,944,893	3,141,657	9,970,652
Other long term commitments	2,285,923	265,599	513,292	476,716	1,030,316
	49,508,940	9,465,199	13,616,815	9,821,307	16,605,619

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

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

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

As at 31 December 2013, short and long term financial debt (including interest) includes 641,076 thousands of Euros related to Jari and Cachoeira Caldeirão financial debt and falling due interest, which are classified as Assets and Liabilities Held for Sale (note 42).

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

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

Other long term commitments relate to Group's liabilities relating to pension and Medical plans and other benefits, classified as beneficts to employees in the consolidated statement of financial position (see note 36).

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As at 31 December 2013, the EDP Group has the following liabilities/rights arising from call and put options on investments:

- Put option of Liberbank (Ex-Cajastur) over EDP for 0.13% of the share capital of HC Energia, this option can be exercised until 31 December 2017;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over Liberbank for "Quinze Mines" share capital (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 17 July 2014 and 17 July 2016, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the shares held by Liberbank for the companies "Sauvageons", "Le Mee" and "Petite Piece" (51% of total share capital). Liberbank has an equivalent put option over EDP. These options can be exercised between 1 January 2013 and 31 December 2014, being the price of exercising the option determined by an investment bank valuation process;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a call option over the remaining shareholders of Re Plus (WPG, Galilea and Grant Partners) for 10% of its share capital. The price of exercising these options is 7,500 thousands of Euros. The options can be exercised (i) if a change occur in the shareholding structure of the remaining shareholders of Re Plus and (ii) always before the last project starts in operation;
- EDP holds, through its subsidiary EDP Renewables Europe, S.L., a put option of 15% of the share capital of Rowy, over the other shareholders. The exercise price is 80% of equity value with a cap of 5,000 thousands of Euros. The exercise period is the earlier of (i) two years following the beginning of construction date or (ii) 31 December 2019;
- 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 South África Wind & Solar Power, S.L., a call option of an aditional 42,5% of the share capital of Modderfontein Wind Energy Project, Ltd., which exercise price corresponds to the amounts contributed by the other partner in the Modderfontein project development. This option can be exercised from the date of the agreement until 45 calendar days before the deadline for submission of tenders for the next auction of energy;
- 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.

45. SHARE BASED PAYMENTS

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

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

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

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

	Option activity	Weighted average exercise price (Euros)
Balance as at 31 December 2011	605,477	2.22
Options exercised	-	
Options granted	-	
Options expired	38,276	
Balance as at 31 December 2012	567,201	2.21
Options exercised	416,511	
Options granted	-	
Options expired	-	
Balance as at 31 December 2013	150,690	2.21

Information regarding stock options as at 31 December 2013, is analysed as follows:

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable	Fair value options
150,690	2.21	0.33	150,690	132,862

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During 2013 no stock options cost was recognised as the past service cost of granted options was recognised in prior years.

During 2013, EDP Group granted treasury stocks to employees (760,900 shares) totalling 1,886 thousands of Euros.

46. RELATED PARTIES

Main shareholders and shares held by company officers

EDP - Energias de Portugal S.A. shareholder structure as at 31 December 2013 is analysed as follows:

	Nr. of Shares	% Capital	% Voting
China Three Gorges	780,633,782	21.35%	21.35%
Oppidum Capital, S.L.	263,046,616	7.19%	7.19%
Iberdrola Energia S.A.U.	243,395,875	6.66%	6.66%
José de Mello - SGPS, S.A.	168,097,034	4.60%	4.60%
Senfora, SARL	148,431,999	4.06%	4.06%
Grupo Millennium BCP and Pension Fund	96,167,974	2.63%	2.63%
Sonatrach	87,007,433	2.38%	2.38%
Qatar Investment Authority	82,868,933	2.27%	2.27%
Capital Income Builder	75,401,327	2.06%	2.06%
Income Fund of America	73,654,630	2.01%	2.01%
BlackRock, Inc.	73,268,245	2.00%	2.00%
EDP Group (Treasury stock)	27,597,268	0.75%	
Remaining shareholders	1,536,966,599	42.04%	
	3,656,537,715	**100.00%**	

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

	2013 Nr. of shares	2012 Nr. of shares
General and Supervisory Board		
Eduardo de Almeida Catroga	1,375	1,375
China Three Gorges Corporation (represented by Dingming Zhang)	780,633,782	780,633,782
China International Water & Electric Corp. (represented by Guojun Lu)	-	-
China Three Gorges New Energy Co. Ltd. (represented by Ya Yang)	-	-
CWEI (Europe) S.A. (represented by Shengliang Wu)	780,633,782	780,633,782
Parpública - Participações Públicas (SGPS) S.A.	-	151,517,000
Felipe Fernández Fernández (representing Cajastur Inversiones, S.A.)	-	-
José de Mello Energia, S.A. (represented by Luís Filipe da Conceição Pereira)	168,097,034	168,097,034
Luís Filipe da Conceição Pereira	1,459	1,459
Senfora SARL (represented by Mohamed Al Fahim)	148,431,999	148,431,999
Carlos Jorge Ramalho dos Santos Ferreira	-	40,000
Sonatrach (represented by Harkat Abderezak)	87,007,443	87,007,443
José Maria Espírito Santo Silva Ricciardi	-	-
Alberto João Coraceiro de Castro	4,578	4,578
António Sarmento Gomes Mota	-	-
Maria Celeste Ferreira Lopes Cardona	-	-
Fernando Maria Masaveu Herrero	263,046,616	44,188,463
Ilídio da Costa Leite de Pinho	-	-
Jorge Avelino Braga de Macedo	-	-
Manuel Fernando de Macedo Alves Monteiro	-	-
Paulo Jorge de Assunção Rodrigues Teixeira Pinto	-	-
Vasco Joaquim Rocha Vieira	3,203	3,203
Vitor Fernando da Conceição Gonçalves	-	3,465
Rui Eduardo Ferreira Rodrigues Pena	4,541	2,945
Augusto Carlos Serra Ventura Mateus	-	-
Nuno Manuel da Silva Amado	-	-

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

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Remuneration of company

In accordance with the Company's by-laws, the remuneration of company officers is set by a Remunerations Committee appointed by the Shareholders' General Meeting, except for the fixed and variable remuneration of the members of the Executive Board of Directors, which is set by a Remunerations Committee appointed by the General and Supervisory Board.

In 2013, the annual fixed and variable remuneration cost accounted for the members of the Executive Board of Directors (EBD) and the fixed remuneration of the General and Supervisory Board (GSB), was as follows:

Thousands of Euros	EBD	GSB
President	989	491
Members	4,589	1,249
	5,578	**1,740**

The remuneration costs accounted with the EBD, includes the amount of 1,469 thousands of Euros related to the annual variable remuneration. This amount was calculated considering the maximum potential variable remuneration for the year, in accordance with Remunerations Committee policy of the GSB, deducted from the correction of the accrual from the previous year compared with the amount paid.

Additionally the Remunerations Committee policy of the GSB, foresees in certain circunstances, a variable multi-annual remuneration to the EBD members, corresponding to the current mandate (2012-2014). On this basis, an estimated amount of 7,891 thousands of Euros was accrued.

During 2013 the remuneration costs of the members of the Remunerations Committee of the General Assembly amounted to 35,000 Euros.

In 2013, KPMG fees relating to external audit and statutory audit of all companies financial statements of the EDP Group, except EDP Brasil subgroup, amounted to 5,896,058 Euros. This amount includes 180,000 Euros for the fees of the Statutory auditor of EDP Energias de Portugal, S.A. Additionally, the total fees charged by KPMG for other assurance services, tax advisory and other services than audit amounted to 1,273,865 Euros, 484,600 Euros and 349,455 Euros, respectively.

Business operations between the Company and the members of the Executive Board of Directors and General and Supervisory Board with qualifying holdings and companies in the group or control relationship with EDP

In the course of its activity and regardeless their relevance, EDP concludes business and operations under normal market conditions for similar transactions with different entities, namely financial institutions, including holders of qualified shareholdings in EDP's share capital and those related parties.

On 11 May 2012, after the strategic partnership agreement concluded with China Three Gorges Corporation (CTG) came into effect in December 2011, this company (and three other group companies) became part of EDP's General and Supervisory Board.

Under the strategic partnership with China Three Gorges Corporation, on 28 June 2013 EDP Renováveis, S.A. sold for a total final price of 368 millions of Euros to a CTG Group company (CITIC CWEI Renewables S.C.A.) a 49% shareholding in EDP Renováveis Portugal and 25% of the shareholder loans capital and supplementary capital contributions under the applicable rules for additional contributions granded to this company.

Also under this partnership, on 6 December 2013, EDP Brasil signed a memorandum of understanding with CWE Investment Corporation (CWEI), a wholly owned subsidiary of CTG, setting out the main guidelines for a future partnership in joint investments between EDP Brasil and CWEI and that governs parties' participation in joint projects in Brazil. These investments by CWEI Brasil will be considered for purposes of fulfilment of the strategic partnership agreement in relation to the total investment of 2 billions of Euros to be made by CTG up to 2015 (including co-funding of operating investments) in ready-to-build operational renewable energy generation projects.

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 (see note 5). The maturity date of this loan is December 2022, bearing interest at a fixed rate of 5.5% and the interests are paid half-yearly. At 31 December 2013, this loan amounts to 99.414 thousands of Euros from which 8,818 thousands of Euros as current and 90,596 thousands of Euros as non-current (see note 40).

Balances and transactions with subsidiaries 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.

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

Credits

Thousands of Euros	December 2013 Group Financial	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

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

Debits

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

The amount of 10,500,930 thousands of Euros includes three intragroup bonds issuence by EDP Finance BV to EDP SA during 2013, in the total amount of 5,350,000 thousands of Euros, at medium-long term (5 to 7 years).

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

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

Expenses

Thousands of Euros	December 2013 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-309,912	-24,078	-333,990
EDP Produção	-	-	-1,083,232	-1,083,232
Empresa Hidroeléctrica do Guadiana	-	-	-50,084	-50,084
EDP Renewables Europe	-	-	-33,370	-33,370
Others	-318	-10,094	-122,525	-132,937
	-318	-320,006	-1,313,289	-1,633,613

Thousands of Euros	December 2012 Interest on Intra-Group Financial Mov.	Interest on Loans Obtained	Other Expenses	Total
EDP Finance BV	-	-228,450	-4,941	-233,391
EDP Produção	-333	-	-941,924	-942,257
HC Energia	-	-	-37,211	-37,211
Empresa Hidroeléctrica do Guadiana	-	-	-28,567	-28,567
Naturgás Comercializadora	-	-	-17,545	-17,545
Others	-766	-6,872	-79,578	-87,216
	-1,099	-235,322	-1,109,766	-1,346,187

Income

Thousands of Euros	December 2013 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	592	411	780,318	781,321
EDP Distribuição	16,896	158,773	229,857	405,526
EDP Gás.Com	376	-	170,296	170,672
EDP Produção	7,380	276,324	451,964	735,668
Others	2,668	27,124	469,684	499,476
	27,912	462,632	2,102,119	2,592,663

Thousands of Euros	December 2012 Interest on Intra-Group Financial Mov.	Interest on Loans Granted	Other Income	Total
EDP Comercial	1,688	1,441	566,431	569,560
EDP Distribuição	11,279	134,542	254,554	400,375
EDP Gás.Com	18	-	238,341	238,359
EDP Produção	2,190	247,862	328,233	578,285
HC Energia	-	-	199,567	199,567
Others	1,361	33,083	217,415	251,859
	16,536	416,928	1,804,541	2,238,005

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

Assets and liabilities

Thousands of Euros	December 2013 Assets	Liabilities	Net Value
Associates	350,214	766	349,448
Jointly controlled entities	54,596	14,973	39,623
	404,810	15,739	389,071

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

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Transactions

	December 2013			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	16,574	17,248	-1,714	-2,534
Jointly controlled entities	87,266	5,582	-35,748	-7
	103,840	22,830	-37,462	-2,541

	December 2012			
Thousands of Euros	Operating Income	Financial Income	Operating Expenses	Financial Expenses
Associates	15,448	11,378	-3,334	-3
Jointly controlled entities	74,910	636	-30,360	-514
	90,358	12,014	-33,694	-517

47. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value of financial instruments is based, whenever available, on listed market prices. Otherwise, fair value is determined through internal models, which are based on cash flow discounting techniques and option valuation models or through quotations supplied by third parties. These models are developed considering the market variables which affect the financial instruments, namely yield curves, exchange rates and volatility factors.

Market data is obtained from stock exchange and suppliers of financial data (Bloomberg and Reuters).

As at 31 December 2013 and 2012, the following table presents the interest rate curves of the major currencies to which the Group is exposed used for cash flow discount:

	31 December 2013			31 December 2012		
	Currency			Currency		
	EUR	USD	BRL	EUR	USD	BRL
3 months	0.29%	0.25%	10.50%	0.19%	0.31%	7.06%
6 months	0.39%	0.35%	10.79%	0.32%	0.51%	7.09%
1 year	0.56%	0.58%	11.06%	0.54%	0.84%	7.14%
2 years	0.52%	0.48%	11.93%	0.38%	0.39%	7.71%
3 years	0.73%	0.86%	12.49%	0.44%	0.48%	8.19%
4 years	1.00%	1.31%	12.75%	0.60%	0.64%	8.44%
5 years	1.25%	1.75%	12.91%	0.77%	0.83%	8.64%
6 years	1.48%	2.12%	12.96%	0.95%	1.06%	8.79%
7 years	1.68%	2.43%	13.07%	1.12%	1.27%	9.00%
8 years	1.85%	2.67%	13.12%	1.29%	1.47%	9.16%
9 years	2.01%	2.87%	13.18%	1.43%	1.65%	9.22%
10 years	2.15%	3.03%	13.20%	1.57%	1.81%	9.33%

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

	Group Dec 2013			Group Dec 2012		
Thousands of Euros	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
Available for sale investments	212,483	212,483	-	181,298	181,298	-
Trade receivables	2,307,292	2,307,292	-	2,377,203	2,377,203	-
Debtors / other assets from commercial activities	5,016,401	5,016,401	-	4,788,421	4,788,421	-
Other debtors and other assets	615,938	615,938	-	554,407	554,407	-
Derivative financial instruments	217,294	217,294	-	276,840	276,840	-
Financial assets at fair value through profit or loss	4,217	4,217	-	390	390	-
Collateral deposits / financial debt	449,336	449,336	-	428,496	428,496	-
Cash and cash equivalents	2,180,122	2,180,122	-	1,695,336	1,695,336	-
	11,003,083	11,003,083	-	10,302,391	10,302,391	-
Financial liabilities						
Financial debt	20,160,924	20,772,014	611,090	20,523,228	20,617,120	93,892
Suppliers and accruals	1,726,622	1,726,622	-	1,901,156	1,901,156	-
Institutional partnerships in USA wind farms	1,508,495	1,508,495	-	1,679,753	1,679,753	-
Trade / other payables from commercial activities	2,246,051	2,246,051	-	2,059,663	2,059,663	-
Other liabilities and other payables	422,872	422,872	-	569,637	569,637	-
Derivative financial instruments	191,060	191,060	-	208,243	208,243	-
	26,256,024	26,867,114	611,090	26,941,680	27,035,572	93,892

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Considering that EDP Group's structure of financial assets and liabilities booked at amortised cost has essentially a short term nature (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.

	31 December 2013			31 December 2012		
Thousands of Euros	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Available for sale investments	111,003	53,751	47,729	75,387	48,229	57,682
Derivative financial instruments	-	217,294	-	-	276,840	-
Financial assets at fair value through profit or loss	4,217	-	-	390	-	-
	115,220	271,045	47,729	75,777	325,069	57,682
Financial liabilities						
Derivative financial instruments	-	191,060	-	-	208,243	-
	-	191,060	-	-	208,243	-

As at 31 December 2013 and 2012, the movement in financial assets and liabilities included in Level 3 is analysed as follows:

	Available for sale investments	
Thousands of Euros	Dec 2013	Dec 2012
Balance at beginning of year	57,682	63,968
Change in fair value	-8,307	-4,544
Acquisitions	1,048	3,701
Disposals	-549	-1,126
Impairment	-1,533	-306
Transfers and other changes	-612	-4,011
Balance at year end	47,729	57,682

The assumptions used in the determination of Available for sale investments fair value are described in note 22, as stated in IFRS 13.

48. CO2 LICENCES

The movements in the CO2 licences portfolio are analysed as follows:

	Group	
CO2 (Ton)	Dec 2013	Dec 2012
CO2 licences as at 1 January	14,501,227	9,899,228
Licences granted free of charge	3,530,010	18,063,481
Licences purchased	9,128,762	5,201,575
Licences transferred (from own consumption to trading)	-3,740,077	-693,289
	23,419,922	32,470,995
Licences to be returned (consumed)	16,633,878	17,969,768
Excess/(Lack) of licences	6,786,044	14,501,227

Licences equivalent to total emissions during the civil year are returned to the regulatory entity of each country by the end of the fourth month of the subsequent year (see notes 18, 24 and 39).

The movements in the portfolio of CO2 licences held for trading and classified as inventories are analysed as follows:

	Group	
CO2 (Ton)	Dec 2013	Dec 2012
CO2 licences held for trading on 1 January	563,297	116,920
Licences acquired in the market	9,708,328	5,196,229
Emission licences transferred to the trading portfolio	3,740,077	693,289
Licences sold	-9,072,650	-5,443,141
CO2 licences held for trading on 31 December	4,939,052	563,297
CO2 licences for trading on 31 December (in thousands of Euros)	16,745	103

Purchases and sales of licences are booked based on the listed price on the transaction date. Emission licences transferred to the trading portfolios are classified as Inventories (see note 24), in accordance with Accounting policy - note 2 y).

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Fair value corresponds to the spot price (closing price) at the end of December in each year.

49. RELEVANT OR SUBSEQUENT EVENTS

Portuguese Government approves energy sector extraordinary contribution for 2014

The Portuguese Government approved on 31 December 2013, the state budget for 2014 approving the creation of an extraordinary contribution applicable to economic operators in the energy sector that develop the following activities: i) generation, transmission or distribution of electricity; ii) transport, distribution, storage or wholesale supply of natural gas; iii) refining, treatment, storage, transportation, distribution and wholesale supply of crude oil and oil products.

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

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

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

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

(iii) Wind farms; and

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

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

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

EDP issues U.S.$ 750,000,000 of notes

On 7 of January, EDP Finance BV launched and priced an offering of a total of 750,000,000 US Dollars of Rule 144A and Regulation S notes, maturing in January 2021 with a coupon of 5.25%.

The Notes were issued under EDP and EDP Finance B.V.'s Programme for the Issuance of Debt Instruments (MTN), and an application for the Notes admitted to official listing on the Irish Stock Exchange.

The proceeds of the offering will be used to fund EDP's general corporate purposes.

Morgan Stanley, RBS, Société Générale Corporate & Investment Banking, UBS Investment Bank and Espírito Santo Investment Bank acted as Joint Lead Managers on the transaction.

Fitch maintains EDP on rating watch negative

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

Fitch placed EDP on RWN in July 2013, together with other utilities exposed to the Spanish electricity market, following the introduction by the Spanish government of regulatory changes affecting the remuneration of electricity sector activities including electricity distribution and renewable generation assets. The maintenance of RWN reflects that although Fitch currently anticipates that EDP's credit metrics could remain commensurate with the current ratings there remains an element of uncertainty. Fitch further states it will review its expectations once the outstanding details on the remuneration of renewables and company's updated strategy are available.

EDP Renováveis executes project finance for its first project in Canada

On 16 January, EDP Renováveis, S.A. (EDPR) has executed a project finance structure agreement for its first wind farm in Canada. The South Branch project located in Ontario with an installed capacity of 30 MW has secured a 20 year Feed-in Tariff awarded by the Ontario Power Authority.

The long-term contracted debt facility amounts to 49 millions of Canadian dollars and the funding is expected to occur during the first quarter of 2014. EDPR financing strategy is to contract long-term debt in local currency at competitive prices in order to mitigate the refinancing risk and to reduce the foreign exchange risk by having a natural hedge between revenues and costs.

With the successful execution of its first wind project in Canada, EDPR adds to its portfolio a market with a low riskprofile and attractive wind resource and extends its geographical diversification to 11 markets around the world (US, Spain, Portugal, France, Belgium, Poland, Romania, UK, Italy, Brazil and Canada).

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Standard & Poor's affirms EDP's 'BB+' rating on stable outlook

On 28 January, Standard & Poor's Ratings Services (S&P) affirmed its 'BB+' long-term and 'B' short-term corporate credit ratings on EDP and EDP Finance B.V. and removed the longterm ratings from CreditWatch with negative implications. The outlook is stable.

The affirmation and removal from CreditWatch follows S&P's similar action on Portugal, on 17 January 2014. S&P stated that "outlook on EDP now reflects S&P's expectation that the utility's business risk and financial risk profiles will remain resilient to persistently difficult and uncertain market, economic, and regulatory conditions in its Portuguese and Spanish core markets." S&P also considers that "EDP's debt will continue gradually decreasing and its credit metrics will continue gradually strengthening in the next two years, thanks to additional asset sales, tariff deficit securitizations, and capex cuts".

A lowering of S&P's long-term rating on Portugal by up to two levels would leave the rating on EDP unchanged, all else remaining equal.

CTG Group enters partnership with EDP Brasil for construction of hydro power plant São Manoel

On 13 December 2013, Terra Nova Consortium, held in 66.6% by EDP – Energias do Brasil (EDP Brasil) and 33.3% by Companhia Furnas Centrais Elétricas S.A. (Furnas), obtained the concession for the São Manoel hydro power plant in the A-5 auction held by ANEEL. This hydro power plant, with an installed capacity of 700 MW will be built on the border of the Mato Grosso and Pará States, in the Teles Pires River.

In the context of the Memorandum of Understanding signed by EDP Brasil and CWE Investment Corporation (CWEI), on 6 December 2013, which establishes the key guidelines of a partnership aiming at future co-investments between EDP Brasil and CWEI, EDP Brasil signed, on 7 February 2014, a Purchase and Sale Agreement with CWEI (Brasil) Participações Ltda (CWEI Brasil), a subsidiary of CWEI, to sell 33.3% of the company holding the rights to develop São Manoel hydro power plant to CWEI Brasil.

CWEI Brasil will reimburse the costs incurred by EDP Brasil and assume future equity commitments until the end of the construction, also assuming the risks and benefits of the project in proportion of the acquired stake. The financing of the project considers long-term debt with leverage estimated up to 66% on an investment of 2.7 billions of Reais, not considering inflation and capitalized interest.

Under the terms of the Purchase and Sale Agreement, the conclusion of the transaction is subject to prior approval by the National Electric Energy Agency - ANEEL, Chinese regulatory bodies and the realization of other measures of corporate nature, necessary to the effectiveness of the transfer of control of the company's transactions' object, which is expected to occur by the second half of 2014.

The equity commitments made by CWEI Brasil shall be considered for the purposes of compliance with the Strategic Partnership signed between EDP and CTG, in relation to the total 2 billions of Euros investment by CTG (including co-funding CAPEX) in operating and ready-to-build renewable energy generation projects.

Iberdrola decreases its ownership interest in the share capital of EDP

On 10 February 2014, Iberdrola Energía, S.A. (Iberdrola) notified EDP regarding the sale of EDP's share capital in the NYSE Euronext Lisbon market. Currently, and following sales carried out since 31 December 2013 (including the aforementioned sale), Iberdrola holds 182,674,782 shares, corresponding to 4.996% of EDP's share capital and voting rights.

As a result of this transaction, Iberdrola decreased its position from 6.66% to 4.996% in EDP's share capital.

Additionally, Iberdrola has contracted financial derivatives for the sale of EDP shares representing approximately 2.9% of EDP's share capital. The last due date of these derivatives will take place on 7 May 2014.

Accordingly, at the due date of the last aforementioned derivatives, the participation of Iberdrola in the share capital of EDP will be around 2.1%.

EDP sells 138 millions of Euros of tariff deficit in Portugal

EDP Serviço Universal, S.A. (EDP SU), the last resort supplier of the Portuguese electric system, 100% owned by EDP Group, agreed on 10 February 2014 the sale of a portion of 138 millions of Euros, and the respective interest, of the 2013 tariff deficit related with special regime generation.

This tariff deficit resulted from the 5-year deferral of the recovery of the 2013 overcost with the acquisition of energy from special regime generation (including adjustments for 2011 and 2012) in the total amount of 1.4 billions of Euros, with an outstanding amount at the end of 2013 of 1.3 billions of Euros.

Norges Bank notifies qualified shareholding in EDP

On 13 February 2014, Norges Bank (The Central Bank of Norway) notified EDP that, in accordance with article 20 of the Portuguese Securities Code, it came to hold 81,506,689 ordinary shares of EDP, which corresponds to 2.23% of EDP's share capital and 2.23% of the respective voting rights.

The qualified shareholding resulted from the acquisition of 9,250,000 shares on 12 February 2014.

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Closing of asset rotation transaction in France

On 14 October 2013, EDP Renováveis S.A. has reached an agreement with Axpo Power AG and Centralschweizerische Kraftwerke AG, both subsidiaries of Axpo Group, to sell a 49% equity shareholding and outstanding shareholders loans in a wind farm portfolio of 100 MW located in France, which currently benefit from a feedin tariff regime. Based on thetransaction price, the total implied enterprise value for 100% of the assets amounts to 126 millions of Euros. The closing of this transaction occurred in February 2014.

50. RECENT ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED

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

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

The International Accounting Standards Board (IASB), issued in December 2011, amendments to IFRS 7 – Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application on 1 January 2013, being early adoption allowed.

With this change, the disclosures of financial instruments include information that will evaluate the effect or potential effect of the compensation arrangements, including the countervailing duties recognised as assets and financial liabilities in the statement of financial position.

No significant impact on the financial statement disclosures in the Group, resulted from the adoption of this amendment.

IFRS 13 - Fair Value Measurement

The International Accounting Standards Board (IASB), issued in May 2011, IFRS 13 - Fair Value Measurement, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption.

This standard presents a revised concept of fair value and determines new disclosure requirements. However, it does not change the requirement of the fair value's measurement or disclosures.

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

IAS 1 (Amended) - Presentation of Financial Statements

The International Accounting Standards Board (IASB), issued in June 2011, IAS 1 (Amended) - Presentation of Financial Statements: Presentation of items of other comprehensive income, with effective date of mandatory application for periods beginning on or after 1 July 2012, being allowed its early adoption.

The principal changes are the following:

- the amendments retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements;

- items of other comprehensive income, and the respective tax effect, are required to be grouped into those that will and will not subsequently be reclassified to profit or loss.

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

IAS 19 (Amended) - Employee Benefits

The International Accounting Standards Board (IASB), issued in June 2011, IAS 19 (Amended) - Employee Benefits, with effective date of mandatory application for periods beginning on or after 1 January 2013, being allowed its early adoption.

Under this standard, the Group determines the net interest expense (income) on the defined benefit liability (asset) for the period using the same discount rate as when computing the defined benefit liability at the beginning of the annual period, taking into account every change that occurred in the defined benefit liability (asset) as a result of contributions and benefit payments.

Consequently, the net interest on the net defined benefit liability (asset) comprises:

- interest cost on the defined benefit liability;

- interest income on plan assets; and

- interest on the asset ceiling effect.

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

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Annual Improvement Project (2009-2011)

In May 2012, IASB published the Annual Improvement Project that implied changes to the standards. However, the effective date of the referred changes is 1 January 2013, being early adoption allowed. The changes are the following:

- Amendment to IAS 1 - Presentation of Financial Statements. This change clarifies the difference between voluntary additional comparative information and the minimum required comparative information in cases of retrospective statements, reclassifications and changes in accounting policies. Generally, the minimum required comparative information is the previous period.

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

- Amendment to IAS 16 - Property, Plant and Equipment. This amendment clarifies that if spare parts and servicing equipment meet the definition of property, plant and equipment, should not be classified as inventory.

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

- Amendment to IAS 32 - Financial Instruments: Presentation. The amendment clarifies that income taxes arising from distributions to equity holders are accounted in accordance with IAS 12 - Income taxes.

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

- Amendment to IAS 34 - Interim Financial Reporting. The amendments align the disclosure requirements for total segment assets with total liabilities in interim financial statements, ensuring that interim disclosures are aligned with annual disclosures in relation to the changes of profit and losses account and other comprehensive income.

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

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

IFRS 10 - Consolidated Financial Statements

The International Accounting Standards Board (IASB), issued in May 2011, IFRS 10 - Consolidated Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This standard introduces a new approach in determining which investments should be consolidated, replacing IAS 27 - Consolidated and Separate Financial Statements and SIC 12 - Consolidation SPE. This standard establishes a single model to be applied in assessing the existence of control over subsidiaries, where an investor has control over a subsidiary when it is exposed, or has the right, to variable returns arising from its involvement in the subsidiary and has the ability to influence these returns because of the power over it. Additionally, was introduced the concept of "de facto control".

Therefore, the companies included as at 31 December 2013 under the full consolidation method and that will start to be consolidated under the equity method are disclosed in Annex I.

IFRS 11 - Joint Arrangements

The International Accounting Standards Board (IASB), issued in May 2011, IFRS 11 - Joint Arrangements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This standard superseded IAS 31 - Interests in Joint Ventures and introduces several changes for accounting jointly controlled investments, the main aspect is the elimination of the option to consolidate joint ventures by the proportional method, being the equity method mandatory.

The structure of a joint agreement ceases to be the main factor in determining the accounting model to adopt. The classification of a joint agreement requires the identification and evaluation of the structure, legal form of the contractual agreement and other facts and circumstances.

Therefore, the companies included as at 31 December 2013 under the the proportional consolidation method and that will start to be consolidated under the equity method are disclosed in Annex I.

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IFRS 12 - Disclosure of Interests in Other Entities

The International Accounting Standards Board (IASB), issued in May 2011, IFRS 12 - Disclosure of Interests in Other Entities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

The information disclosed has to help users of the financial statements evaluate the nature and risks associated with its interests in other entities and the effects of those interests on the financial statements. The main issues considered are as follows:

- for the interests in subsidiaries, it should be disclosed: (i) the composition of the group; (ii) non-controlling interests; (iii) significant restrictions on the parent's ability to access or use the assets and settle the liabilities of its subsidiares; (iv) the nature of, and changes in, the risks associated with interests in consolidated structured entities; and (v) changes in its ownership interest that did or did not result in a loss of control during the reporting period;

- for the interests in joint arrangements and associates, it should be disclosed: (i) the nature, extent and financial effects of its interests in joint arrangements and associates, including information about contractual relationships with other parties; and (ii) the nature of, and the changes in, the associated risks with its interests in joint ventures and associates;

- for the interests in unconsolidated structured entities, it should be disclosed: (i) the nature and the extent of its interests in unconsolidated structured entities; and (ii) the evaluation of the nature and changes in the risks associated with the interests in unconsolidated structured entities.

The Group is evaluating the impact of adopting this standard.

IAS 27 (Amended) - Separate Financial Statements

The International Accounting Standards Board (IASB), issued in May 2011, IAS 27 (Amended) - Separate Financial Statements, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

The amendment to IAS 27 in 2011 resulted from the Board's project on consolidation. A new IFRS, IFRS 10 - Consolidated Financial Statements, addresses the principle of control and requirements relating to the preparation of consolidated financial statements. As a result, IAS 27 now contains requirements relating only to separate financial statements. This change is reflected in the standard's amended title, Separate financial statements.

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

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

The International Accounting Standards Board (IASB), issued in May 2011, IAS 28 (Amended) - Investments in Associates and Joint Ventures, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment to IAS 28 (2003) describes the accounting treatment to be adopted by the investor in associates and joint ventures, defining the accounting requirements for applying the equity method for both associates and joint ventures.

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

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

The International Accounting Standards Board (IASB), issued in December 2011, IAS 32 (Amended) - Financial Statements: Presentation - Offsetting Financial Assets and Financial Liabilities, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment clarifies the required conditions to be met in order to present the net position of the financial assets and liabilities in the financial position of an entity, as follows: (i) the entity currently has a legally enforceable right to set off the recognized amounts, and (ii) the entity has the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

The International Accounting Standards Board (IASB), issued in May 2013, IAS 36 (Amended) Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment removes the requirement to disclose recoverable amounts of an asset or a cash-generting unit when there has been no impairment or reversal of impairment. When an impairment is recognised or reversed and the recoverable amount is based on fair value less costs of disposal, the following should be disclosed:

- the level of the IFRS 13 fair value hierarchy within which the fair value measurement of the asset or has been determined;

- for fair value measurements at level 2 or 3 of the fair value hierarchy: (ii) a description of the valuation techniques used and any changes in that valuation technique; and (ii) key assumptions used in the measurement of fair value, including the discount rate(s) used in the current and previous measurement if fair value less costs of disposal is measured using a present value technique.

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

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

The International Accounting Standards Board (IASB), issued in June 2013, IAS 39 (Amended) - Financial Instruments: Novation of Derivatives and Continuation of Hedge Accounting, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

This amendment clarifies that the novation of a hedging instrument should not be considered an expiration or termination resulting of the discontinuation of hedge accounting when the instrument is novated:

- as a consequence of laws and regulations, or the introduction of laws and regulations, one or more clearing counterparties replace the original counterparty; and

- changes in the terms of the novation process are limited to those necessary to effect the replacement of the counterparty (for example: changes in all collateral requirements, rights to offset receivables and payables balances and charges levied).

Any changes on derivative's fair value arising fom the novation process sould be reflected in its measurement and therefore in the and assessment of the hedge effectiveness.

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

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

The International Accounting Standards Board (IASB), issued in October 2012, Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption.

IASB defines the term "investment entity" as an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both, and must evaluate the performance of its investments on a fair value basis.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries ar fair value through profit or loss, rather than consolidate them. These amendments also set out the disclosure requirements for investment entities.

No significant impact in the Group is expected from the adoption of these amendments.

IFRS 9 - Financial Instruments

The International Accounting Standards Board (IASB), issued in November 2009, IFRS 9 - Financial instruments part I: Classification and measurement, with effective date of mandatory application for periods beginning on or after 1 January 2015, being allowed its early adoption. This standard, changed in October 2010, has not yet been adopted by the European Union.

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This standard is included in phase I of the IASB's comprehensive project to replace IAS 39 and relates to issues of classification and measurement of financial assets. The main issues considered are as follows:

- the financial assets can be classified in two categories: at amortised cost or at fair value. This decision will be made upon the initial recognition of the financial assets. Its classification depends on how the entity presents these financial assets and the contractual cash flows associated to each financial asset in the business;

- debt instruments can only be measured at amortised cost when the contractual cash-flows represent only principal and interest payments, which means that it contains only basic loan features, and for which an entity holds the asset to collect the contractual cash flows. All the other debt instruments are recognised at fair value;

- equity instruments issued by third parties are recognised at fair value with subsequent changes recognised in the profit and loss. However an entity could irrevocably select equity instruments at initial recognition for which fair value changes and the realised gain or loss are recognised in fair value reserves. Gains and losses recognised in fair value reserves can not be recycled to profit and loss. This is a discretionary decision, and does not imply that all the equity instruments should be treated on this basis. The dividends received are recognised as income for the year;

- the exemption that allows unquoted equity investments and related derivatives to be measured at cost, under IAS 39, is not allowed under IFRS 9; and

- changes in fair value attributable to own credit risk of financial liabilities classified as fair value through profit or loss, shall be recognised in Other comprehensive income. The remaining fair value changes related to these financial liabilities shall be recognised through profit or loss. The amounts recognised in Other comprehensive income shall not be reclassified/transferred to profit and loss.

The Group is evaluating the impact of adopting this standard.

IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions

The International Accounting Standards Board (IASB), issued in November 2013, IAS 19 (Amended) - Employee Benefits: Defined Benefit Plans - Employee Contributions, with effective date of mandatory application for periods beginning on or after 1 July 2014, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This amendment allows for:

- contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service; and

- other contributions made by employees or third parties to be attributed to periods of service either using the plan's contribution formula or on a straight-line basis.

The Group is evaluating the impact of adopting these amendments.

IFRIC 21 - Levies

The International Accounting Standards Board (IASB) issued, in May 2013, IFRIC 21 - Levies, with effective date of mandatory application for periods beginning on or after 1 January 2014, being allowed its early adoption. This standard has not yet been adopted by the European Union.

This interpretation clarifies:

- a levy is a payment made to a government for which an entity receives no specific goods or services;

- the obligating event is the activity that binds the entity to pay the levy which is typically specified in legislation enacting the levy;

- a liability to pay a levy to a government should only be recognised when an obligating event has occurred. While levies may be calculated based on past performance (such as generating revenue) that itself is a necessary, but not a sufficient condition to recognise a liability.

No significant impact in the Group is expected from the adoption of this interpretation.

Annual Improvement Project (2010-2012)

In December 2013, the IASB published the Annual Improvement Project that implied changes to the standards. These are effective for annual periods beginning on or after 1 July 2014, being early adoption allowed. This project has not yet been adopted by the European Union.

• Amendment to IFRS 2 - Share-based Payments. The definition of vesting and market' conditions was amended. Additionally it defines the terms of performance condition and service condition (which were previously part of the definition of vesting condition).

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

• Amendment to IFRS 3 - Business Combinations. This amendment clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

No impact in the Group is arising from the adoption of this amendment.

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• Amendment to IFRS 8 - Operating Segments. The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are presented to the chief operation decision-maker.

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

• Amendment to IFRS 13 - Fair Value Measurement. This amendment clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 does not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoiced amounts without discounting if the effect of not discounting is immaterial.

No impact in the Group is arising from the adoption of this amendment.

• Amendment to IAS 16 - Property, Plant and Equipment. This amendment clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

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

• Amendment to IAS 24 - Related Party: Disclosures. The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

No significant impact on the financial statement disclosures in the Group, is expected from the adoption of this amendment.

• Amendment to IAS 38 - Intangible Assets. This amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

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

Annual Improvement Project (2011-2013)

In December 2013, IASB published the Annual Improvement Project that implied changes to the standards. These are effective for annual periods beginning on or after 1 July 2014, being early adoption allowed. This project has not yet been adopted by the European Union.

• Amendment to IFRS 1 - First-time Adoption of International Financial Reporting Standards. This amendment clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective. An entity is required to apply the same version of the IFRS throughout the periods covered by those first IFRS financial statements.

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

• Amendment to IFRS 3 - Business Combinations. This amendment clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

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

• Amendment to IFRS 13 - Fair Value Measurement. This amendment clarifies that the scope of the portfolio exception includes all contracts accounted for within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32.

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

• Amendment to IAS 40 - Investment Property. This amendment clarifies that this standard and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether: (i) the property meets the definition of investment property in IAS 40; and (ii) the transaction meets the definition of a business combination under IFRS 3.

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

51. 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.

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

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

The condensed statement of financial position of the Branch as at 31 December 2013 and 2012 is analysed as follows:

	EDP Branch	
Thousands of Euros	Dec 2013	Dec 2012
Investments in subsidiaries:		
- EDP Renováveis, S.A.	2,939,889	2,939,889
- Hidroeléctrica del Cantábrico, S.A. (HC Energia)	2,087,871	1,981,798
- EDP Servicios Financieros (España), S.A.	482,695	482,695
- EDP Investments and Services, S.L.	281,854	281,854
- Other	-	60
Deferred tax assets	9,481	54,636
Other debtors and others assets	63,467	129,006
Total Non-Current Assets	5,865,257	5,869,938
Trade receivables	9,168	10,985
Debtors and other assets	197,514	325,212
Tax receivable	92,169	43,943
Cash and cash equivalents	1,407	361
Total Current Assets	300,258	380,501
Total Assets	6,165,515	6,250,439
Equity	3,529,730	2,515,135
Trade and other payables	2,439,880	3,006,023
Provisions	3,518	-
Total Non-Current Liabilities	2,443,398	3,006,023
Trade and other payables	191,461	726,998
Tax payable	926	2,283
Total Current Liabilities	192,387	729,281
Total Liabilities	2,635,785	3,735,304
Total Equity and Liabilities	6,165,515	6,250,439

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52. ENVIRONMENTAL MATTERS

Expenses of an environmental nature are those identified and incurred to avoid, reduce or repair damage of an environmental nature resulting from the company's normal activity.

Expenses of an environmental nature are recorded as expenses for the year, except if they qualify for capitalization under the terms of IAS 16.

Investments of an environmental nature recorded as Property, plant and equipment assets during the years 2013 and 2012 are analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Air and climate protection	6,731	4,573
Water management	238	285
Waste management	304	466
Soil, subterranean and surface water protection	3,980	1,679
Noise and vibration reduction	361	141
Biodiversity protection	13,422	8,883
Landscape protection	1,415	6,147
Energetic efficiency	1,949	1,228
Research and development in the environmental area	13	21
Other environmental management and protection activities	15,097	8,214
	43,510	31,637

Investments recognised in Air and climate protection as Property, plant and equipment in 2013 include costs incurred by EDP Produção of 6,232 thousands of Euros (31 December 2012: 4,172 thousands of Euros). The main assets correspond to gas desulphurisation and denitrification equipments of the Sines thermoelectric plant, which at 31 December 2013, have a net book value of 235 millions of Euros (31 December 2012: 248 millions of Euros).

During the year, the Group recognised expenses that are analysed as follows:

	Group	
Thousands of Euros	Dec 2013	Dec 2012
Air and climate protection	7,483	6,958
Water management	9,354	1,946
Waste management	12,403	4,528
Soil, subterranean and surface water protection	3,747	4,861
Noise and vibration reduction	52	133
Biodiversity protection	4,279	5,413
Landscape protection	47	1,930
Energetic efficiency	7,867	4,116
Radiations management	7	7
Research and development in the environmental area	440	481
Other environmental management and protection activities	12,292	18,504
	57,971	48,877

Under current and future socioeconomic trends and practices followed by the EDP Group regarding to sustainability and environment, the group accounts for provisions to cover the costs of dismantling, decommissioning, restoring and decontaminating land where electric power plants are located, of 60,080 thousands of Euros and 23,344 thousands of Euros for electric power plants located in Portugal and Spain, respectively. Regarding the liability to dismantle and restore the land where wind farms are located to its original condition, as at 31 December 2013, the provisions amount to 66,468 thousands of Euros. Additionally, the provision to dismantle the Trillo nuclear power plant amounts to 19,188 thousands of Euros (see notes 2 o) and 37).

During the year 2013, the EDP Group incurred in fines and other penalties for breaching environmental regulations and indemnities to third parties related to damages caused in the past with pollution of 236 thousands of Euros (31 December 2012: 2,218 thousands of Euros).

Environmental income recognised in 2013 relates to the sale of by-products of 2,039 thousands of Euros (31 December 2012: 2,797 thousands of Euros) and the sale of environmental waste of 2,224 thousands of Euros (31 December 2012: 1,971 thousands of Euros).

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53. 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 442,692 thousands of Euros. The transaction was performed by the amount of 450,000 thousands of Euros, net of expenses, generating a gain of 22,510 thousands of Euros. This transaction also involved the acquisition by EDP Serviço Universal Service of Class R Notes issued by Tagus at par value in the amount of 400 thousands of Euros and Liquidity Notes issued by Tagus at par value in the amount of 4,695 thousands of Euros, both maturing in 2017. These Notes are instruments that aim to establish a settlement account and a reserve for administrative expenses and are booked under financial assets at fair value through profit or loss, by the net amount of 4,141 thousands of Euros, as at 31 December 2013.

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

54. 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);
• EDP Produção Bioléctrica, S.A.;
• Fisigen - Empresa de Cogeração, S.A.

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

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

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

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

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

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

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 and liabilities to those power plants.

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

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.

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In 2013, the EDP Group changed the information disclosed by Operating Segment, according to the mentioned above criteria. To be comparable, the information as of 31 December 2012 has been restated to reflect the changes occurred in 2013.

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

55. EXPLANATION ADDED FOR TRANSLATION

These financial statements are a free translation of the financial statements originally issued in Portuguese in accordance with International Financial Reporting Standards as adopted by the European Union. In the event of discrepancies, the Portuguese language version prevails.

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ANNEX I. Companies in the Consolidation perimeter

The subsidiary companies consolidated under the full consolidation method as at 31 December 2013 are as follows:

Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-13 Euro'000	Liabilities 31-Dec-13 Euro'000	Equity 31-Dec-13 Euro'000	Total Income 31-Dec-13 Euro'000	Net Profit / (Loss) 31-Dec-13 Euro'000	% Group	% Company
Group's parent holding company and Related Activities:										
Portugal:										
EDP - Energias de Portugal, S.A. (EDP Group Parent Company)	Lisbon	3,656,537,715	EUR	18,758,503	11,429,313	7,329,190	4,086,660	781,994	100.00%	-
Balwerk - Consultadoria Económica e Participações, Sociedade Unipessoal	Lisbon	5,000	EUR	287,575	212,154	75,422	19,017	1,150	100.00%	100.00%
CEO-Comp Energia Oceânica,S.A.	Póvoa do Varzim	65,435	EUR	3,071	1,420	1,651	1,103	-152	52.07%	-
EDP - Projectos SGPS, S.A.	Lisbon	50,000	EUR	153	220	-67	1	-23	100.00%	100.00%
EDP Estudos e Consultoria, S.A.	Lisbon	50,000	EUR	24,059	17,429	6,631	57,549	3,413	100.00%	100.00%
EDP Gás - SGPS, S.A.	Lisbon	73,200,000	EUR	277,655	139,850	137,804	18,084	4,175	100.00%	100.00%
EDP Imobiliária e Participações, S.A.	Lisbon	10,000,000	EUR	167,649	87,812	79,837	6,821	34,100	100.00%	100.00%
EDP Inovação, S.A.	Lisbon	50,000	EUR	24,395	21,557	2,839	4,773	401	100.00%	100.00%
EDP Internacional S.A.	Lisbon	50,000	EUR	23,164	29,190	-6,026	7,819	-7,384	100.00%	100.00%
EDP Ventures, SGPS, S.A.	Lisbon	50,000	EUR	15,751	10,277	5,474	34	-2,140	100.00%	-
ENAGÁS - SGPS, S.A.	Lisbon	299,400	EUR	15,723	14,663	1,059	503	200	60.00%	-
Labelec - Estudos, Desenvolvimento e Actividades Laboratoriais, S.A.	Sacavem	2,200,000	EUR	14,388	10,733	3,655	12,439	795	100.00%	100.00%
Sãvida - Medicina Apoiada, S.A.	Lisbon	450,000	EUR	21,101	13,859	7,242	32,989	3,551	100.00%	100.00%
SCS - Serviços Complementares de Saúde, S.A.	Lisbon	50,000	EUR	238	463	-225	348	-290	100.00%	-
Other Countries:										
EDP - Ásia Soluções Energéticas Limitada	Macao	1,500,000	MOP	136	-	136	-	-	100.00%	-
EDP ASIA - Investimento e Consultadoria , Limitada	Macao	200,000	MOP	62,227	23	62,204	11,194	10,168	100.00%	99.00%
EDP Finance BV	Amsterdam	2,000,000	EUR	16,182,053	16,053,902	128,151	866,603	-9,495	100.00%	100.00%
EDP Investments and Services, S.L.	Oviedo	4,702	EUR	459,722	74,542	385,180	42,796	34,234	100.00%	36.07%
EDP Servicios Financieros España, S.A.	Oviedo	10,300,058	EUR	1,390,602	881,086	509,516	88,247	42,617	100.00%	100.00%
Energia RE - Sociedade Cativa de Resseguro	Luxembourg	3,000,000	EUR	79,350	45,251	34,099	12,637	2,746	100.00%	100.00%
Electricity and Gas Activity - Portugal:										
Electricity Generation:										
EDP - Gestão da Produção de Energia, S.A.	Lisbon	1,263,285,505	EUR	8,349,966	6,179,424	2,170,542	1,486,780	289,669	100.00%	100.00%
Empresa Hidroeléctrica do Guadiana, S.A.	Lisbon	48,750,000	EUR	525,286	487,539	37,747	88,181	10,073	100.00%	-
Energin Azóia, S.A.	Lisbon	50,000	EUR	16,560	22,559	-5,999	41,292	-2,784	65.00%	-
FISIGEN - Empresa de Cogeração, S.A.	Lisbon	50,000	EUR	29,797	33,579	-3,782	28,655	-189	51.00%	-
Greenvouga - Soc. Gestora do Aproveitamento Hidroeléctrico de Ribeiradi	Lisbon	1,000,000	EUR	161,547	104,916	56,631	7,175	-80	100.00%	-
O&M Serviços - Operação e Manutenção Industrial, S.A.	Mortagua	500,000	EUR	3,410	2,896	514	6,360	-416	100.00%	100.00%
Pebble Hydro - Consultoria, Invest. e Serv., Lda.	Lisbon	5,100	EUR	138,932	136,023	2,909	28,939	11,949	100.00%	-
Tergen - Operação e Manutenção de Centrais Termoeléctricas, S.A.	Carregado	250,000	EUR	2,731	1,901	830	5,692	65	100.00%	-
Electricity Distribution:										
EDP Distribuição de Energia, S.A.	Lisbon	200,000,000	EUR	5,145,937	4,620,216	525,721	3,160,094	252,197	100.00%	100.00%
EDP MOP - Operação de Pontos de Carregamento de Mobilidade Eléctrica,	Lisbon	50,000	EUR	1,309	1,586	-277	113	-392	100.00%	-
Electricity Supply:										
EDP Comercial - Comercialização de Energia, S.A.	Lisbon	20,824,695	EUR	460,430	444,746	15,685	1,970,860	-10,058	100.00%	100.00%
EDP Serviço Universal, S.A.	Lisbon	10,100,000	EUR	3,024,713	2,961,481	63,232	4,592,825	-1,462	100.00%	-
EDP Serviços - Sistemas para a Qualidade e Eficiência Energética, S.A.	Lisbon	50,000	EUR	52,863	6,233	46,631	11,533	-442	100.00%	100.00%
EDP Serviner - Serviços de Energia, S.A.	Lisbon	50,000	EUR	4,218	3,126	1,092	9,194	547	100.00%	100.00%
Home Energy II, S.A.	Lisbon	50,000	EUR	8,954	1,477	7,477	3,458	-2,155	100.00%	-
Gas Distribution:										
EDP Gás Serviço Universal, S.A.	Oporto	1,049,996	EUR	50,251	34,971	15,281	72,745	2,569	71.97%	-
PORTGÁS - Soc. de Produção e Distribuição de Gás, S.A.	Oporto	7,909,150	EUR	427,354	271,654	155,700	102,158	16,912	71.97%	-
Gas Supply:										
EDP Gás GPL - Comércio de Gás de Petróleo Liquefeito,S.A.	Oporto	549,998	EUR	8,588	3,379	5,209	3,843	651	71.97%	-
EDP GÁS.Com - Comércio de Gás Natural, S.A.	Lisbon	50,000	EUR	62,763	52,223	10,540	207,214	3,438	100.00%	100.00%
Shared Services:										
EDP Soluções Comerciais, S.A.	Lisbon	50,000	EUR	156,370	157,638	-1,269	160,586	633	100.00%	100.00%
EDP Valor - Gestão Integrada de Serviços, S.A.	Lisbon	4,550,000	EUR	73,724	65,970	7,754	59,181	4,065	100.00%	100.00%
Other Activities:										
EDP Mediadora, S.A.	Lisbon	50,000	EUR	50	-	50	-	-	100.00%	-
SGORME-SGO Rede Mobilidade Eléctrica, S.A.	Lisbon	500,000	EUR	149	501	-352	4	-195	91.00%	-
Electricity and Gas Activity - Spain:										
Electricity Generation:										
Hidroeléctrica Del Cantábrico, S.L. (HC Energia Subgroup Parent Compan	Oviedo	597,799,940	EUR	6,631,276	3,483,034	3,148,243	2,220,796	299,464	100.00%	99.60%
Central Termica Ciclo Combinado Grupo 4, S.L.	Oviedo	2,117,000	EUR	168,269	250,288	-82,019	36,259	-17,759	75.00%	-
Cogeración Bergara, A.I.E. *	Bergara	450,000	EUR	1,122	440	682	1,999	-103	50.00%	-
Cogeración Montjuic, S.L.U.	Bilbao	1,250,000	EUR	2,683	-2	2,685	14	-12	100.00%	-
Cogeración Serantes, S.L.U.	Bilbao	2,750,000	EUR	6,358	-	6,358	572	534	70.00%	-
EDP Cogeneracion, S.L.	Oviedo	5,829,200	EUR	46,959	40,376	6,582	47,281	-3,766	100.00%	-
Energia e Industria de Toledo, S.A.	Oviedo	2,139,603	EUR	1,523	3,263	-1,740	6,464	-357	90.00%	-
HC Tudela Cogeneración, S.L. *	Oviedo	306,030	EUR	8,184	7,999	186	4,023	-134	50.10%	-
Millenium Energy, S.L.	Bilbao	130,260,000	EUR	1,524,196	762,501	761,695	41,343	9,559	100.00%	-
Electricity Distribution:										
Electra de Llobregat Energía, S.L.	Barcelona	300,000	EUR	5,436	5,374	62	201	-207	75.00%	-
Iberenergia, S.A.	Oviedo	60,200	EUR	60	8	52	-	-1	100.00%	-
Electricity Supply:										
EDP Comercializadora de Ultimo Recurso, S.A.	Oviedo	90,000	EUR	50,148	51,976	-1,828	147,414	-6,577	97.50%	-
EDP Empresa de Servicios Energeticos, S.L.	Oviedo	90,000	EUR	5,311	4,641	670	8,729	228	97.50%	-
EDP Energia Ibérica, S.A.	Madrid	60,200	EUR	17	13,376	-13,360	-	-	100.00%	-
Hidrocantábrico Distribucion Eléctrica, S.A.U.	Oviedo	44,002,000	EUR	898,788	570,777	328,011	247,325	78,658	100.00%	-
Hidrocantabrico Energia, S.A.U.	Oviedo	1,000,000	EUR	337,791	322,088	15,703	1,562,919	-21,407	100.00%	-
Gas Distribution:										
Naturgas Energia Grupo, S.A. (NG Energia Subgroup Parent Company)	Bilbao	296,385,957	EUR	1,799,678	634,484	1,165,194	361,011	66,686	95.00%	-
HC Energia Gas, S.L.	Oviedo	214,293,400	EUR	1,016,416	20,552	995,864	511,331	179,746	100.00%	-

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Electricity and Gas Activity - Spain:										
Gas Distribution:										
Naturgas Energía Distribución Murcia, S.A.	Murcia	61,414,185	EUR	154,369	88,098	66,271	24,801	7,947	94.98%	-
Naturgas Energia Distribución, S.A.U.	Bilbao	100,000,000	EUR	1,905,129	328,804	1,576,325	223,024	108,713	95.00%	-
Naturgas Energía Servicios, S.A.	Bilbao	60,200	EUR	7,905	7,154	751	11,465	539	95.00%	-
Gas Supply:										
Naturgas Energia Comercializadora, S.A.	Bilbao	8,942,249	EUR	298,033	302,878	-4,845	1,333,419	-15,976	95.00%	-
Shared Services:										
EDP Soluciones Comerciales, S.A.	Oviedo	60,300	EUR	15,969	15,870	99	69,276	42	97.50%	-
Other Activities:										
Cerámica Técnica de Illescas Cogeneración S.A.	Oviedo	62,247	EUR	534	2,701	-2,167	30	-262	90.00%	-
Iniciativas Tecnológicas de Valorizacón Energética de Residuos S.A.	Oviedo	2,996,022	EUR	8,281	8,347	-66	18,613	-3,529	100.00%	-
Renovamed, S.A.	Oviedo	60,200	EUR	-	-	-	1,228	972	75.00%	-
Sinova Medoambiental, SA	Oviedo	2,687,364	EUR	7,929	9,085	-1,155	19,081	-6,244	84.00%	-
Tratamientos Ambientales Sierra de La Tercia, S.A.	Oviedo	3,731,202	EUR	9,500	8,602	898	20,334	-5,402	88.00%	-
Electricity Activity - Brazil:										
Parent company and Related Activities:										
EDP Energias do Brasil, S.A. (EDP Brasil Subgroup Parent Company)	Sao Paulo	3,182,715,954	BRL	1,813,727	385,538	1,428,189	213,027	112,957	51.09%	-
EDP Grid Gestão de Redes Inteligentes de Distribuição, S.A.	Espirito Santo	8,342,530	BRL	1,341	326	1,015	10	257	51.09%	-
Electricity Generation:										
Companhia Energética do Jari - Ceja	Sao Paulo	144,473,746	BRL	250,088	227,035	23,053	8,420	-1,898	51.09%	-
Costa Rica Energética, Lda.	Sao Paulo	14,318,185	BRL	6,842	305	6,537	4,673	2,447	26.06%	-
ECE Participações, S.A.	Sao Paulo	361,647,000	BRL	324,317	215,595	108,723	10,410	568	51.09%	-
Empresa de Energia Cachoeira Caldeirão, S.A.		500	BRL	221,413	222,032	-618	2,522	-619	51.09%	-
Enercouto, S.A.	Sao Paulo	5,816,118	BRL	1,437	4	1,434	-	-43	51.09%	-
Energest, S.A.	Sao Paulo	263,435,676	BRL	239,437	74,117	165,320	107,785	33,227	51.09%	-
Enerpeixe, S.A.	Sao Paulo	882,627,748	BRL	580,769	177,574	403,195	152,879	67,294	30.65%	-
Investco, S.A.	Tocantins	804,458,842	BRL	406,557	66,430	340,127	70,078	24,620	20.83%	-
Lajeado Energia S.A.	Sao Paulo	306,867,541	BRL	478,868	190,467	288,400	193,374	50,297	28.54%	-
Pantanal Energética, Ltda	Sao Paulo	23,390,369	BRL	31,918	10,227	21,690	20,625	7,353	51.09%	-
Resende Engenharia e Assessoria, Ltda	Sao Paulo	10,071,318	BRL	4,200	1,194	3,006	-	-11	51.09%	-
Santa-Fé Energia, S.A.	Espirito Santo	86,371,000	BRL	52,591	19,627	32,963	9,519	3,848	51.09%	-
Terra Verde Bioenergia Participações S.A.	Sao Paulo	17,532,769	BRL	1	86	-85	61	-50	51.09%	-
Electricity Distribution:										
Bandeirante Energia, S.A.	Sao Paulo	339,628,684	BRL	777,506	428,755	348,751	952,099	57,828	51.09%	-
Escelsa - Espírito Santo Centrais Eléctricas, S.A.	Espirito Santo	376,021,630	BRL	748,635	530,825	217,810	751,439	40,385	51.09%	-
Electricity Supply:										
Enertrade - Comercializadora de Energia, S.A.	Sao Paulo	26,217,026	BRL	101,030	81,387	19,642	659,050	13,274	51.09%	-
Renewable Energy Activity:										
Parent company and Related Activities:										
EDP Renováveis, S.A. (EDP Renováveis Subgroup Parent Company)	Oviedo	4,361,540,810	EUR	5,936,076	703,596	5,232,480	287,227	56,999	77.53%	62.02%
EDP Renováveis Servicios Financieros, S.L.	Oviedo	84,691,368	EUR	3,904,442	3,470,327	434,115	252,311	41,656	77.53%	-
Europe Geography / Platform:										
Spain:										
EDP Renewables Europe, S.L. (EDPR EU Subgroup Parent Company)	Oviedo	249,498,800	EUR	3,331,765	729,140	2,602,625	425,878	277,569	77.53%	-
Acampo Arias,S.L.	Zaragoza	3,314,300	EUR	20,285	16,456	3,830	3,421	457	76.12%	-
Aplicaciones Industriales de Energías Limpias, S.L.	Zaragoza	131,288	EUR	1,391	7	1,384	1,351	1,345	47.68%	-
Aprofitament D'Energies Renovables de la Terra Alta, S.A.	Barcelona	1,994,350	EUR	908	42	866	262	-430	37.75%	-
Bon Vent de Corbera, S.L.	Barcelona	7,255,000	EUR	65,682	47,213	18,469	11,657	1,625	77.53%	-
Bon Vent de L'Ebre, S.L.	Barcelona	12,600,000	EUR	67,280	49,766	17,514	13,670	3,217	77.53%	-
Bon Vent de Vilalba, S.L.	Barcelona	3,600,000	EUR	59,773	54,796	4,976	11,607	1,225	77.53%	-
Ceprastur, A.I.E. *	Oviedo	360,607	EUR	419	19	400	-	-4	44.01%	-
Compañía Eólica Campo de Borja, S.A.	Zaragoza	857,945	EUR	1,434	215	1,218	517	189	58.79%	-
Desarrollo Eólico Almarchal, S.A.U.	Cadiz	2,061,190	EUR	17,281	11,836	5,444	3,243	667	77.53%	-
Desarrollo Eólico Buenavista, S.A.U.	Cadiz	1,712,369	EUR	9,327	5,030	4,297	2,442	1,058	77.53%	-
Desarrollo Eólico de Corme, S.A.	La Coruna	3,666,100	EUR	10,476	1,491	8,985	3,608	1,535	77.53%	-
Desarrollo Eólico de Lugo, S.A.U.	Lugo	7,761,000	EUR	72,317	47,403	24,914	16,683	6,065	77.53%	-
Desarrollo Eólico de Tarifa, S.A.U.	Cadiz	5,799,650	EUR	12,369	1,662	10,707	4,440	2,384	77.53%	-
Desarrollo Eólico Dumbria, S.A.U.	La Coruna	61,000	EUR	68,836	50,568	18,268	17,347	5,076	77.53%	-
Desarrollo Eólico Rabosera, S.A.	Huesca	7,560,950	EUR	31,582	17,979	13,603	7,498	3,319	73.72%	-
Desarrollos Catalanes Del Viento, S.L.	Barcelona	10,992,600	EUR	63,947	33,226	30,722	1,604	227	46.52%	-
Desarrollos Eolicos de Galicia, S.A.	La Coruna	6,130,200	EUR	13,895	2,302	11,593	3,983	1,573	77.53%	-
Desarrollos Eólicos de Teruel, S.L.	Zaragoza	60,100	EUR	404	344	60	18	-	39.54%	-
EDP Renovables España, S.L.	Madrid	8,061,000	EUR	985,395	459,445	525,951	87,059	48,219	77.53%	-
EDP Renováveis Cantábria, S.L.	Madrid	300,000	EUR	2,040	1,793	247	-	-23	77.53%	-
EDPR España Promoción y Operación, S.L.U.	Seville	306,510	EUR	343	-	343	-1,356	-7	77.53%	-
Eólica Alfoz, S.L.	Madrid	8,480,000	EUR	142,647	125,349	17,298	26,869	3,546	64.91%	-
Eólica Arlanzón, S.A.	Madrid	4,508,980	EUR	22,398	11,685	10,713	5,598	2,384	60.08%	-
Eólica Campollano S.A.	Madrid	6,559,994	EUR	83,734	55,334	28,400	20,815	6,725	58.15%	-
Eólica Curiscao Pumar, S.A.	Madrid	60,200	EUR	70,445	67,777	2,668	13,847	2,594	77.53%	-
Eólica de Radona, S.L.	Madrid	22,088,000	EUR	55,690	34,347	21,343	8,765	1,212	77.53%	-
Eólica Don Quijote, S.L.	Albacete	3,006	EUR	40,274	37,585	2,689	10,204	2,685	77.53%	-
Eólica Dulcinea, S.L.	Albacete	10,000	EUR	26,938	25,089	1,849	6,653	1,668	77.53%	-
Eólica Fontesilva, S.L.	La Coruna	6,860,000	EUR	41,638	30,187	11,451	6,723	659	77.53%	-
Eólica Garcimuñoz, S.L.	Madrid	4,060,000	EUR	45,878	30,443	15,435	4,201	-774	77.53%	-
Eólica Guadalteba, S.L.	Seville	1,460,000	EUR	175,519	164,147	11,372	32,670	3,960	77.53%	-
Eólica La Brújula, S.A.	Madrid	3,294,000	EUR	57,175	42,045	15,130	11,939	2,932	65.82%	-
Eólica La Janda, S.L.	Madrid	4,525,000	EUR	191,492	172,288	19,204	34,680	4,541	77.53%	-
Eólica La Manchuela, S.L.U.	Madrid	1,141,900	EUR	17,162	13,600	3,562	4,526	1,260	77.53%	-
Eólica La Navica, S.L.	Madrid	10,000	EUR	30,861	27,569	3,292	7,386	1,971	77.53%	-
Eólica Muxía, S.L.	La Coruna	23,480,000	EUR	23,488	-	23,488	39	27	77.53%	-
Eólica Sierra de Avila, S.L.	Madrid	12,977,466	EUR	111,873	78,689	33,184	14,906	-177	77.53%	-
Iberia Aprovechamientos Eólicos, S.A.U.	Zaragoza	1,918,728	EUR	23,794	20,991	2,803	4,788	575	77.53%	-
Industrias Medioambientales Río Carrión, S.A.	Madrid	15,124	EUR	2	597	-595	-	-	69.78%	-
Investigación y Desarrollo de Energías Renovables, S.L.	Leon	29,450,970	EUR	137,552	114,231	23,321	21,331	1,605	46.20%	-
Molino de Caragüeyes,S.L	Zaragoza	180,300	EUR	390	132	258	166	47	62.02%	-
NEO Energia Aragon, S.L.	Madrid	10,000	EUR	8	-	7	-	-	77.53%	-

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Renewable Energy Activity:										
Europe Geography / Platform:										
Spain:										
Parc Eólic de Coll de la Garganta, S.L.	Barcelona	6,018,010	EUR	38,876	21,702	17,174	3,919	-343	77.53%	-
Parc Eólic de Coll de Moro, S.L.	Barcelona	7,808,920	EUR	104,209	95,582	8,626	12,471	906	46.52%	-
Parc Eòlic de Torre Madrina, S.L.	Barcelona	7,754,897	EUR	95,651	83,891	11,759	13,490	1,892	46.52%	-
Parc Eòlic de Vilalba dels Arcs, S.L.	Barcelona	3,065,739	EUR	48,401	42,277	6,124	6,669	713	46.52%	-
Parc Eòlic Serra Voltorera, S.L.	Barcelona	3,458,010	EUR	25,564	15,791	9,773	4,018	515	77.53%	-
Parque Eólico Altos del Voltoya, S.A.	Madrid	6,434,349	EUR	31,861	9,241	22,620	8,793	2,192	47.29%	-
Parque Eólico Belchite S.L.	Zaragoza	3,600,000	EUR	36,740	26,969	9,771	9,690	2,951	77.53%	-
Parque Eólico la Sotonera, S.L.	Zaragoza	2,000,000	EUR	17,220	10,349	6,871	4,854	1,577	50.27%	-
Parque Eólico Los Cantales, S.L.U.	Zaragoza	1,963,050	EUR	21,294	16,502	4,792	5,958	1,698	77.53%	-
Parque Eólico Santa Quiteria, S.L.	Huesca	63,006	EUR	23,975	7,349	16,626	6,307	2,853	65.09%	-
Parques de Generación Eólica, S.L	Burgos	1,924,000	EUR	34,220	31,997	2,223	6,343	929	46.52%	-
Parques Eólicos del Cantábrico S.A.	Oviedo	9,079,680	EUR	50,919	15,448	35,470	10,609	3,806	77.53%	-
Rasacal Cogeneración, S.A.	Madrid	60,200	EUR	7	423	-416	-	-	46.52%	-
Renovables Castilla la Mancha, S.A.	Albacete	60,102	EUR	30,276	27,655	2,621	6,953	1,672	69.78%	-
Sotromal, S.A.	Soria	112,880	EUR	16	185	-168	-	-	69.78%	-
South África Wind & Solar Power, S.L.	Oviedo	230,500	EUR	5,780	3,854	1,925	4	-353	77.53%	-
Tratamientos Medioambientales del Norte, S.A.	Madrid	60,200	EUR	10	-	10	-	-	62.02%	-
Portugal:										
EDP Renováveis Portugal, S.A.	Oporto	7,500,000	EUR	577,933	467,944	109,989	155,588	51,524	39.54%	-
EDP Renewables, SGPS, S.A.	Oporto	50,000	EUR	349,397	309,986	39,411	10,707	-1,451	77.53%	-
EDPR PT - Promoção e Operação, S.A.	Oporto	50,000	EUR	6,711	6,803	-93	9,200	-152	77.53%	-
Eólica da Alagoa, S.A.	Arcos de Valdevez	50,000	EUR	10,184	6,304	3,879	4,161	2,100	23.72%	-
Eólica da Serra das Alturas, S.A.	Boticas	50,000	EUR	14,486	10,005	4,481	3,269	1,290	19.81%	-
Eólica de Montenegrelo, S.A.	Vila Pouca de Aguiar	50,000	EUR	25,980	16,494	9,485	5,926	2,458	19.81%	-
Gravitangle - Fotovoltaica Unipessoal, Lda	Oporto	5,000	EUR	2,428	2,452	-24	40	-29	77.53%	-
Malhadizes, S.A	Oporto	50,000	EUR	21,140	19,157	1,983	5,347	1,833	39.54%	-
France:										
EDP Renewables France, S.A.S.	Paris	151,703,747	EUR	272,246	173,203	99,043	38,502	-27,829	77.53%	-
Bourbriac II, S.A.S.	Paris	1,000	EUR	77	76	1	-	-	77.53%	-
C.E. Canet-Pont de Salars, S.A.S.	Paris	125,000	EUR	14,975	14,543	432	2,532	33	77.53%	-
C.E. Gueltas Noyal-Pontivy, S.A.S.	Paris	2,261,000	EUR	8,763	3,868	4,895	1,579	-334	77.53%	-
C.E. NEO Truc L'Homme, S.A.S.	Paris	37,500	EUR	6,012	6,073	-61	-5	-77	77.53%	-
C.E. Patay, S.A.S.	Paris	1,640,000	EUR	16,653	11,484	5,169	3,036	-268	77.53%	-
C.E. Saint Barnabe, S.A.S.	Paris	1,600,000	EUR	14,850	11,510	3,340	2,690	82	77.53%	-
C.E. Segur, S.A.S.	Paris	1,615,000	EUR	14,813	11,174	3,638	2,660	-287	77.53%	-
EDPR France Holding, S.A.S.	Paris	8,500,000	EUR	10,326	3,162	7,164	1,512	-1,336	77.53%	-
Eolienne de Callengeville, S.A.S.	Elbeuf	37,004	EUR	23	25	-2	-	-5	77.53%	-
Eolienne de Saugueuse, S.A.R.L.	Elbeuf	1,000	EUR	12,792	12,542	250	1,786	139	77.53%	-
Eolienne des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	13,486	13,532	-46	162	-9	77.53%	-
Eolienne D'Etalondes, S.A.R.L.	Elbeuf	1,000	EUR	12	51	-39	-	-2	77.53%	-
Le Mee, S.A. R.L.	Toulouse	1,000	EUR	13,493	13,368	126	1,734	-192	77.53%	-
Mardelle, S.A.R.L.	Toulouse	3,001,000	EUR	8,507	5,925	2,583	1,195	-257	77.53%	-
Monts du Forez Energie, S.A.S.	Paris	37,000	EUR	512	478	34	58	-3	77.53%	-
Parc Eolien D'Ardennes	Elbeuf	1,000	EUR	76	233	-157	7	-	77.53%	-
Parc Eolien de La Hetroye, S.A.S.	Elbeuf	37,004	EUR	7	13	-6	-	-4	77.53%	-
Parc Eolien de Mancheville, S.A.R.L.	Elbeuf	1,000	EUR	12	59	-47	-	-2	77.53%	-
Parc Eolien de Montagne Fayel, S.A.S.	Paris	37,000	EUR	56	116	-60	-	-97	77.53%	-
Parc Eolien de Roman, S.A.R.L.	Elbeuf	1,000	EUR	11,738	10,574	1,164	2,050	-193	77.53%	-
Parc Eolien de Varimpre, S.A.S.	Elbeuf	37,003	EUR	13,252	13,873	-620	2,556	27	77.53%	-
Parc Eolien des Bocages, S.A.R.L.	Elbeuf	1,000	EUR	145	305	-160	5	-	77.53%	-
Parc Eolien des Longs Champs, S.A.R.L.	Elbeuf	1,000	EUR	77	156	-79	17	6	77.53%	-
Parc Eolien des Vatines, S.A.S.	Elbeuf	841,014	EUR	12,629	13,251	-622	2,305	-36	77.53%	-
Parc Eolien du Clos Bataille, S.A.S.	Elbeuf	410,096	EUR	10,264	10,888	-624	1,880	-1	77.53%	-
Petite Piece, S.A.R.L.	Toulouse	1,000	EUR	4,347	4,333	14	534	-49	77.53%	-
Plouvien Breiz, S.A.S.	Carhaix	5,040,000	EUR	11,028	7,944	3,085	1,697	64	77.53%	-
Quinze Mines, S.A.R.L.	Toulouse	1,000	EUR	17,507	18,015	-508	2,372	-589	77.53%	-
Sauvageons, S.A.R.L.	Toulouse	1,000	EUR	8,877	9,091	-214	1,350	-261	77.53%	-
Vallée du Moulin, S.A.R.L.	Toulouse	8,001,000	EUR	17,435	10,068	7,368	2,495	-463	77.53%	-
Poland:										
EDP Renewables Polska, S.P. ZO.O	Warsaw	434,845,000	PLN	217,098	117,636	99,461	39,623	-9,372	77.53%	-
Elektrownia Wiatrowa Kresy I, S.P. ZO.O	Warsaw	70,000	PLN	13,571	14,250	-679	864	-168	77.53%	-
Farma Wiatrowa Starozreby, SP. ZO.O.	Warsaw	465,500	PLN	3,270	3,285	-15	67	-46	77.53%	-
J&Z Wind Farms SP. ZO.O.	Warsaw	14,518,000	PLN	89,216	82,526	6,690	6,581	-877	46.52%	-
Karpacka Mala Energetyka, SP. ZO.O.	Warsaw	50,000	PLN	121	346	-224	-	-163	77.53%	-
Korsze Wind Farm, SP. ZO.O.	Warsaw	55,000	PLN	94,642	92,086	2,556	15,260	2,400	77.53%	-
Masovia Wind Farm I, S.P. ZO.O	Warsaw	1,257,500	PLN	12,324	7,907	4,418	230	-36	77.53%	-
MFW Gryf SP. ZO.O.	Warsaw	5,000	PLN	6	34	-28	-	-15	77.53%	-
MFW Neptun SP. ZO.O.	Warsaw	5,000	PLN	6	35	-28	-	-16	77.53%	-
MFW Pomorze SP. ZO.O.	Warsaw	5,000	PLN	6	34	-28	-	-15	77.53%	-
Molen Wind II, S.P. ZO.O.	Warsaw	14,600	PLN	84,670	74,878	9,792	420	-245	50.45%	-
Relax Wind Park I, S.P. ZO.O	Warsaw	2,140,000	PLN	191,906	197,144	-5,238	25,523	-1,813	77.53%	-
Relax Wind Park II, S.P. ZO.O	Warsaw	440,000	PLN	167	659	-492	3	-489	77.53%	-
Relax Wind Park III, S.P. ZO.O	Warsaw	59,602,500	PLN	158,171	146,811	11,360	9,409	-1,998	77.53%	-
Relax Wind Park IV, S.P. ZO.O	Warsaw	390,000	PLN	127	924	-797	-10	-76	77.53%	-
Romania:										
EDP Renewables Romania, S.R.L.	Bucharest	2,000,200	RON	175,638	170,569	5,069	32,717	-3,239	65.90%	-
Castellaneta Wind, S.R.L.	Milan	10,000	RON	13	9	3	-	-4	77.53%	-
Cernavoda Power, S.R.L.	Bucharest	40,317,400	RON	197,172	199,908	-2,736	30,744	1,592	65.90%	-
Cujmir Solar, S.R.L.	Bucharest	23,716,000	RON	18,343	11,432	6,910	3,555	1,487	77.53%	-
EDPR-RO-PV, S.R.L.	Bucharest	69,926,510	RON	35,183	21,176	14,008	1,779	-1,716	77.53%	-
Foton Delta, S.R.L.	Bucharest	441,000	RON	6,837	6,984	-147	353	-246	77.53%	-
Foton Epsilon, S.R.L.	Bucharest	441,000	RON	10,639	10,814	-174	577	-273	77.53%	-
Laterza Wind, S.R.L.	Milan	10,000	RON	13	10	3	-	-5	77.53%	-
Pestera Wind Farm, S.A.	Bucharest	28,755,070	RON	120,240	129,802	-9,561	22,197	2,853	65.90%	-
Potelu Solar, S.R.L.	Bucharest	29,343,040	RON	12,097	4,068	8,029	2,901	1,414	77.53%	-
S.C. Ialomita Power, S.R.L.	Bucharest	1,000	RON	212,581	214,454	-1,872	3,713	-1,779	65.90%	-
Sibioara Wind Farm, S.R.L.	Bucharest	600	RON	57,733	58,543	-810	3,570	-876	65.90%	-
Studina Solar, S.R.L.	Bucharest	20,746,330	RON	15,161	8,884	6,277	3,354	1,536	77.53%	-
Vanju Mare Solar, S.R.L.	Bucharest	18,788,000	RON	15,797	10,361	5,436	2,838	1,145	77.53%	-

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Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-13 Euro'000	Liabilities 31-Dec-13 Euro'000	Equity 31-Dec-13 Euro'000	Total Income 31-Dec-13 Euro'000	Net Profit / (Loss) 31-Dec-13 Euro'000	% Group	% Company
Renewable Energy Activity:										
Europe Geography / Platform:										
Romania:										
VS Wind Farm, S.A.	Bucharest	105,000	RON	46,347	46,796	-448	3,851	-263	65.90%	-
Great Britain:										
EDPR UK Limited	Cardiff	100,000	GBP	50,209	57,453	-7,244	4,294	-3,938	77.53%	-
MacColl Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Moray Offshore Renewables Limited	Cardiff	8,819,909	GBP	39,156	29,115	10,041	1,315	-572	51.66%	-
Stevenson Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Telford Offshore Windfarm Limited	Cardiff	1	GBP	-	-	-	-	-	51.66%	-
Other Countries:										
EDP Renewables Italia, S.R.L.	Milan	34,439,343	EUR	145,239	109,534	35,705	42,305	-3,765	77.53%	-
EDP Renewables Belgium, S.A.	Brussels	61,500	EUR	9,447	9,548	-101	-8	-150	77.53%	-
Greenwind, S.A.	Louvain-la-Neuve	24,924,000	EUR	83,336	47,348	35,989	13,193	4,325	77.53%	-
Monts de la Madeleine Energie, S.A.S.	Paris	37,000	EUR	661	628	34	65	-3	77.53%	-
Pietragalla Eolico, S.R.L.	Milan	15,218	EUR	36,387	34,630	1,756	5,070	1,684	77.53%	-
Re Plus - S.R.L	Milan	100,000	EUR	3,145	3,254	-110	-2	-501	62.02%	-
Repano Wind, S.R.L.	Milan	11,000	EUR	376	251	125	-	-3	77.53%	-
Tarcan, BV	Amsterdam	20,000	EUR	12,232	33	12,199	5,030	4,700	77.53%	-
Villa Castelli Wind, S.R.L.	Milan	100,000	EUR	35,495	26,703	8,792	6,455	2,236	77.53%	-
North America Geography / Platform:										
United States of America:										
EDP Renewables North America, L.L.C. (EUA Subgroup Parent Company)	Texas	4,186,453,714	USD	2,898,744	124,710	2,774,034	27,670	-74,500	77.53%	-
17th Star Wind Farm, L.L.C.	Ohio	-	USD	-	-	-	-	-	77.53%	-
2007 Vento I, L.L.C.	Texas	920,132,875	USD	674,945	1,285	673,660	4,102	1,584	77.53%	-
2007 Vento II	Texas	816,925,106	USD	589,537	257	589,280	-	-246	39.54%	-
2008 Vento III	Texas	918,257,864	USD	662,990	100	662,890	-	-501	77.53%	-
2009 Vento IV, L.L.C.	Texas	226,223,064	USD	163,617	-	163,617	-	-99	77.53%	-
2009 Vento V, L.L.C.	Texas	132,765,042	USD	95,853	-	95,853	-	-99	77.53%	-
2009 Vento VI, L.L.C.	Texas	192,398,449	USD	139,187	-	139,187	-	-88	77.53%	-
2010 Vento VII, L.L.C.	Texas	187,317,175	USD	135,560	-	135,560	-	-87	77.53%	-
2010 Vento VIII, L.L.C.	Texas	199,622,109	USD	144,461	109	144,352	-	-196	77.53%	-
2011 Vento IX, L.L.C.	Texas	177,706,578	USD	128,653	-	128,653	-	-86	77.53%	-
2011 Vento X, L.L.C.	Texas	152,272,349	USD	110,241	-	110,241	-	-86	77.53%	-
2012 Vento XI, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Alabama Ledge Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Antelope Ridge Wind Power Project, L.L.C.	Oregon	12,691,637	USD	9,141	48	9,093	12	11	77.53%	-
Arbuckle Mountain, L.L.C.	Oklahoma	2,170,222	USD	1,672	101	1,571	-	-2	77.53%	-
Arkwright Summit Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Arlington Wind Power Project, L.L.C.	Oregon	144,115,631	USD	117,873	6,523	111,351	13,102	1,573	77.53%	-
Aroostook Wind Energy, L.L.C.	Maine	8,031,638	USD	5,865	133	5,732	-	-5	77.53%	-
Ashford Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project II, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Athena-Weston Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
AZ Solar, L.L.C.	Arizona	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Holdings, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
BC2 Maple Ridge Wind, L.L.C.	Texas	326,401,214	USD	239,122	-	239,122	-1,124	-2,247	77.53%	-
Black Prairie Wind Farm II, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Black Prairie Wind Farm, L.L.C.	Illinois	6,333,368	USD	4,638	47	4,590	-	-	77.53%	-
Blackstone Wind Farm II, L.L.C.	Illinois	294,782,851	USD	280,533	78,046	202,487	17,741	-460	77.53%	-
Blackstone Wind Farm III, L.L.C.	Illinois	6,368,542	USD	4,577	48	4,530	-	-78	77.53%	-
Blackstone Wind Farm IV, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm V, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Blackstone Wind Farm, L.L.C.	Illinois	138,811,012	USD	130,449	36,476	93,973	9,914	451	77.53%	-
Blue Canyon Wind Power VII, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower II, L.L.C.	Oklahoma	139,772,407	USD	121,935	5,628	116,308	13,856	1,613	77.53%	-
Blue Canyon Windpower III, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower IV, L.L.C.	Oklahoma	-	USD	-	-	-	-	-	77.53%	-
Blue Canyon Windpower V, L.L.C.	Oklahoma	132,191,303	USD	123,484	2,884	120,600	15,334	6,602	77.53%	-
Blue Canyon Windpower VI, L.L.C.	Oklahoma	152,034,019	USD	114,104	1,248	112,856	7,334	971	77.53%	-
Broadlands Wind Farm II, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Broadlands Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Buffalo Bluff Wind Farm, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Chateaugay River Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Clinton County Wind Farm, L.L.C.	New York	319,419,705	USD	231,609	-	231,609	-	-	77.53%	-
Cloud County Wind Farm	Kansas	272,998,592	USD	207,821	4,129	203,693	19,915	1,947	77.53%	-
Cloud West Wind Project, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Coos Curry Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Cropsey Ridge Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Crossing Trails Wind, Power Project, L.L.C.	Colorado	-	USD	-	-	-	-	-	77.53%	-
Dairy Hills Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Diamond Power Partners, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
East Klickitat Wind Power Project, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Eastern Nebraska Wind Farm, L.L.C.	Nebraska	-	USD	-	-	-	-	-	77.53%	-
EDPR Wind Ventures X, L.L.C.	Texas	66,002,429	USD	110,414	55,936	54,478	7,370	3,746	77.53%	-
EDPR Wind Ventures XI, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Five-Spot, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Ford Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Franklin Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Green Power Offsets, L.L.C.	Texas	1,000	USD	1	1	-	-	-	77.53%	-
Gulf Coast Windpower Management Company, L.L.C.	Indiana	-	USD	-	-	-	-	-	77.53%	-
Headwaters Wind Farm, L.L.C.	Indiana	5,837,797	USD	15,346	11,116	4,231	-	-2	77.53%	-
Hidalgo Wind Farm, L.L.C.	Texas	2,600,338	USD	1,979	94	1,886	-	-	77.53%	-
High Prairie Wind Farm II, L.L.C.	Minnesota	125,471,051	USD	104,078	9,885	94,193	11,833	2,337	39.54%	-
High Trail Wind Farm, L.L.C.	Illinois	311,230,393	USD	251,037	6,031	245,006	27,232	6,252	77.53%	-
Horizon Wind Chocolate Bayou I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Midwest IX, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest I, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest IV, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest VII, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Northwest X, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-

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Renewable Energy Activity:										
North America Geography / Platform:										
United States of America:										
Horizon Wind Energy Northwest XI, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Panhandle I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest I, L.L.C.	New Mexico	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest II, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest III, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Southwest IV, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Energy Valley I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind MREC Iowa Partners, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wind Ventures I, L.L.C.	Texas	669,556,510	USD	1,531,830	773,859	757,971	37,483	21,047	77.53%	-
Horizon Wind Ventures IB, L.L.C.	Texas	233,204,125	USD	592,361	335,354	257,007	33,349	19,440	39.54%	-
Horizon Wind Ventures IC, L.L.C.	Texas	7,947,758	USD	367,724	329,945	37,779	31,055	11,560	77.53%	-
Horizon Wind Ventures II, L.L.C.	Texas	139,205,688	USD	164,062	59,133	104,929	1,970	1,033	77.53%	-
Horizon Wind Ventures III, L.L.C.	Texas	55,372,347	USD	96,269	49,522	46,747	6,568	3,358	77.53%	-
Horizon Wind Ventures IX, L.L.C.	Texas	62,852,619	USD	128,857	87,664	41,193	1,232	-998	77.53%	-
Horizon Wind Ventures VI, L.L.C.	Texas	112,789,176	USD	139,874	59,045	80,829	1,322	336	77.53%	-
Horizon Wind Ventures VII, L.L.C.	Texas	108,011,893	USD	135,826	56,186	79,640	1,567	695	77.53%	-
Horizon Wind Ventures VIII, L.L.C.	Texas	112,916,241	USD	149,328	67,561	81,768	1,669	189	77.53%	-
Horizon Wind, Freeport Windpower I, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Horizon Wyoming Transmission, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Jericho Rise Wind Farm, L.L.C.	New York	5,770,922	USD	4,163	12	4,152	-	-	77.53%	-
Juniper Wind Power Partners, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm II, L.L.C.	Illinois	600,283	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm III, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
Lexington Chenoa Wind Farm, L.L.C.	Illinois	11,569,624	USD	8,404	45	8,359	-	-21	77.53%	-
Lone Valley Sollar Park I, L.L.C.	California	10,526,055	USD	8,710	1,078	7,632	-	-1	77.53%	-
Lone Valley Sollar Park II, L.L.C.	California	20,463,957	USD	16,792	1,954	14,838	-	-1	77.53%	-
Lost Lakes Wind Farm, L.L.C.	Iowa	191,952,126	USD	130,773	2,816	127,957	14,577	2,017	77.53%	-
Machias Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Madison Windpower, L.L.C.	New York	13,199,915	USD	5,047	361	4,686	677	-851	77.53%	-
Marble River, L.L.C.	New York	319,411,950	USD	325,831	91,839	233,991	23,208	3,509	77.53%	-
Martinsdale Wind Farm, L.L.C.	Colorado	3,451,957	USD	2,510	30	2,480	-	-	77.53%	-
Meadow Lake Wind Farm II, L.L.C.	Indiana	186,951,252	USD	132,222	2,401	129,821	7,005	-1,892	77.53%	-
Meadow Lake Wind Farm IV, L.L.C.	Indiana	119,297,785	USD	117,297	32,732	84,565	6,890	-1,380	77.53%	-
Meadow Lake Wind Farm V, L.L.C.	Indiana	3,236,823	USD	2,365	26	2,339	-	-	77.53%	-
Meadow Lake Wind Farm, L.L.C.	Indiana	271,708,314	USD	257,391	73,432	183,959	16,429	-2,069	77.53%	-
Meadow Lake Windfarm III, L.L.C.	Indiana	140,083,903	USD	139,137	39,939	99,199	8,443	-13	77.53%	-
Mesquite Wind, L.L.C.	Texas	196,222,235	USD	197,952	16,147	181,805	33,909	15,498	77.53%	-
New Trail Wind Farm, L.L.C.	Illinois	-	USD	-	-	-	-	-	77.53%	-
North Slope Wind Farm, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Number Nine Wind Farm, L.L.C.	Maine	-	USD	-	-	-	-	-	77.53%	-
Old Trail Wind Farm, L.L.C.	Illinois	336,199,809	USD	257,398	4,083	253,315	27,883	6,559	39.54%	-
OPQ Property, L.L.C.	Illinois		USD	119	-	119	14	13	77.53%	-
Pacific Southwest Wind Farm, L.L.C.	Arizona	-	USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm II, L.L.C.	Ohio	177,425,500	USD	143,383	2,721	140,663	15,424	5,648	77.53%	-
Paulding Wind Farm III, L.L.C.	Ohio	4,603,270	USD	3,231	22	3,209	-	-47	77.53%	-
Paulding Wind Farm IV, L.L.C	Ohio	-	USD	-	-	-	-	-	77.53%	-
Paulding Wind Farm, L.L.C.	Ohio	5,780,350	USD	4,191	3	4,187	-	-1	77.53%	-
Peterson Power Partners, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Interconnection, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Pioneer Prairie Wind Farm I, L.L.C.	Iowa	487,455,611	USD	377,246	7,032	370,214	47,664	12,054	77.53%	-
Pioneer Prairie Wind Farm II, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Post Oak Wind, L.L.C.	Texas	237,715,258	USD	222,423	10,516	211,907	24,649	5,293	39.54%	-
Quilt Block Wind Farm, L.L.C.	Wisconsin	5,651,973	USD	4,122	38	4,084	-	-	77.53%	-
Rail Splitter, L.L.C.	Illinois	225,643,715	USD	147,167	4,423	142,744	6,665	-3,798	77.53%	-
Rio Blanco Wind Farm, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm II, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Rising Tree Wind Farm III, L.L.C.	California	40,108,957	USD	29,089	6	29,083	-	-	77.53%	-
Rising Tree Wind Farm, L.L.C.	California	54,950,907	USD	39,931	105	39,826	-	-20	77.53%	-
Rush County Wind Farm, L.L.C	Kansas	-	USD	-	-	-	-	-	77.53%	-
Saddleback Wind Power Project, L.L.C.	Washington	2,293,268	USD	1,383	6	1,377	-	-	77.53%	-
Sagebrush Power Partners, L.L.C.	Washington	199,225,720	USD	126,319	7,475	118,844	8,248	-2,343	77.53%	-
Sardinia Windpower, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Signal Hill Wind Power Project, L.L.C.	Colorado	4,502	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm II, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm III, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm IV, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm V, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Simpson Ridge Wind Farm, L.L.C.	Wyoming	-	USD	-	-	-	-	-	77.53%	-
Stinson Mills Wind Farm, L.L.C.	Colorado	3,747,531	USD	2,670	24	2,646	-	-1	77.53%	-
Stone Wind Power, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Sustaining Power Solutions, L.L.C.	Texas	465,977	USD	64	29	34	-	-304	77.53%	-
Telocaset Wind Power Partners, L.L.C.	Oregon	101,589,081	USD	111,350	10,640	100,710	14,280	3,810	39.54%	-
The Nook Wind Power Project, L.L.C.	Oregon	-	USD	-	-	-	-	-	77.53%	-
Tug Hill Windpower, L.L.C.	New York	-	USD	-	-	-	-	-	77.53%	-
Tumbleweed Wind Power Project, L.L.C.	Colorado	4,003	USD	-	-	-	-	-	77.53%	-
Turtle Creek Wind Farm, L.L.C.	Iowa	-	USD	-	-	-	-	-	77.53%	-
Verde Wind Power, L.L.C.	Texas	-	USD	-	-	-	-	-	77.53%	-
Waverly Wind Farm, L.L.C.	Kansas	4,509,031	USD	3,380	129	3,251	-	-13	77.53%	-
Western Trail Wind Project I, L.L.C.	Kansas	-	USD	-	-	-	-	-	77.53%	-
Wheatfield Holding, L.L.C.	Oregon	-	USD	-	-	-	-	-	39.54%	-
Wheatfield Wind Power Project, L.L.C.	Oregon	69,242,920	USD	100,999	29,462	71,537	14,052	4,712	39.54%	-
Whiskey Ridge Power Partners, L.L.C.	Washington	-	USD	-	-	-	-	-	77.53%	-
Whistling Wind WI Energy Center, L.L.C.	Wisconsin	-	USD	-	-	-	-	-	77.53%	-
Whitestone Wind Purchasing, L.L.C.	Illinois	2,047,518	USD	765	68	697	43	24	77.53%	-
Wilson Creek Power Partners, L.L.C.	Nevada	-	USD	-	-	-	-	-	77.53%	-
Wind Turbine Prometheus, L.P.	California	5,990	USD	-	-	-	-	-	77.53%	-
WTP Management Company, L.L.C.	California	-	USD	-	-	-	-	-	77.53%	-
Canada:										
EDP Renewables Canada, Ltd. (Canada Subgroup Parent Company)	Ontario	41,950,000	CAD	33,311	7,012	26,299	678	-204	77.53%	-
0867242 BC, Ltd.	Ontario	9,020,936	CAD	6,149	-	6,149	-	-	77.53%	-
EDP Renewables Canada GP, Ltd.	Ontario	-	CAD	-	-	-	-	-	77.53%	-

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Subsidiaries	Head Office	Share capital / Currency		Assets 31-Dec-13 Euro'000	Liabilities 31-Dec-13 Euro'000	Equity 31-Dec-13 Euro'000	Total Income 31-Dec-13 Euro'000	Net Profit / (Loss) 31-Dec-13 Euro'000	% Group	% Company
Renewable Energy Activity:										
North America Geography / Platform:										
Canada:										
EDP Renewables Canada LP, Ltd.	Ontario	9,020,936	CAD	6,149	-	6,149	-	-	77.53%	-
Eolia Renewable Energy Canada, Ltd.	Ontario	4,510,468	CAD	3,074	-	3,074	-	-	77.53%	-
SBWFI GP, Inc.	Ontario	470	CAD	-	-	-	-	-	77.53%	-
South Branch Wind Farm, Inc.	Ontario	9,020,936	CAD	6,149	-	6,149	-	-	77.53%	-
South Dundas Wind Farm LP	Ontario	9,020,936	CAD	48,687	42,777	5,910	7	-234	77.53%	-
South America Geography / Platform:										
Brazil:										
EDP Renovaveis Brasil, SA (EDPR BR Subgroup Parent Company)	Sao Paulo	217,335,929	BRL	70,029	8,654	61,375	6,008	542	65.63%	-
Central Eólica Aventura, S. A.	Sao Paulo	1,000	BRL	-	-	-	-	-	65.63%	-
Central Eólica Baixa do Feijao I, S.A.	Sao Paulo	10	BRL	9,209	9,342	-133	220	-133	65.63%	-
Central Eólica Baixa do Feijao II, S.A.	Sao Paulo	10	BRL	9,109	9,225	-116	220	-116	65.63%	-
Central Eólica Baixa do Feijao III, S.A.	Sao Paulo	10	BRL	9,106	9,231	-126	220	-126	65.63%	-
Central Eólica Baixa do Feijao IV, S.A.	Sao Paulo	10	BRL	9,374	9,500	-127	220	-127	65.63%	-
Central Nacional de Energia Eólica, S.A.	Santa Catarina	12,396,000	BRL	9,865	5,323	4,542	3,005	719	65.63%	-
Elebras Projetos, Ltda	Rio Grande do Sul	103,779,268	BRL	103,552	60,782	42,769	23,121	4,956	65.63%	-
South Africa Geography / Platform:										
South Africa:										
Dejann Trading and Investments Proprietary, Ltd	Cape Town	200	ZAR	641	933	-292	18	-260	77.53%	-
EDP Renewables South Africa, Proprietary, Ltd	Cape Town	56,617,650	ZAR	4,468	825	3,643	70	-244	77.53%	-
Jouren Trading and Investments Pty, Ltd	Cape Town	120	ZAR	1,124	1,271	-147	-	-147	77.53%	-

* Companies whose consolidation method will change in 2014, under IFRS 10

The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2013 are as follows:

Jointly controled entities	Head Office	Share Capital / Currency		Non-current Assets 31-Dec-13 Euro'000 *	Current Assets 31-Dec-13 Euro'000 *	Non-current Liabilities 31-Dec-13 Euro'000 *	Current Liabilities 31-Dec-13 Euro'000 *	Equity 31-Dec-13 Euro'000 *	Total Income 31-Dec-13 Euro'000 *	Total Costs 31-Dec-13 Euro'000 *	Net Profit / (Loss) 31-Dec-13 Euro'000 *	% Group	% Company
Arquiled Brasil - Projectos de Iluminação, Ltda **	Sao Paulo	1,000	BRL	-	-	-	-	-	-	-	-	45.69%	-
ARQUILED-Proj. Iluminação, S.A. **	Mora	168,700	EUR	1,497	2,067	1,197	1,345	1,022	458	-959	-501	46.15%	-
Arquiservice - Consultoria Serviços, S.A. **	Lisbon	50,000	EUR	-	235	13	191	31	37	-29	8	44.30%	-
Bioastur, AIE **	Sérin	60,101	EUR	16	1,069	306	964	-185	1,729	-2,194	-465	50.00%	-
CIDE HC Energía, S.A. **	Madrid	500,000	EUR	247	27,384	25	27,164	442	117,470	-117,210	260	50.00%	-
Cogneracion y Matenimiento, A.I.E. **	Oviedo	1,208,010	EUR	7	3,651	101	1,652	1,905	2,650	-2,749	-99	50.00%	-
Compañía Eólica Aragonesa, S.A. **	Zaragoza	6,701,165	EUR	41,520	6,364	4,237	4,930	38,717	15,848	-10,473	5,375	38.76%	-
Desarrollos Energeticos Canarios, S.A. **	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EDP Produção Bioeléctrica, S.A. **	Lisbon	50,000	EUR	70,868	5,687	42,658	25,203	8,694	19,306	-17,288	2,018	50.00%	40.00%
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	1,570	57	1,513	-	2,620	-2,620	-	60.00%	-
Evolución 2000, S.L. **	Albacete	117,994	EUR	21,105	3,070	15,616	2,087	6,472	5,874	-3,784	2,090	38.11%	-
Flat Rock Windpower II, L.L.C. **	New York	207,447,187	USD	53,806	733	508	48	53,983	2,970	-4,845	-1,875	38.76%	-
Flat Rock Windpower, L.L.C. **	New York	522,818,885	USD	133,811	3,244	1,318	71	135,666	12,327	-13,536	-1,209	38.76%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A. **	Ceara	1,527,000	BRL	-	501	362	75	64	126	-182	-56	25.55%	-
Pecém Transportadora de Minérios, S.A. **	Ceara	1,201,000	BRL	26	185	-	73	138	494	-455	39	25.55%	-
Porto do Pecém Geração de Energia S.A. **	Ceara	1,886,872,262	BRL	599,580	55,432	372,761	104,132	178,119	188,780	-238,005	-49,225	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A. **	Vila Velha de Rodão	50,000	EUR	5,149	1,153	120	5,723	459	4,332	-4,140	192	50.00%	-
Tébar Eólica, S.A. **	Cuenca	4,720,400	EUR	11,975	2,488	8,358	2,291	3,814	4,299	-3,679	620	38.76%	-

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The main financial data of the companies included in the consolidation under the proportional method as at 31 December 2012 are as follows:

Jointly controled entities	Head Office	Share capital / Currency		Non-current Assets 31-Dec-12 Euro'000 *	Current Assets 31-Dec-12 Euro'0000 *	Non-current Liabilities 31-Dec-12 Euro'000 *	Current Liabilities 31-Dec-12 Euro'000 *	Equity 31-Dec-12 Euro'000 *	Total Income 31-Dec-12 Euro'000 *	Total Costs 31-Dec-12 Euro'000 *	Net Profit / (Loss) 31-Dec-12 Euro'000 *	% Group	% Company
Flat Rock Windpower II, L.L.C.	New York	207,447,187	USD	59,347	568	503	34	59,378	2,388	-4,966	-2,578	38.76%	-
Flat Rock Windpower, L.L.C.	New York	522,818,885	USD	147,901	2,304	1,308	131	148,766	11,170	-14,062	-2,892	38.76%	-
ARQUILED-Proj. Iluminação, S.A.	Lisbon	166,700	EUR	937	1,336	961	1,414	-102	1,465	-1,653	-188	40.01%	-
Arquiservice - Consultoria Serviços, S.A.	Lisbon	50,000	EUR	141	41	12	155	15	37	-21	16	35.21%	-
Bioastur, AIE	Sérin	60,101	EUR	32	949	-	551	430	1,600	-1,429	171	50.00%	-
EDP Produção Bioeléctrica, S.A.	Lisbon	50,000	EUR	75,351	3,335	47,547	24,463	6,676	20,430	-18,172	2,258	50.00%	40.00%
Compañía Eólica Aragonesa, S.A.	Zaragoza	6,701,165	EUR	43,999	9,885	11,605	6,815	35,464	17,995	-10,119	7,876	38.76%	-
CIDE HC Energía, S.A.	Madrid	500,000	EUR	219	32,358	24	32,371	182	124,927	-124,923	4	50.00%	-
Cogneracion y Matenimiento AIE	Oviedo	1,208,010	EUR	92	2,590	-	679	2,003	3,199	-3,105	94	50.00%	-
Desarrollos Energeticos Canarios, S.A.	Las Palmas	15,025	EUR	-	4	-	9	-5	-	-	-	38.69%	-
EME2 - Engenharia, Manutenção e Serviços, ACE	Lisbon	-	EUR	-	1,328	59	1,269	-	2,595	-2,595	-	60.00%	-
Evolución 2000, S.L.	Albacete	117,994	EUR	22,304	3,229	17,488	1,934	6,111	5,568	-3,570	1,998	38.11%	-
Futurocompact, Lda	Lisbon	5,000	EUR	10	1	-	-	11	-	-	-	40.01%	-
Porto do Pecém Geração de Energia S.A.	Ceara	1,689,672,262	BRL	687,271	81,755	455,689	87,182	226,155	66,963	-108,224	-41,261	25.55%	-
Pecém Operação e Manutenção de Unidades de Geração Eletrica, S.A.	Ceara	1,527,000	BRL	-	552	-	415	137	5	-59	-54	25.55%	-
Pecém Transportadora de Minérios, S.A.	Ceara	1,201,000	BRL	15	188	-	78	125	322	-397	-75	25.55%	-
Ródão Power - Energia e Biomassa do Ródão, S.A..	Vila Velha de Rodão	50,000	EUR	6,175	1,146	131	6,923	267	3,770	-3,775	-5	50.00%	-
Tébar Eólica, S.A.	Cuenca	4,720,400	EUR	12,872	6,349	11,141	2,498	5,582	4,398	-3,482	916	38.76%	-

* Corresponding to the proportion held by the EDP Group

** Companies whose consolidation method will change in 2014, under IFRS 11

The associated companies included in the consolidation under the equity method as at 31 December 2013 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-13 Euro'000	Liabilities 31-Dec-13 Euro'000	Equity 31-Dec-13 Euro'000	Total Income 31-Dec-13 Euro'000	Net Profit / (Loss) 31-Dec-13 Euro'000	% Group	% Company
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	28,785	25,802	2,983	395	-65	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	13,377	9,296	4,081	30,180	1,455	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	579,798	297,819	281,979	525,795	61,103	21.19%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963	BRL	796	-	796	-	-	25.03%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	3,191,580	EUR	6,441	1,241	5,200	3,413	1,150	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	373	99	274	-	-205	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000	EUR	149	140	9	53	-113	30.00%	-
ENEOP - Éolicas de Portugal, SA	Lisbon	25,247,525	EUR	1,467,366	1,392,627	74,739	194,859	37,220	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	11,909	31,304	-19,395	147	-14,136	49.90%	-
IME - IE Mobile Elétrica, ACE	Lisbon	-	EUR	1	-	1	130	1	20.00%	-
Inkolan, A.I.E.	Bilbao	96,162	EUR	645	397	248	606	70	11.88%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	8,368	3,394	4,974	17,688	1,862	23.75%	-
Les Eoliennes en Mer de Dieppe - Le Tréport, SAS	Bois Guillaume	40,000	EUR	40	-	40	-	40	38.76%	-
Les Eoliennes en Mer de Vendée, SAS	Nantes	40,000	EUR	40	-	40	-	40	38.76%	-
Mabe Construções e Administração de Projetos, Lda.	Ceara	488,184,664	BRL	32,152	32,143	9	56,504	-32,836	25.55%	-
Modderfontein Wind Energy Project, Ltd.	Cape Town	1,000	ZAR	-	-	-	-	-	32.95%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	27,812	23,565	4,247	5,221	1,334	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	63,626	42,107	21,519	14,147	4,749	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000	EUR	12,931	3,565	9,366	16,929	4,539	39.60%	-
Principle Power, Inc	Seattle	11,557	USD	141,077	1,804	12,303	4,082	1,200	33.46%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	20,810	22,664	-1,854	260	-731	37.99%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	185,761	115,614	70,147	34,406	8,403	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	15,760	13,086	2,674	23,920	-496	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	62	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	1,607	234	1,373	1,053	376	38.00%	-

EDP - Energias de Portugal, S.A.
Notes to the Consolidated and Company Financial Statements
for the years ended 31 December 2013 and 2012

The associated companies included in the consolidation under the equity method as at 31 December 2012 are as follows:

Associated companies	Head Office	Share capital / Currency		Assets 31-Dec-12 Euro'000	Liabilities 31-Dec-12 Euro'000	Equity 31-Dec-12 Euro'000	Total Income 31-Dec-12 Euro'000	Net Profit / (Loss) 31-Dec-12 Euro'000	% Group	% Company
Agência de Desenvolvimento Regional do Vale do Tua, S.A.	Mirandela	50,000	EUR	50	-	50	-	-	49.00%	-
Aprofitament D'Energies Renovables de L'Ebre, S.A.	Barcelona	3,869,020	EUR	28,135	25,087	3,048	130	-103	14.71%	-
Biomasas del Pirineo, S.A.	Huesca	454,896	EUR	238	-	238	-	-	23.26%	-
Carriço Cogeração, S.A.	Lisbon	50,000	EUR	13,108	9,302	3,806	31,022	1,181	35.00%	-
CEM, S.A.	Macao	580,000,000	MOP	583,613	300,478	283,135	542,975	59,605	21.19%	-
Couto Magalhães, S.A.	Sao Paulo	2,593,963	BRL	959	-	959	-	-	25.03%	-
Cultivos Energéticos de Castilla, S.A.	Burgos	300,000	EUR	137	-115	252	-	-	23.26%	-
Desarollos Eolicos de Canárias, S.A.	Gran Canaria	4,291,140	EUR	8,412	692	7,720	4,248	2,123	34.69%	-
Ederg-Produção Hidroeléctrica, Lda.	Lisbon	1,000,000	EUR	578	99	479	-	-220	25.00%	-
EIDT-Engenharia, Inovação e Desenvolvimento Tecnológico, S.A.	Alcobaça	150,000	EUR	155	16	139	27	-85	30.00%	-
ENEOP - Éolicas de Portugal, SA	Lisbon	25,247,525	EUR	1,318,686	1,288,975	29,711	1,190	11,315	27.88%	-
Geoterceira - S. Geo. Terceira, S.A.	Azores	1,000,000	EUR	24,445	29,704	-5,259	706	-6,250	49.90%	-
Inkolan, A.I.E.	Bilbao	96,162	EUR	691	432	259	556	45	13.57%	-
Inverasturias - Fondo Capital Riesgo	Madrid	3,005,000	EUR	5,582	-	5,582	229	33	20.00%	-
Kosorkuntza, A.I.E.	Bilbao	1,502,500	EUR	9,957	4,091	5,866	17,277	3,060	23.75%	-
Parque Eólico de Belmonte, S.A.	Asturias	120,400	EUR	30,045	26,092	3,953	2,949	1,195	23.18%	-
Parque Eólico Sierra del Madero, S.A.	Soria	7,194,021	EUR	60,235	43,466	16,770	12,332	4,770	32.56%	-
Portsines - Terminal Multipurpose de Sines, S.A.	Sines	4,200,000	EUR	14,377	4,850	9,527	16,136	4,220	39.60%	-
Principle Power, Inc	Seattle	7,674	USD	10,441	3,448	6,993	5,605	1,349	50.29%	-
SeaEnergy Renewables Inch Cape Limited	Edinburgh	1	GBP	12,263	13,187	-924	-	-880	37.99%	-
SETGAS - Sociedade de Produção e Distribuição de Gás, S.A.	Charneca da Caparica	9,000,000	EUR	182,464	120,737	61,727	36,398	8,196	19.83%	-
Setgás Comercializadora, S.A.	Charneca da Caparica	50,000	EUR	10,037	6,867	3,170	31,062	-364	19.83%	-
Solar Siglo XXI, S.A.	Ciudad Real	80,000	EUR	-	-	62	-	-	19.38%	-
Tolosa Gasa, S.A.	Tolosa	651,100	EUR	1,608	230	1,378	1,053	380	38.00%	-

The other companies with interests in share capital equal to or greater than 10% as at 31 December 2013, are as follows:

Other companies	Head Office and Country	% Indirect	% Direct
Tejo Energia, S.A.	Abrantes - Portugal	11.11%	-
EDA, S.A.	Azores - Portugal	10.00%	-
Parque Eólico Montes de las Navas, S.L.	Madrid - Spain	17.00%	-
Feedzai - Consultoria e Inovação Tecnológica, S.A.	Coimbra - Portugal	11.08%	-
CBE - Centro de Biomassa para a Energia	Miranda do Corvo - Portugal	18.39%	-
Yedesa Cogeneración, S.A.	Almería - Spain	10.00%	-

ANNEX II

EDP Group Operating Segment Report
31 December 2013

Thousands of Euros	Iberia: LT Contracted Generation	Iberia: Liberalised Activities	Iberia: Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Turnover	1,351,608	8,625,943	6,270,121	1,249,098	2,488,936	19,985,706
Gross Profit	882,063	864,702	1,763,790	1,230,963	948,796	5,690,314
Other operating income	10,969	28,560	119,297	166,827	40,389	366,042
Supplies and services	(76,556)	(280,898)	(403,924)	(262,795)	(180,547)	(1,204,720)
Personnel costs and employee benefits	(60,253)	(104,707)	(161,932)	(66,554)	(129,236)	(522,682)
Other operating costs	(30,062)	(158,171)	(293,884)	(121,314)	(97,146)	(700,577)
Gross Operating Profit	726,161	349,486	1,023,347	947,127	582,256	3,628,377
Provisions	(12,055)	(18,729)	4,863	(1,290)	(16,893)	(44,104)
Depreciation, amortization expense and impairment	(202,563)	(233,842)	(339,395)	(491,159)	(169,413)	(1,436,372)
Compensation of amortization and depreciation	2,030	231	2,782	18,472	2,803	26,318
Operating Profit	513,573	97,146	691,597	473,151	398,753	2,174,219
Share of profit in associates	923	(1,640)	149	15,909	277	15,618
Assets	4,824,007	7,438,855	9,283,904	11,925,767	3,344,672	36,817,205
Liabilities	934,866	1,449,244	2,937,279	864,169	622,845	6,808,403
Operating Investment	56,822	530,513	387,366	536,465	426,019	1,937,185

Reconciliation of information between Operating Segments and Financial Statements

Thousands of Euros	
Total Turnover of Reported Segments	**19,985,706**
Turnover from Other Segments	293,955
Adjustments and Inter-segments eliminations	(4,176,471)
Total Turnover of EDP Group	**16,103,190**
Total Gross Profit of Reported Segments	**5,690,314**
Gross Profit from Other Segments	286,658
Adjustments and Inter-segments eliminations	(425,942)
Total Gross Profit of EDP Group	**5,551,030**
Total Gross Operating Profit of Reported Segments	**3,628,377**
Gross Operating Profit from Other Segments	(19,153)
Adjustments and Inter-segments eliminations	7,744
Total Gross Operating Profit of EDP Group	**3,616,968**
Total Operating Profit of Reported Segments	**2,174,219**
Operating Profit from Other Segments	(50,344)
Adjustments and Inter-segments eliminations	(39,031)
Total Operating Profit of EDP Group	**2,084,844**
Total Assets of Reported Segments	**36,817,205**
Assets Not Allocated	5,708,456
Financial Assets	3,744,556
Taxes Assets	827,922
Other Assets	1,135,978
Assets from Other Segments	537,657
Inter-segments assets eliminations	(413,418)
Total Assets of EDP Group	**42,649,900**
Total Liabilities of Reported Segments	**6,808,403**
Liabilities Not Allocated	24,670,057
Financial Liabilities	20,738,888
Institutional partnership in USA wind farms	1,508,495
Taxes Liabilities	1,360,302
Other payables	1,026,731
Hydrological correction account	35,641
Liabilities from Other Segments	822,059
Inter-segments Liabilities eliminations	(1,179,180)
Total Liabilities of EDP Group	**31,121,339**
Total Operating Investment of Reported Segments	**1,937,185**
Operating Investment from Other Segments	40,917
Total Operating Investment of EDP Group	**1,978,102**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other operating income	**366,042**	47,994	(54,033)	**360,003**
Supplies and services	**(1,204,720)**	(183,882)	453,699	**(934,903)**
Personnel costs and employee benefits	**(522,682)**	(142,437)	26,603	**(638,516)**
Other operating costs	**(700,577)**	(27,485)	7,416	**(720,646)**
Provisions	**(44,104)**	(10,772)	(1)	**(54,877)**
Depreciation, amortization expense and impairment	**(1,436,372)**	(20,501)	(46,743)	**(1,503,616)**
Compensation of amortization and depreciation	**26,318**	82	(31)	**26,369**
Share of profit in associates	**15,618**	14,881	3,633	**34,132**

EDP Group Operating Segment Report
31 December 2012

Thousands of Euros	Iberia LT Contracted Generation	Iberia Liberalised Activities	Iberia Regulated Networks	EDP Renováveis	EDP Brasil	Total Segments
Turnover	1,553,836	8,269,364	6,376,461	1,182,256	2,514,325	19,896,242
Gross Profit	988,395	772,965	1,874,722	1,157,796	807,321	5,601,199
Other operating income	10,808	13,862	90,962	190,466	90,821	396,919
Supplies and services	(83,499)	(272,823)	(421,714)	(261,810)	(177,137)	(1,216,983)
Personnel costs and employee benefits	(90,350)	(104,794)	(173,336)	(62,660)	(126,628)	(557,768)
Other operating costs	(23,241)	(92,934)	(313,251)	(86,212)	(59,655)	(575,293)
Gross Operating Profit	802,113	316,276	1,057,383	937,580	534,722	3,648,074
Provisions	(6,163)	1,361	(2,790)	3	(11,097)	(18,686)
Depreciation, amortization expense and impairment	(206,150)	(257,561)	(327,590)	(502,709)	(145,395)	(1,439,405)
Compensation of amortization and depreciation	1,989	332	2,730	15,231	4,564	24,846
Operating Profit	591,789	60,408	729,733	450,105	382,794	2,214,829
Share of profit in associates	1,123	-	166	6,833	(1,156)	6,966
Assets	5,169,162	7,251,026	8,626,943	12,059,508	4,504,651	37,611,290
Liabilities	999,380	1,418,963	2,399,459	1,054,183	850,259	6,722,244
Operating Investment	44,222	524,081	403,600	606,484	388,444	1,966,831

Reconciliation of information between Operating Segments and Financial Statements

Thousands of Euros	
Total Turnover of Reported Segments	**19,896,242**
Turnover from Other Segments	309,438
Adjustments and Inter-segments eliminations	(3,865,826)
Total Turnover of EDP Group	**16,339,854**
Total Gross Profit of Reported Segments	**5,601,199**
Gross Profit from Other Segments	297,990
Adjustments and Inter-segments eliminations	(471,022)
Total Gross Profit of EDP Group	**5,428,167**
Total Gross Operating Profit of Reported Segments	**3,648,074**
Gross Operating Profit from Other Segments	(13,917)
Adjustments and Inter-segments eliminations	(5,699)
Total Gross Operating Profit of EDP Group	**3,628,458**
Total Operating Profit of Reported Segments	**2,214,829**
Operating Profit from Other Segments	(31,772)
Adjustments and Inter-segments eliminations	(39,642)
Total Operating Profit of EDP Group	**2,143,415**
Total Assets of Reported Segments	**37,611,290**
Assets Not Allocated	4,761,534
Financial Assets	2,280,613
Taxes Assets	776,445
Other Assets	1,704,476
Assets from Other Segments	721,286
Inter-segments assets eliminations	(466,266)
Total Assets of EDP Group	**42,627,844**
Total Liabilities of Reported Segments	**6,722,244**
Liabilities Not Allocated	24,838,351
Financial Liabilities	20,562,613
Institutional partnership in USA wind farms	1,679,753
Taxes Liabilities	1,319,792
Other payables	1,242,549
Hydrological correction account	33,644
Liabilities from Other Segments	664,050
Inter-segments Liabilities eliminations	(1,028,469)
Total Liabilities of EDP Group	**31,196,176**
Total Operating Investment of Reported Segments	**1,966,831**
Operating Investment from Other Segments	43,820
Total Operating Investment of EDP Group	**2,010,651**

	Total of Reported Segments	Other Segments	Adjustments and Inter-segments eliminations	Total of EDP Group
Other operating income	**396,919**	46,598	(53,550)	**389,967**
Supplies and services	**(1,216,983)**	(203,461)	492,157	**(928,287)**
Personnel costs and employee benefits	**(557,768)**	(132,381)	18,613	**(671,536)**
Other operating costs	**(575,293)**	(22,663)	8,103	**(589,853)**
Provisions	**(18,686)**	2,631	-	**(16,055)**
Depreciation, amortization expense and impairment	**(1,439,405)**	(20,564)	(33,920)	**(1,493,889)**
Compensation of amortization and depreciation	**24,846**	79	(24)	**24,901**
Share of profit in associates	**6,966**	13,069	3,742	**23,777**

05

ANNEXES

> CHINA
TOKYO SKY TREE
Coordinates:
35º42'36.5"N 139º48'39"E
Time of day: 20 PM

5.1. FINAL REFERENCES

The Executive Board of Directors expresses its gratitude to all those who have supported and followed, directly or indirectly, the activity of EDP Group over the year of 2013.

First of all, we would like to thank the shareholders for the trust and support given to the Executive Board of Directors and to each of its members in the exercise of its activity.

Special thanks are also due to all members of the Corporate Bodies responsible for the auditing and supervision of the Group, for the support given over the year. A special word to the General and Supervisory Board for the guidance provided to the activity of the Executive Board of Directors.

The successful results of the Group and the intrepid defense of all stakeholders' interests clearly demonstrate that the governance model is fully consolidated.

Additionally, as a result of the support granted to the group's activities during last year, the Board thanks the members of the governmental bodies and the public authorities of countries in which EDP is present, for the continued support provided.

Within the energy sector, it is also important to refer the constant and constructive dialogue between EDP and the different energy sector regulators. Particularly with the Regulatory Body for Energy Services (ERSE) and the Directorate-General for Energy and Geology (DGEG) in Portugal, as well as to other regulators in countries where the activity of the EDP group is most visible, such as CNE in Spain, ANEEL in Brazil and FERC and NERC in the USA.

The Executive Board of Directors also extends its gratitude to all the other entities that interacted with the group during 2013, namely, the financial markets regulators, the sectorial associations and the social and environmental non-government organizations.

It is also imperative to thank our customers and reaffirm our full commitment to seek continuous improvement of our offer, as well as excellence in service delivery. Only with full effort we can aim to satisfy our customers' needs.

The Board's gratitude is also extended to suppliers, as well as to the social media that followed the company throughout the year.

Lastly, a special thanks to all EDP employees. Their determination, knowledge and energy were crucial for the company to achieve its results.

THE EXECUTIVE BOARD OF DIRECTORS

António Luís Guerra Nunes Mexia (Presidente)

António Fernando Melo Martins da Costa

Nuno Maria Pestana de Almeida Alves

João Manuel Veríssimo Marques da Cruz

João Manuel Manso Neto

Miguel Stilwell de Andrade

António Manuel Barreto Pita de Abreu

5.2. CORPORATE BODIES' BIOGRAPHY

GENERAL AND SUPERVISORY BOARD

EDUARDO DE ALMEIDA CATROGA, **Chairman** He was born on 14th November 1942. He has a degree in Finance from ISEG of Universidade Técnica de Lisboa and a post-graduate degree from Harvard Business School. He served as Minister of Finance of the Portuguese government from 1994 to 1995. He is a guest senior lecturer in business strategy for the ISEG MBA program. He has focused his career on corporate management and administration, specifically within CUF and in SAPEC, where he was CFO (1974) and General Director, respectively. Currently, he isnon-executive Chairman of the Board of Directors of the SAPEC Group, member of the Board of Nutrinveste, member of the Board of Banco Finantia and member of the Investments Committee of Portugal Venture Capital Initiative, an equity fund promoted by the European Investment Bank. He was designated for the first time member of the EDP General and Supervisory Board on 30th June 2006 and he was reappointed on 15th April 2009. He was appointed chairman of the General and Supervisory Board of EDP on 20th February 2012.

ZHANG DINGMING, **Vice-President** He was born on 1st December 1963. He has a Bachelor's degree in Power System and Automation from Huazhong University of Science and Technology in 1984 and his Master's degree in Management from Huazhong University of Science and Technology in 2001. He served as an associate and then Deputy Division Chief in the Key Project Construction Department of the State Planning Commission of China (1984-1994), working in Germany between 1992 and 1993. He then worked as Deputy Division Chief, Division Chief and Deputy Director of Capital Planning Department of the Three Gorges Construction Committee under the State Council (1994-2002), before he became Deputy Director of Power Production Department of China Three Gorges Corporation (2002). He then worked as Executive Vice President of China Yangtze Power Company (2002-2011) and President of Beijing Yangtze Power Capital Co. Ltd. (2008-2011). His past experience also includes Director of the Board of Guangzhou Development Industry (Holding) Co. Ltd. and Director of the Board of Yangtze Three Gorges Technology and Economy Development. In 2011, he began to serve as Board Secretary, Director of Strategic Development Department and Director of Marketing Department in China Three Gorges Corporation. He was appointed Vice-Chairman of the General and Supervisory Board of EDP, in representation of China Three Gorges Corporation, on 20th February 2012 and initiated their term of office on 11 May 2012.

LU GUOJUN, He was born on 12th July 1956. He has a Bachelor's degree in Engineering from East China Institute of Water Resources Engineering and a PhD in Economics from Central University of Finance and Economics in China. He served for China International Water and Electric Corporation from 1982 to 2010, starting as Deputy Chief of the Sri Lanka Office, Manager of the Pakistan Project Department and Deputy Chief of the Hydropower Department 1. He then served as Vice President and President of China International Water and Electric Corporation and Executive Vice President of China Water Investment Group Corporation. Currently, he is Assistant President of China Three Gorges Corporation, President/CEO of CWE InvestmentCorporation and Director of International Department of China Three Gorges Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China International Water & Electric Corp, on 20th February 2012 and initiated their term of office on 11 May 2012.

YANG YA, He was born on 27th August 1962. He has a Bachelor's degree in Finance from Changsha University of Electricity. He later got his "Diplôme d'Etudes Supérieures Spécialisées" from the Business School of the University of Montreal, Canada and EMBA from HEC Paris. He served a series of posts before devoting to the China Three Gorges Project. He was Project Officer of the Bureau of Hydropower Construction of Ministry of Water Resources & Hydropower and Auditor of Beijing Office of PriceWaterHouseCoopers. Currently, he is the Chief Accountant & Corporate Controller of China Three Gorges Corporation and Chairman of the Supervisory Committee of China Yangtze Power Company. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges New Energy Co. Ltd, on 20th February 2012 and initiated their term of office on 11 May 2012.

WU SHENGLIANG, He was born on 11th March 1971. He received Bachelor's degree in Engineering from Wuhuan University of Hydraulic and Electrical Engineering in 1992. Master's degree in Technical Economics and Management from Chongqing University in 2000. He served as technician and later as an engineer in Gezhouba Hydropower Plant (1992-1998). Secretary of Corporate Affairs Department in Gezhouba Hydropower Plant (1998-2002). Financial Manager of Capital Operating Department of China Yangtze Power Company (2002-2003). Information manager and then Deputy Director of Office of the Board of China Yangtze Power Company (2004-2006). Deputy Director and then Director of Capital Operating Department of China Yangtze Power Company (2006-2011). His past experience includes Director of the Board of Daye Non-ferrous Metals Co., Ltd (2008-2011). Executive Vice President of Beijing Yangtze Power Capital Co. Ltd (2008-2011). Since 2011, he is Deputy Director of Strategic Planning Department in China Three Gorges Corporation. He was appointed member of the General and Supervisory Board of EDP, in representation of China Three Gorges International - Europe, on 20th February 2012 and initiated their term of office on 11 May 2012.

FELIPE FERNÁNDEZ FERNÁNDEZ, He was born on 21st December 1952. He has a degree in Economics and Management Sciences (1970 - 1975) from the University of Bilbao. His professional career includes the following positions: Professor at the Faculty of Economics and Business, University of Oviedo (1979 - 1984), Director of Regional Economy and Planning of the Principality of Asturias (1984 - 1990), Member of the Board and Executive Committee of the Caja de Ahorros de Asturias (1986 - 1990), Member of the Board of Directors and Vice-

President of " Sociedade Asturiana de Estudios Económicos e Industriales" (1986 - 1990), Member of the Board of Directors and Vice-President of the company SEDES , SA (1988 - 1990), President of the Committee for Planing and Urbanism of Asturias (1990 - 1991); Counsel for Planning, Urbanism and Housing in the Principality of Asturias (1990 - 1991); Counsel for Rural and Fishing Affairs in the Principality of Asturias (1991 - 1993), Director of the Department of Management Control of HidroCantábrico (1993 - 1998), Director of the Department of Management Control, Purchasing and Quality of HidroCantábrico (1998 - 2001), President of the company Gas Asturias (2001 - 2003), Director of Support Areas and Control of HidroCantábrico (2001 - 2002); HidroCantábrico CFO, Chairman of Gas Capital, CEO of Hidrocantábrico Servicios, Board Member of Naturcorp, Gas de Asturias, SINAE, Canal Energía, Telecable and Sociedad Regional de Promoción de Asturias (2002 - 2004). He is currently Board Member of Liberbank, General Manager of Caja de Ahorros de Asturias, President of Infocaja and Lico Corporación, Board Member of HC Energía, Ahorro Corporation and Tudela Veguín. He is also Board Member of da Sociedad Promotora de las Comunicaciones en Asturias (SPTA). He was appointed member of the General and Supervisory Board of EDP, in representation of Cajastur Inversiones SA, on 20th February 2012.

LUÍS FILIPE DA CONCEIÇÃO PEREIRA, He has born on 29th October 1944. He has a degree in Economics by Instituto Superior de Economia (1973). He was an Assistant Professor at ISCTE (1979/2005). In terms of public offices, he was Health Minister (2002/2005); Energy State Secretary (1991/1995) and Social Security State Secretary (1987/1989). He was Chairman of the Board of the Portuguese Association of Industrial Electricity Consumers (1996/2001 and 2005), Member of the Steering Committee of the International Federation of Industrial Energy Consumers (1996/2002). In terms of business positions, he was Vice President of EDP (1989/1991), Chairman of the Transport Institute (1996/2001), Vice-President of Quimigal (1996/1997), CEO of ADP (1997/2002); non-executive director of Banco Mello, CEO of CUF (2005) and CEO of EFACEC (2006/2011). On April 2013, he was appointed Chairman of the Board of FAE - Fórum de Administradores de Empresas fot the mandate 2013/2015. He was awarded in 2006 with the Honorific Order "Grã-Cruz da Ordem de Mérito" by President of Republic of Portugal. He was appointed member of the General and Supervisory Board of EDP, in representation of José de Mello Energia SA, on 20th February 2012.

MOHAMED ALI AL-FAHIN, He was born on 4h March 1976. He has a degree in Finance by the University of Suffolk, Boston (1999). He has started his professional career at Abu Dhabi National Oil Company (ADNOC), where he worked from 2000 to 2008. His activity was focused in the identification and in the definition of investment strategies for a balanced investment portfolio of ADNOC, which could be able to meet the Groups requirements for cash flow and returns. During that time, he also had working experience as Corporate Finance Consultant for KPMG-Dubai (2001-2002) and for HSBC Bank at the Project and Export Finance Division-London (2006). Since September 2008, he has been Finance Division Manager at the Finance & Accounts Department of International Petroleum Investment Company (IPIC).. He is a member of the board of directors of several companies as IPIC representative: AABAR Investment PJS (since May 2010), Arabtec Holdings PJSC (since April 2012), First Energy Bank (since July 2009), Unicredit Spa (since October 2012), Al Izz Islamic Bank (since November 2012), Depa Interiors (since May 2013) and Oasis Capital Bank (since June 2009). He was appointed member of the General and Supervisory Board of EDP, in representation of Senfora Sarl, on 16th April 2010 and 20th February 2012.

HARKAT ABDEREZAK, He was born on 2nd February 1972. Bachelor in Mathematics, Industrial Engineering degree obtained from Polytechnic School of Algiers. Master (Post Graduation) in Finance-banking obtained from Institute of Finance and Development of Tunis. From 1998 to 2009, his work comprised project financing and investment budgeting. In terms of financing, in particular putting in place project financing (Development Oil & Gas project, Petrochemical Projects, fertilize project, Pipelines, liquefaction facilities (LNG trains), etc). In addition, he was in charge with transaction related to the acquisition of assets or companies and development of new business areas. He was board Member of "Entreprise de Gestion de la Zone Industrielle Skikda – Algeria" (management of the industrial activities zone) from 2007 to 2009, President of the Board of "Sonatrach International Finance & Development – Luxembourg" (Dec 2008 to Nov 2009). From 2006 on he is President of the Board of "Sonatrach Gas Commercializadora "(Madrid-Spain). Since 2013, he is Chairman of the Board of Directors of "Sonatrach Raffinage et Chimie" Algeria. He was appointed member of the General and Supervisory Board of EDP, in representation of Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures ("Sonatrach"), on 20th February 2012.

JOSÉ MARIA ESPÍRITO SANTO RICCIARDI, He was born on 27th October 1954. He has a degree in Applied Economic Sciences by the Administration and Management Institute of the School of Economic, Political and Social Sciences of Université Catholique de Louvain, in Belgium. He served as Financial Controller at the European headquarters of the Espírito Santo Group (GES) from 1981 to 1983, assisting the group's General Financial Controller at a global level. He was an Assistant Director of the Bank Espírito Santo International Ltd. from June 1983 and in 1987 he was appointed Director of Merchant Banking at Banco Internacional de Crédito (BIC). In 1990, he worked at BIC, as Deputy Director-General and Director of the Capital Markets Department. He was appointed Director of Espírito Santo Sociedade de Investimentos in 1992 and Vice-Chairman of the Board of Directors of Banco Espírito Santo de Investimento in 1995. Since 1999 he has served as Executive Director of the Board of Banco Espírito Santo and CEO of Banco Espírito Santo de Investimento. He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

ALBERTO JOÃO CORACEIRO DE CASTRO, He was born on 15th June 1952. He has a degree in Economics from the School of Economics of Porto and a PhD in Economics from the University of South Carolina. He has published papers in different areas of expertise, including industrial economics, business economics and strategy, labor and international economics. He lectures at Universidade Católica Portuguesa, where he is head of the

Centre for Applied Research in Economics and Management. He serves as President of the Audit Committee of Mota-Engil and Unicer and is a consultant to the Portuguese Footwear Industry Association (APICCAPS). He is also a member of the General Board of Associação Empresarial de Portugal and of the Board of Associação Comercial do Porto. He chairs the Comissão Justiça e Paz of the Diocese of Oporto. He is Chairman of the Remuneration Committee of the General and Supervisory Board since July 2006. He was appointed Vice-President of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009, being the Vice-chairman until 20th February 2012. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

ANTÓNIO SARMENTO GOMES MOTA, He has born on 10th June 1958. He has a degree in Management by ISCTE, (1981), an MBA by the School of Economics of Universidade Nova de Lisboa (1984) and a PhD in Management by ISCTE. He is a Full Professor and the head of ISCTE Business School (since 2003). He is also the head of INDEG/ISCTE (since 2005); Chairman of the General Board of the Fundo de Contragarantia Mútua (1999-) and a non-executive member of the Board of CIMPOR (2009-). Member of the Direction Board of the Portuguese Corporate Governance Institute (2010-). Previously, he was also head of the Finance and Accountancy Department of ISCTE Business School (2001-2003); Chairman of the Board of CEMAF – Centro de Investigação de Mercados e Activos Financeiros of ISCTE (1995-2003); member of the Investment Committee of FINPRO-SGPS (2002-2004); Chairman of the Board of Directors of SIEMCA – Sociedade Mediadora de Capitais (1990-1997); Consultant of PME Investimentos 1998-2000). Co-founder and first director of the "Management Revue", he is also author of a number of books and papers on areas such as corporate governance, financial markets and instruments, strategy and business restructuring. He was appointed member of the General and Supervisory Board of EDP on 15th April 2009 and reappointed on 20th February 2012.

MARIA CELESTE FERREIRA LOPES CARDONA, She was born on 30th June 1951. She holds a Doctorate degree in law from the Faculdade de Direito da Universidade de Lisboa, having been an Assistant Professor in the same university. Within the Ministry of Finance, she was a member of the Fiscal Study Center and a Portuguese representative on the OECD. She was Minister of Justice of the XV Constitutional Government. She was graced the degree of Grande Oficial da Ordem do Infante D. Henrique, atributed in 1998, by his Excellency the President of the Portuguese Republic. She was also a non-executive Board Member of Caixa Geral de Depósitos. Mrs. Celeste Cardona published articles and opinions in specialty magazines, namely in "Ciência e Técnica Fiscal". She is also author of several monographs and varied studies, such as "As agências de regulação no Direito Comunitário", "O problema da retroactividade na lei fiscal e na Constituição", "A prescrição da obrigação tributária e a caducidade da liquidação de impostos", e "A natureza e o regime das empresas de serviço público". She is currently a lawyer and a consultant in M. Cardona Consulting, Unipessoal, Lda., and also a non-executive member of BCI, headquartered in Maputo, Mozambique, a member of the Fiscal Council of SIBS and a legal and fiscal consultant for several financial and non-financial institutions. She was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

FERNANDO MARIA MASAVEU HERRERO, He was born on 21st May 1966. He received a law degree from the University of Navarra. He started to work at Masaveu Group in 1993 where played various roles. He currently plays the following positions, among others: Chairman of Masaveu Corporation; Chairman of Cementos Anónima Tudela Veguín; Chairman of Masaveu International, Advisor at Hidrocantábrico, Chairman of the Audit Committee at Hidrocantábrico; Advisor at Naturgas Energía; Advisor at Bankinter; Member of the Executive Committee of Bankinter; Member of the Audit Commission of Bankinter; Member of International Advisory Board of the Santander Group; Advisor at EGEO, S.G.P.S.; Chairman of Masaveu Medicina; Advisor at OLMEA; Chairman of Beluga Holding Limited; Chairman of the Maria Cristina Masaveu Foundation; Chairman of the Foundation San Ignacio de Loyola; patron and member of the Executive Committee of the Príncipe de Asturias foundation; patron and member of the heritage of Príncipe de Asturias Foundation; Patron of the Príncipe de Asturias Awards; International patron of Asociación Amigos Museo del Prado; and Patron of Sociedad Internacional de Bioética (S.I.B.I.). Additionally, he is director of several companies of Masaveu group. Formerly, he also had relevant contributions in several sector, particularly in the R&D sector, the beverage sector, the health sector, the financial sector, the transportation sector, the environmental sector, the press sector, the real estate sector, as well as significant assistance in several foundations focus on social responsibility. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

ILÍDIO DA COSTA LEITE DE PINHO, He was born on 19th December 1938. Degree in Electronics and Machinery Engineering. Grã-Cruz" Order of Merit, Honorary member of the Industrial Order of Merit. Member of the "Ordens Honoríficas Portuguesas" from 1996 to 1999. Gold Medal and "Honorary citizen" award granted by the city of Vale de Cambra, in 1999. Gold medal and "University Benefactor" award granted by "Universidade Católica Portuguesa". Golden Badge by the Portuguese Association of Voluntary Firemen, in 2002. Between 1986 and 1991 was non-executive Board of Directors Member of "ICEP" in representation of the National Industry. President of the City Hall Council of Vale de Cambra between 1979 and 1983 and President of the City Hall Assembly of Vale de Cambra, between 1993 and 1997. Member of the Administrative Committee of "Universidade Católica" - Oporto. University Counsel of "Universidade de Aveiro" and Senate Member of "Universidade do Porto". Member of the board of several business association. Member of the "Trilateral Commission" between 1988 and 1996. Was founder and Chairman of the Board of Directors of COLEP. Was founder of NacionalGás, S.A., LusitâniaGás, EGA, EMPORGÁS, EDISOFT, S.A. and MEGASIS. Was the main shareholder of Transinsular. Was non-executive Member of the Board of Directors of "Banco Espirito Santo, S.A." between 2000 and 2005. Shareholder of "CEM - Companhia de Electricidade de Macau, SARL". Chairman of the Strategy Committee of "Fomentinvest, S.A.". Founder and Chairman of the Board of Directors and the Board of Trustees of Fundação Ilídio Pinho. Chairman of various companies of Group Ilídio Pinho. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

JORGE AVELINO BRAGA DE MACEDO, He was born on 1st December 1946. He has a law degree from Universidade de Lisboa in 1971. At Yale University, he completed M.A. in International Relations (1973) and also has PhD in Economics (1979). He aggregated in the Faculty of Economics from Universidade de Lisboa in 1982. Since 1999 to 2004 he belonged to the Organisation for Economic Cooperation and Development (OECD) and the European Commission in Brussels between 1988 and 1991. At a national level, he was President of the Parliamentary Commission for European Affairs (1994-1995), and Minister of Finance (1991-1993). He has taught at the Centre Européen d'Education Permanente in Fontainebleau, and at the Catholic University of Lisbon, at Princeton University, among others. He has been a consultant at the European Bank for Reconstruction and Development, the United Nations, the World Bank and the International Monetary Fund. Currently, he is a Professor of Economics at Universidade Nova de Lisboa, teaches at the Institut d'Etudes Politiques (SciencesPo) in Paris, is Director of the Center Globalization and Governance (CG & G) at the Nova School of Business and Economics from the Universidade Nova de Lisboa, President of Institute of Tropical Research (IICT) and Member of the Board of Governors of the International Centre for International Governance Innovation in Waterloo, Canada. He was appointed member of the General and Supervisory Board of EDP and 20th February 2012.

MANUEL FERNANDO DE MACEDO ALVES MONTEIRO, He was born on 12th April 1957. He has a degree in Law and is a Board Director of CIN, SGPS, Novabase, SGPS and Grupo Soares da Costa, S.A. He was a non-executive board member of Jerónimo Martins, SGPS and AICEP, SGPS; served as Chairman of Euronext Lisbon and was a member of the Board of Directors of the Paris, Brussels and Amsterdam stock exchanges,Euronext NV and Clearnet. He was Director of the Portuguese Corporate Governance Institute; Chairman of the Portuguese Association of Financial Analysts; member of the CMVM Advisory Board and Chairman of Casa da Música/Porto 2001, S.A. He has also held executive positions in international organizations related to capital markets: Executive Board of the Ibero-American Stock Exchange Federation (FIABV); the European Committee of Futures and Options Exchanges (ECOFEX); the International Finance and Commodities Institute (IFCI) and the European Capital Markets Institute (ECMI). He was awarded the title of Chevalier de L´Ordre Nationale de la Légion d´Honneur by recommendation of the President of the French Republic. He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

PAULO JORGE DE ASSUNÇÃO RODRIGUES TEIXEIRA PINTO, He was born on 10th October 1960. He has a Law degree from Universidade de Lisboa (1983) and he was accepted for a Ph.D. in History of Law from Universidade Complutense de Madrid, having also attended a Program for Corporate Strategy at INSEAD in Fontainebleau and a Program for Senior Management Officer from AESE. He served as Secretary of State for the Presidency of the Council of Ministers and was a Speaker for the Portuguese Government. He represented the Portuguese Government at the Program of Public Management at the OECD. From 2005 to 2007, he was Chairman of the Board of Directors of BCP, having held also several roles within the Group, and Vice-President of the Portuguese Banking Association. It was also Member of the National Council of the IPC, Chairman of the Audit Centralcer, Vice-President of the General Assembly TagusPark and Advisory Board Member of the Brazilian cement company, Cimentos Liz. From 2006 to 2007 he was a member of the Board of Directors and Supervisory Board of EDP. Currently, he is Chairman of the Board of Directors of BABEL, SGPS, SA, Vice Chairman of Abreu Advogados, member of the Board of Directors of LENA, SGPS, SA, Member of the General Council of the University of Coimbra, member of the Advisory Board of the Faculty of Arts, University of Coimbra and Chairman of the General Meeting of the Portuguese Association of Publishers and Booksellers. He is a member of the Academia de Artes e Letras, author of several books and articles on law, history, political science, economics, poetry and painting. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

VASCO JOAQUIM ROCHA VIEIRA, He has born on 16th August 1939. He has a degree in Civil Engineering. He took several courses and specialties, including General Course of Staff (1969-1970), Complementary Course of General Staff (1970-1972), Course of Command and Direction for Official General (1982-1983) and the Course of National Defense (1984). In 1984 in was promoted to Brigadier and later, in 1987, he was promoted General. In 1956 he joined the Military College having received the Alcazar of Toledo Award, given to the highest rated finalist of all students from the Military Academy, and the Marechal Hermes Award in Brazil. From 1969 to 1973 he collaborated with Lisbon´s City Hall. He taught at the Military Academy and at the Institute for Advanced Military Studies. He was Deputy Secretary for Communications and Public Works of the Macau Government (1974-1975). He joined the original core of officers of the Portuguese Armed Forces, promoting the installation of a democratic regime in Portugal. Attributing great importance to his military career, he was Chief of Staff of the Army and, inherently, member of the Revolution Council (1976-1978), National Military Representative at NATO Supreme Headquarters Allied Powers in Europe - SHAPE, in Belgium, and Honorary Director of Weapons and Engineering. He was Minister of the Republic for the Azores (1986-1991), and Governor of Macau, where he served from 1991 until 1999. Currently, he is Member of the Board of Engineers, Member of the Academy of Engineering, , Chancellor of the Former Military Orders, Member of the Supreme Council of Associations of the Former Students of the Military College, member of the Supreme Council of SHIP (Historical Society for the Independence of Portugal), member of the Honorary Council of the ISCSP (Instituto Superior de Ciências Sociais e Políticas) and Member of the Advisory Board of the Nova School of Business and Economics at Universidade Nova de Lisboa. He is an honorary associate of Lisbon Geography Society. He was appointed member of the General and Supervisory Board of EDP on 20th February 2012.

VÍTOR FERNANDO DA CONCEIÇÃO GONÇALVES, He was born on 16th April 1955. He has a degree in Business Administration and Management from ISEG (1978) and a PhD in Business Sciences from FCEE at Universidad de Sevilla (1987). He has the title of "Agregado" in Management from Universidade Técnica de Lisboa (1993) and is currently a Full Professor in Management at ISEG (since 1994) as well as Vice-Rector and Pro-Rector at Universidade Técnica de Lisboa (since 2007). He is a Member of the Economic and Social Council (since 2007) and Member of the Panel of Experts on World Competitiveness at the IMD World Competitiveness Centre (since 2005). He served as Chairman of the ISEG Directive Council (2003-06) and Chairman of the ISEG Management Department (1992-2000). He has led several postgraduate and advanced training programs for executives and was a guest lecturer at several universities in Portugal and abroad. He is a Member of the Assessment Committee for doctoral, post-doctoral and research candidates at the Fundação para a Ciência e Tecnologia (since 1997). He is Chairman of the Management and Business Administration Degrees Evaluation Committee (2001-02). Member of the Executive Council of Economics and Business Management Specialization at the Portuguese Economists' Association (1999-2001) and member of the Professional Council. He is a non-executive Director of ZON Multimedia and Chairman of its Audit Committee (since 2007-2013). He is currently Chairman of the Gaptec and was Director of Promindústria – Sociedade de Investimento SA (1994-96). He was President of the Instituto para o Desenvolvimento e Estudos Económicos, Financeiros e Empresariais (2003-07). From 2001 to 2002, he chaired the group of "high-level experts" at the European Commission that evaluated the program on European competitiveness – European Research Area. He is the author of several articles on management for national and international publications. He was appointed member of the General and Supervisory Board of EDP on 30th June 2006 and reappointed on 15th April 2009 and 20th February 2012.

RUI EDUARDO FERREIRA RODRIGUES PENA, He was born on 25th December 1939. He has a degree in Law from the Universidade de Lisboa. He works as a lawyer and his professional activity has focus on areas of administrative, trade, financial and business law, with a particular emphasis on the so-called regulated markets. He is a founding member and senior partner at the law firm Rui Pena, Arnaut & Associados. From 1973 to 2007, he was Chairman of the Board of Directors, Executive Director and Non-Executive Director of various Portuguese and international companies. He served as Minister of National Defense from 2001 to 2002 and was a member of the General Council of the Portuguese Bar Association from 1987 to 1989. He was a lecturer in Administrative Law at Universidade Autónoma de Lisboa (1983-1987) and a member of the Lisbon Municipal Assembly (1986). He is part of the arbitration and reconciliation body of the International Centre for Settlement of Investment Disputes (ICSID). He served as President of the Inter-Parliamentary Union's Portuguese group (1980-1982) and was an assistant lecturer at the School of Law at Universidade de Lisboa (1977-1980), professor of Administrative Law at Universidade Livre de Lisboa from (1978-1981) and a member of the governing board at the Universidade de Lisboa (1977-1980). In 1978 he served as Minister of Administrative Reform and was also a Member of Parliament (1976-83). From 1964 to 1975 he was a legal consultant and director of various companies within the SACOR Group. He was appointed member of the General and Supervisory Board of EDP on 12th April 2007 and reappointed on 15th April 2009 and 20th February 2012.

AUGUSTO CARLOS SERRA VENTURA MATEUS, He was borne on 27th August 1950. He has a degree in Economics from the Superior Institute of Economics and Finance (ISCEF), of Technical University of Lisbon. Guest Professor at ISEG with current teaching responsibilities in the areas of European Economy, Economic Policy and Industrial and Competitiveness Policy at the level of degrees and masters' degrees. Researcher and consultant in the areas of macroeconomics, economic policy, industrial competitiveness, business strategy, program evaluation and policy development. Responsible for the coordination of several studies of evaluating programs and policies and for the coordination of several research projects and studies in applied economics. He has held the positions of Secretary of State for Industry (October 1995 until March 1996) and Ministry of Economy (March 1996 until December 1997), being responsible for the launching of a debt to State settlement plan also known as Plano Mateus. He was appointed member of the General and Supervisory Board of EDP on May 6th 2013.

NUNO MANUEL DA SILVA AMADO, He was borne on 14th August 1957. He has a degree in Companies Organization and Management from ISCTE – Instituto Superior das Ciências do Trabalho e da Empresa. He has also complementary executive degree from INSEAD, Fontainebleau (Advanced Management Programme). From 1980 to 1985 he was employee of KPMG Peat Marwick, at the Audit and Consulting Department. From 1985 onwards he worked at Citibank and Banco Fonsecas & Burnay. Afterwards he was Member of the Board of Directors of Deutsche Bank Portugal, Member of the Executive Commission of BCI (Banco de Comércio e Indústria) / Banco Santander, Vice-President of the Executive Commission of Crédito Predial Português, Vice-President of the Executive Commission of Banco Totta & Açores, Member of the Executive Commission of Banco Santander Negócios de Portugal, of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. From Augusto 2006 until January 2012 he became CEO and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A. and of Banco Santander Totta, SGPS. Since February 2012 he is Vice-Chairman of the Board of Directors and CEO of Banco Comercial Português. He was appointed member of the General and Supervisory Board of EDP on May 6th 2013.

CARLOS JORGE RAMALHO DOS SANTOS FERREIRA, He was born on 23rd February 1949. He has a degree in Law by the School of Law of Universidade Clássica de Lisboa (1971). He was a member of the Tax Reform Commission (1984-88); a Member of Parliament and Vice- Chairman of the Parliamentary Commission for Health and Social Security (1976); member of the Management Board of ANA (1977-1987); Chairman of the Board of Fundição de Oeiras (1987-89) and Chairman of the Companhia do Aeroporto de Macau (1989-91). He was a director of the Champalimaud Group (1992-99) and Chairman of the Board of Mundial Confiança and of the General Meeting of Banco Pinto & Sotto Mayor. Between 1999 and 2003, he served as Director of Servibanca, and as Vice-Chairman and member of the Board of Directors of Seguros e Pensões Gere, part of the BCP Group. He also acted as Director and Chairman of the Board of Directors of Império Bonança, the insurance companies Ocidental and Ocidental Vida, Seguro Directo, Império Comércio e Indústria (ICI), Companhia Portuguesa de Seguros de Saúde, Autogere and Corretoresgest, and he was also Director of Eureko B.V. From 2003 to 2005 he was Director of Estoril Sol, Vice-Chairman of Finansol, non-Executive Chairman of Willis Portugal-Corretores de Seguros (2003-05) and Director of the Board of Seng Heng Bank. From 2005 until 2007 he was Chairman of the Board of Caixa Geral de Depósitos. From 2008 until 2012 he was Chairman of the Board of Banco Comercial

Português; member of the General and Supervisory Board of Millenniumbank, in Poland, member of the Board of Directors of BancSabadell, in Spain and Chairman of the Board of Banco Millennium Angola, S.A. He was appointed member of the General and Supervisory Board of EDP on 10th April 2008 and he was reappointed on 15th April 2009 and 20th February 2012. He resigned the office on March 16th 2013.

EXECUTIVE BOARD OF DIRECTORS

ANTÓNIO LUIS GUERRA NUNES MEXIA, **Chairman.** He was born on 12th July 1957. He received a degree in Economics from Université de Genève (Switzerland) in 1980, where he was also Assistant Lecturer in the Department of Economics. He was a postgraduate lecturer in European Studies at Universidade Católica. He was a lecturer at Universidade Nova de Lisboa and at Universidade Católica from 1982 to 1995. He served as Assistant to the Secretary of State for Foreign Trade from 1986 until 1988. From 1988 to 1990 he served as Vice-Chairman of the Board of Directors of ICEP (Portuguese Institute for Foreign Trade). From 1990 to 1998 he was Director of Banco Espírito Santo de Investimentos and, in 1998, he was appointed Chairman of the Board of Directors of Gás de Portugal and Transgás. In 2000 he joined Galp Energia as Vice-Chairman of the Board of Directors. From 2001 to 2004, he was the Executive Chairman of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico. In 2004, he was appointed Minister of Public Works, Transport and Communication for Portugal's 16th Constitutional Government. He also served as Chairman of the Portuguese Energy Association (APE) from 1999 to 2002, member of the Trilateral Commission from 1992 to 1998, Vice-Chairman of the Portuguese Industrial Association (AIP) and Chairman of the General Supervisory Board of Ambelis. He was also a Government representative to the EU working group for the trans-European network development. On January 2008 he was appointed as member of the General and Supervisory Board of Banco Comercial Português, SA, having been previously a member of the Superior Board of this bank. He is Chairman of the Board of Directors of EDP – Energias do Brasil, Chairman and Counselor-Delegate of EDP – Renováveis and Vice- Chairman of The Union of the Electricity Industry – EURELECTRIC. He was appointed on 30th March 2006 as Chairman of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

NUNO MARIA PESTANA DE ALMEIDA ALVES. He was born on 1st April 1958. He holds a degree in Naval Architecture and Marine Engineering (1980) and a Master in Business Administration (1985) by the University of Michigan. In 1988, he joins the Planning and Strategy Department of Millennium BCP and in 1990 becomes an associate director of the bank's Financial Investments Division. In 1991, Mr. Nuno Alves is appointed as the Investor Relations Officer for the group and in 1994 he joins the Retail network as Coordinating Manager. In 1996, he becomes Head of the Capital Markets Division of Banco CISF, currently Millennium BCP Investimento, and, in 1997, Co Head of the bank's Investment Banking Division. In 1999, Mr. Nuno Alves is appointed as Chairman and CEO of CISF Dealer, the brokerage arm of Banco CISF. Since 2000, before his appointment as EDP's Chief Financial Officer in March 2006, Mr. Nuno Alves acted as an Executive Board Member of Millennium BCP Investimento, responsible for BCP Group Treasury and Capital Markets. He is member of the Board of Directors of EDP - Energias do Brasil and Hidroeléctrica del Cantábrico and CEO of EDP - Estudos e Consultoria, EDP - Imobiliária e Participações and Sãvida. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

JOÃO MANUEL MANSO NETO. He was born on April 2nd 1958. He graduated in Economics from Instituto Superior de Economia (1981) and received a post-graduate degree in European Economics from Universidade Católica Portuguesa (1982). He also completed a professional education course through the American Bankers Association (1982), the academic component of the Master's Degree programme in Economics at the Faculty of Economics, Universidade Nova de Lisboa and, in 1985, the "Advanced Management Program for Overseas Bankers" at the Wharton School in Philadelphia.From 1981 to 1995 he worked at Banco Português do Atlântico, occupying several positions, manly as Head of the International Credit Division, and General Manager responsible for Financial and South Retail areas.From 1995 to 2002 he worked at the Banco Comercial Português, where he held the posts of General Manager of Financial Management, General Manager of Large Corporates and Institutional Businesses, General Manager of the Treasury, member of the Board of Directors of BCP Banco de Investimento and Vice-Chairman of BIG Bank Gdansk in Poland. From 2002 to 2003, he was a member of the Board of Banco Português de Negócios. From 2003 to 2005 he worked at EDP as General Manager and Member of the Board of EDP Produção. In 2005 he was elected CEO at HC Energía, Chairman of Genesa and Member of the Board of Naturgas Energia and OMEL. Currently he is CEO of EDP Renováveis and responsible for Regulation and Energy Management (Gas and electricity) at Iberian level. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

ANTÓNIO MANUEL BARRETO PITA DE ABREU. He was born n 17th March 1950. He received his degree in Electrotechnical Engineering from Instituto Superior Técnico (Lisbon) in 1972, where he worked as an guest lecturer in the Department of Electrotechnical Engineering and Computers. He began working in the electricity sector in 1977. Until 2006 he occupied, among others, the following positions: Executive member of the EDP Board of Directors; Chairman of the Board of Directors of REN (Portuguese National Electricity Grid), Chairman of EDP Produção, EDP Cogeração and of Termoeléctrica do Ribatejo; Vice-Chairman of the Board of Directors of EDP Distribuição - Energia, member of the Board of Directors of EDP Energia, non-executive director of EDP Brasil. He was, also, Chairman of the Board of OniTelecom and Edinfor; Vice-Chairman of the Board of Turbogás and non-executive director of EDA (Electricidade dos Açores). Later he was CEO of EDP - Energias do Brasil, member of Conselho de Infra-estruturas da Federação das Indústrias do Estado de S. Paulo (Brazil) and Director of CEM

(Companhia de Electricidade de Macau). He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

ANTÓNIO FERNANDO MELO MARTINS DA COSTA. He was born n 113th December 1954. He was born in Oporto, Portugal on December 13th, 1954. He holds a degree in Civil Engineering from Faculdade de Engenharia do Porto (1976) and a MBA from Porto Business School (1989). He also has complementary Executive degrees from INSEAD (Fontainbleau, France – 1995), PADE from AESE (Lisbon, 2000) and the Advanced Management Program from Wharton School (Philadelphia, USA – 2003). He was a Teacher's Assistant at the Instituto Superior de Engenharia do Porto between 1976 and 1989. In 1981 he joined the Hydro Generation department at EDP where he stayed until 1989. Between 1989 and 2003 he was General Director at the Millennium BCP Bank, and executive board member of several Insurance, Pensions and Assets Management companies of BCP Group. Between 1999 and 2002 he was Executive Director of Eureko BV (The Netherlands), President of Eureko Polska (Poland) and Vice-President of PZU. He was the CEO and Vice-Chairman of the Board of Directors of EDP – Energias do Brasil between 2003 and 2007. During this period, he also held positions as Vice-President of the Portuguese Chamber of Commerce in Brazil and President of the Brazilian Association of Electricity Distribution companies. In 2007, he assumed functions as Chairman and CEO of Horizon Wind Energy in the USA, being also a Member of the Executive Board of EDP Renováveis since its incorporation in 2008 until 2012. Between 2009 and 2012. He was CEO of EDP Internacional, Chairman of EDP Gás since 2012 and Chairman of EDP Soluções Comerciais since 2009. Maintains responsibilities for EDP Distribuição at EDP's Executive Board level. He is a Founding Member of the Portuguese Institute for Corporate Governance. He was appointed on 30th March 2006 as member of the Executive Board of Directors, which office began on 30th June 2006, and reappointed on 15th April 2009 and 20th February 2012.

JOÃO MANUEL VERÍSSIMO MARQUES DA CRUZ. He was born on 23rd May 1961. He holds a degree in Management (1984) from Lisbon's ISE at the Technical University of Lisbon - Instituto Superior de Economia da Universidade Técnica de Lisboa, an MBA (1989) from the Technical University of Lisbon - Universidade Técnica de Lisboa and a Post Graduation in Marketing and Management of Airlines (1992) from the Bath University /International Air Travel Association, UK. He began his career at the TAP Group in 1984 (Transportes Aéreos de Portugal) having had several positions until becoming General Director. Between 1997 and 1999 he was a Board Member of TAPGER. Between 2000 and 2002, he was a member of the Board of several companies within CP – Portuguese Railways, namely EMEF. From 2002 and 2005, became CEO of Air Luxor, an airline company, and from 2005 and 2007 he was chairman and CEO of ICEP - Instituto do Comércio Externo de Portugal. From March 2007 to 2012, he was a board member of EDP Internacional S.A. and in 2009 he was nominated Chairman of the Board of Directors of CEM – Macao Electrical Company. He was appointed as member of the Executive Board of Directors on 20th February 2012.

MIGUEL STILWELL DE ANDRADE. He was born on 6th August 1976. Graduated with an M.Eng with Distinction in Mechanical Engineering in the University of Strathclyde (Glasgow, Scotland) and an MBA by MIT Sloan (Boston, USA). He initiated his career at UBS Investment Bank in London, UK, where he worked primarily in Mergers and Acquisitions in various projects in European countries, including Portugal, as well as in Japan, Thailand and Brazil. Miguel lived between 1994 and 2003 in Scotland, Italy, England, Portugal and the USA. In 2000, he joined EDP in the area of Strategy and Corporate Development / M & A and was the Director of this area between 2005 and 2009. During this period Miguel coordinated and managed various M&A and capital market transactions for EDP, including the acquisition of several companies that gave rise to EDP Renewables, the acquisition of Hidrocantabrico, the different phases of EDP's privatization, EDP's share capital increase in 2004, EDP Energias do Brazil IPO in 2005 and EDP Renewables IPO in 2008. He was a member of the Board of EDP Distribuição Energia from January 2009 to February 2012. Miguel was also a non-executive Member of the Board of Directors of EDP Inovação, EDP Ventures, EDP Gas Distribution and Chairman of InovGrid ACE. He is currently a Director of FAE – Fórum de Administradores de Empresas, CEO of EDP Comercial as well as CEO and Vice-President at Hidroeléctrica del Cantábrico and Naturgás Energia. He was appointed as a Member of the Executive Board of EDP on the 20th February of 2012.

5.3. PROPOSAL FOR THE APPROPRIATION OF PROFITS

Under the terms of the Article 30, number 1, of the Company Constitution, the Executive Board of Directors proposes to the shareholders that the Net Profit, amounted to €790,875,100.65, is appropriated as follows:

Legal Reserves	€ 39,543,755.03
Dividends *	€ 676,459,477.28
Donations to Fundação EDP	€ 7,200,000.00
Retained Earnings	€ 67,671,868.34

* The proposed dividend per share is € 0.185.

5.4. REPORTING PRINCIPLES

The EDP Annual Report is published annually. It contains the economic, financial, social and environmental information, since 2008, providing an across-the-board view of the business. The report is divided into four distinct sections:

EDP, which makes a summary presentation of the company, the climate in which it operates and its strategy;

Performance, which reports the main initiatives of the year, in relation to material matters;

Corporate Governance, which describes the organisation and governance of the company, complying with Article 4(1) of CMVM Regulation no. 4/2013, the Portuguese Companies' Code, the Corporate Governance Code and the Regulation on Information Disclosure Duties (no. 5/2008).

Financial Information, which includes a detailed analysis of the financial performance of the Group.

This analysis reflects the period between 1 January and 31 December 2013. In addition to this annual report,

- EDP reports its quarterly results to the market and posts its most important sustainability indicators online;
- makes qualitative and quantitative, operational, environmental and social data available online;
- publishes sector reports, including the Social Report and Biodiversity Report, available at www.edp.pt > sustainability > publications;
- the companies EDP Espanha, EDP Brasil, and EDP Renováveis publish annual and sustainability reports. These reports provide more detailed information on their sustainability performance.

Go to www.edp.pt> sustainability> publications for more detailed information on the content and organisation of the annual reporting of EDP.

AA1000APS 2008

EDP takes a systematic approach within the framework defined by the AA1000 APS (2008) standard to identify critical stakeholders, integrate their expectations into corporate strategy and provide feedback on their contributions.

CHECKS ACCORDING TO AA1000AS 2008

EDP was subject to the verification of compliance in 2013, as in previous years, with the AA1000 AS (2008) standard, type 2, by the auditor KPMG. It audited, in particular, the principle of inclusion, materiality and response.

PRINCIPLE OF INCLUSION

The principle of inclusion envisages that stakeholders are consulted, their expectations and concerns are known and are incorporated into the decision-making process.

To ensure the improved uptake of this perspective among EDP employees, the cross-cutting training course in Communication of Projects (2013) continued to be run in 2013 (ComPro). The method for engaging stakeholders set out in ComPro is intended to be disseminated and applied to EDP projects according to their characteristics and potential impacts.

Various initiatives aimed at interaction with stakeholders are externally conducted (Chapter on Stakeholder Relations, page 36). There are specific communication channels for each segment of stakeholders (www.edp.pt> sustainability> stakeholders).

PRINCIPLE OF MATERIALITY

The method adopted for measuring material matters is based on the standards of accountability and information and it is gathered at the corporate level and in the business units.

Materiality is obtained by the intersection of the topics identified by society with the importance attributed by the business.

The themes identified by society are prioritized according to the frequency with which they arise in the different categories analysed.

IMPORTANCE TO SOCIETY

The society vector results from an analysis of the following vectors:

REGULATION

A survey of current and emerging regulations is conducted, by region: Iberia (Spain and Portugal), other European countries, USA and Brazil.

BENCHMARK
An international benchmark of 25 companies operating in the electricity and/or gas markets and headquartered in countries where EDP operates, is conducted. These peers are chosen based on external recognition of their sustainability practices.

INTERNATIONAL STUDIES
All materially relevant issues identified by sustainability strategy studies directed at the electricity or gas sector are consulted.

ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) SURVEYS OF INVESTORS
The topics most frequently requested by ESG investors, based on benchmark surveys, are identified.

SURVEY OF EXPECTATIONS OF THE DIFFERENT STAKEHOLDERS OF EDP

Once the expectations of the different stakeholders are known, by means of: 1) interviews with the managers responsible for different stakeholders segments in the various Group companies; 2) surveys and interviews directly conducted with stakeholders; 3) identification and categorization of the issues addressed in the existing external communication channels; 4) internal workshop to analyse the relevant topics for stakeholders.

IMPORTANCE TO THE BUSINESS

The internal perspective of importance to the business was measured based on the interviews with the Managers and Heads of different areas of the corporate centre and the businesses, which identified the most important topics for the business in 2013.

The materiality matrix is influenced by trends and the climate of society and business. The changes recorded in 2013 compared to the previous year were the following:

- New Topics: energy access, functional energy market; and street lighting;
- Topics that have increased their relevance in both axes: ethics and impacts on communities;
- Topics that have seen their position rise in the society axis: facilities security; sustainability in the supply chain, corporate governance, tariffs and energy prices, regulations, taxes and subsidies, market liberalization; wellbeing, health and safety and innovation;
- Topic that has seen its position rise in the business axis: responsible marketing;
- Topics that have seen their positions fall in the society axis: citizenship, customer service, reputation and trust; responsible employer.
- Topics that have seen their positions fall in the business axis: natural resources management, climate change and new businesses/markets.

To check the renaming of topics on the 2012 materiality matrix, see the glossary (www.edp.pt> sustainability> stakeholders).

PRINCIPLE OF RESPONSE
The materiality matrix guides the reporting structure, in particular this report. The issues of greatest importance are reflected in its content.

EDP answers its stakeholders directly through the adequate channels of communication or indirectly through strategic partnerships.

Communication may result from a request or it may be proactively provided, when in anticipation and meeting the expectations and concerns of its stakeholders, who have been previously consulted.

CORPORATE CONSOLIDATION CRITERIA
In the organisation chart of the Group on page 20 -, the universe of companies included in the annual reporting is summarised.

The consolidation criteria of operational and sustainability information follows the accounts consolidation methods of EDP:

- Full consolidation method: where the parent company holds the majority of voting rights (% control) in the subsidiary, either directly or indirectly. The results of such subsidiaries are reported at 100%;
- Proportional consolidation method: where a company included in the accounting consolidation perimeter runs another company together with one or more companies not included in the perimeter. In this case, only the results corresponding to the percentage stake in the jointly-controlled company are reported.

A list of companies and their consolidation method is available in note 5 to the financial statements of this report (page 215).

The consolidation of operational information of the new Pecém thermoelectric power plant is still limited to the information of a financial and operational nature, and is not being reported for other sustainability indicators (proportional consolidation method: 50%). When available, information concerning Pecém is published in a table footnote.

In 2012, EDP decided to raise the level of external verification of sustainability reporting information to a set of 30 key indicators that are on pages 24 and 25 of this report. The Expenditure on R&D indicator is excluded. EDP is currently reviewing the concept applied and the timing of calculation, and it was not possible to include this indicator as foreseen in the reasonable check in 2013. On the closing date of this report, the reported information still represents an estimate of expenditure on R&D.

This check was conducted by KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.. For further information on the selection process, see page 133.

GLOSSARY

An online glossary is available to improve the report's transparency. It includes definitions of the methods and quantitative indicators used throughout the document: www.edp.pt/pt/pages/glossário.aspx

GRI INDEX AND GLOBAL COMPACT

This Report has been prepared in accordance with the guidelines of the Global Reporting Initiative, GRI3.1. The following table summarises the indicators according to the protocol of the Electricity Sector, stating deadlines for the implementation of those specific indicators for which full compliance has not yet been possible to achieve. A full table is available at www.edp.pt> sustainability> reports.

Simultaneously, the following table identifies the available information that responds to the 10 principles of the Global Compact, demonstrating EDP's commitment to this initiative.

GRI CONTENT

PROFILE	ANNUAL REPORT LOCATION	ONLINE CONTENTS	REPORT	GLOBAL COMPACT
1 STRATEGY				
1.1	Pages 8-9		●	
1.2	Pages 29-35		●	
2. ORGANIZATIONAL PROFILE				
2.1	Page 10		●	
2.2	Page 10		●	
2.3	Page 20		●	
2.4	Page 10		●	
2.5	Page 10-11		●	
2.6	Page 10		●	
2.7	Page 10		●	
2.8	Pages 10-11		●	
2.9	Pages 215-216; 313		●	
2.1	Page 16		●	
EU1	Pages 10; 22		●	
EU2	Page 22		●	
EU3	Page 66		●	
EU4	Page 23		●	
EU5	Pages 47; 276		●	
3. REPORT PARAMETER				
3.1 - 3.3	Page 312	www.edp.pt>Sustainability>Publications	●	
3.4	Page 321	www.edp.pt>Sustainability>Publications	●	
3.5	Pages 37; 312-313	www.edp.pt>Sustainability>Publications	●	
3.6	Pages 20; 289	www.edp.pt>Sustainability>Publications	●	
3.7	Page 314	www.edp.pt>Sustainability>Publications	●	
3.8	Page 313	www.edp.pt>Sustainability>Publications	●	
3.9	on-line glossary	www.edp.pt>Sustainability>Publications	●	
3,10	Pages 312-314	www.edp.pt>Sustainability>Publications	●	
3,11	Page 313	www.edp.pt>Sustainability>Publications	●	
3,12	Pages 315	www.edp.pt>Sustainability>Publications	●	
3,13	Pages 132-133	www.edp.pt>Sustainability>Publications	●	
4. GOVERNANCE				
4.1	Page 109	www.edp.pt>About EDP>Corporate Governance>Governing Bodies	●	
4,2	Page 107-108	www.edp.pt>About EDP>Corporate Governance>Governing Bodies	●	
4,3	Not applicable, Page 101	www.edp.pt>About EDP>Corporate Governance>Governing Bodies	●	
4,4	Page 142	www.edp.pt>Sustainability>Stakeholders>Employees	●	
4,5	Page 145		●	
4,6	Pages 145; 151	www.edp.pt>About EDP>Corporate Governance>Independence and Incompatibilities Statement	●	
4,7	Page 304		●	
4,8	Page 14	www.edp.pt>About EDP>Principles and Policies	●	
4,9	Online content	www.edp.pt>Sustainability>Approach to Sustainability>Organisation	●	
4,10	Page 145		●	
4,11	Pages 139-140		●	
4,12	Online content	www.edp.pt>Sustainability>Approach to Sustainability>Participations	●	
4,13	Online content	www.edp.pt>Sustainability>Approach to Sustainability>Participations	●	
4,14	Page 36	www.edp.pt>Sustainability>Stakeholders	●	
4,15	Page 36	www.edp.pt>Sustainability>Stakeholders	●	
4,16	Page 37	www.edp.pt>Sustainability>Stakeholders	●	
4,17	Pages 37-38	www.edp.pt>Sustainability>Stakeholders	●	
MANAGEMENT				
Economic	Online content	www.edp.pt>Sustainavility>Publications>GRI Indicators	●	
Economic Performance	Online content	www.edp.pt>Sustainavility>Publications>GRI Indicators	●	
Market Presence	Online content	www.edp.pt>Sustainavility>Publications>GRI Indicators	●	
Indirect Impacts	Online content	www.edp.pt>Sustainavility>Publications>GRI Indicators	●	
Availability and Reliability	Online content	www.edp.pt>About EDP>Business Units	●	
EU6	Pages 136-140	www.edp.pt>About EDP>Business Units	●	
Demand-side Management	Pages 30; 69		●	
EU7	Page 68		●	
System Efficiency	Page 48		●	
Research and Development	Page 73		●	
EU8	Page 73		●	
Plant Decomissioning	Page 50		●	
EU9	Pages 205; 221		●	
Environment				7,8
Materials	Online content	www.edp.pt>Sustainbaility>Environment>Performance	●	
Energy	Online content	www.edp.pt>Sustainbaility>Environment>Performance	●	
Water	Online content	www.edp.pt>Sustainbaility>Environment>Performance	●	
Biodiversity	Biodiversity Report	www.edp.pt>Sustainbaility>Environment>Biodiversity	●	
Emissions, Effluents and Waste	Online content	www.edp.pt>Sustainbaility>Environment>Performance	●	
Products and Services	Online content	www.edp.pt>Sustainbaility>Environment>Environmental Management	●	
Compliance	Online content	www.edp.pt>Sustainbaility>Environment>Environmental Management	●	
Transport	Online content	www.edp.pt>Sustainbaility>Environment>Cimate Change>Carbon Disclosure	●	

GRI CONTENT

PROFILE	ANNUAL REPORT LOCATION	ONLINE CONTENTS	REPORT	GLOBAL COMPAC
EMPLOYMENT				6
EU14	Pages 58		●	
EU15	Page 59		●	
EU16	Page 61	www.edp.pt> About EDP> Principles and Policies	●	
Employment	Page 55-57	www.edp.pt> About EDP> Human Resources> Social Report	●	
Labour/Management Relations	Page 56	www.edp.pt> About EDP> Human Resources> Social Report	●	
Occupational Health and Safety	Page 61	www.edp.pt> Sustainability> Health and Safety	●	
Training and Education	Page 58		●	
Diversity and Equal Opportunities	Page 60; EDP Code of Ethics, chapter 3.1	www.edp.pt> About EDP> Principles and Policies	●	
Equal Remuneration	Page 59		●	
HUMAN RIGHTS				1
Investment and Procurement Practices	Page 63-65		●	1
Non discrimination	EDP Code of Ethics, chapter 3.1	www.edp.pt>About EDP>Principles and Policies	●	1;6
Freedom of Association and Collective Bargaining	EDP Code of Ethics, chapter 2.3	www.edp.pt>About EDP>Principles and Policies	●	1;3
Child Labour	EDP Code of Ethics, chapter 2.3	www.edp.pt>About EDP>Principles and Policies	●	5
Force and Compulsary Work	EDP Code of Ethics, chapter 2.3	www.edp.pt>About EDP>Principles and Policies	●	4
Security Practices	EDP Code of Ethics, chapter 2.3	www.edp.pt>Sustainability>Publications>GRI Indicators	●	2
Local Communities Rights	Online Contents	www.edp.pt>Sustainability>Publications>GRI Indicators	●	1;2
Assessment	Page 45		●	
Remediation	Pages 45-46		●	
SOCIETY				1
EU19	Online Contents	www.edp.pt>Sustainability>Stakeholders	●	
EU20	Pages 78-79		●	
Local Communities	Page 78-79		●	
Corruption	EDP Code of Ethics, chapter 2.2	www.edp.pt>About EDP>Principles and Policies	●	
Public Policies	EDP Code of Ethics, chapter 2.2	www.edp.pt>About EDP>Principles and Policies	●	
Anti-competitive behaviour	Commitment to Fair Competition Practices	www.edp.pt>About EDP>Principles and Policies	●	6
Compliance	EDP Code of Ethics, chapter 2.2; 4.3	www.edp.pt>About EDP>Corporate Governance>Ethics	●	
Disaster/Emergency Planning	Pages 54; 62	www.edp.pt>Sustainability>Publications>GRI Indicators	●	
EU21	Pages 54; 62		●	
PRODUCT RESPONSIBILITY				1
Customer Health and Safety	Page 70		●	
Product and Service Labelling	EDP follows European Regulations and invoices have environmental information, on Iberian Peninsula.	www.edpsu.pt/pt/origemdaenergia/Páginas/OrigensdaEnergia.aspx www.edpenergia.es/es/atencion-al-cliente/preguntas-frecuentes/informacion-util/	●	
Marketing and Communication	In the process of adherence to Commitment Letter of the Associação Portuguesa de Anunciantes on responsible marketing communication.	www.edp.pt>About EDP>Principles and Policies	●	
Customer Privacy	Page 70		●	
Compliance	Pages 71-72	www.provedordocliente.edp.pt	●	
Access	Page 69		●	
EU23	Page 69		●	
Provision of Information	Page 70		●	
EU24	Page 70		●	
PERFORMANCE				
ECONOMIC PERFORMANCE				
EC1	Pages 24; 180		●	
EC2	Page 47; 137		●	
EC3	Page 250		●	
EC4	Page 24		●	
MARKET PRESENCE				
EC5	Page 59		●	
EC6	Page 64		●	
EC7	Page 55		●	
INDIRECT ECONOMIC IMPACTS				
EC8	Page 77		●	
EC9	Page 77		●	
MANAGEMENT				
AVAILABILITY AND RELIABILITY				
EU10	Pages 11; 22; 30-33 (1)		◒	

GRI CONTENT

PROFILE	ANNUAL REPORT LOCATION	ONLINE CONTENTS	REPORT	GLOBAL COMPACT
SYSTEM EFFICIENCY				
EU11	Page 48		●	
EU12	Page 47		●	
ENVIRONMENT				
MATERIALS				
EN1	Page 47	www.edp.pt>Sustainability>Environment>Performance	●	
EN2	Not material		●	
ENERGY				
EN3	Page 47		●	
EN4	Pages 47-49		●	
EN5	Pages 47-49		●	
EN6	Pages 48; 68-69		●	
EN7	Page 48	www.edp.pt>Sustainability>Environment>Climate Change	●	
WATER				
EN8	Page 49		●	
EN9	n.a.		○	
EN10	recycled input water is not material	www.edp.pt>Sustainability>Environment>Performance	●	
BIODIVERSITY				
EN11	Page 51		●	
EN12	Pages 51-53	www.edp.pt>Sustainability>Environment>Biodiversity>Biodiversity Report	●	
EU13	Pages 51-53	www.edp.pt>Sustainability>Environment>Biodiversity>Biodiversity Report	●	
EN14	Biodiversity Report	www.edp.pt>Sustainability>Environment>Biodiversity>Biodiversity Report	●	
EN13	Pages 51-53	www.edp.pt>Sustainability>Environment>Biodiversity>Biodiversity Report	◒	
EN15	Biodiversity Report	www.edp.pt>Sustainability>Environment>Biodiversity>Biodiversity Report	●	
EMISSIONS, EFFLUENTS AND WASTE				
EN16	Pages 47-49		●	
EN17	Pages 47-48		●	
EN18	Pages 47-48		●	
EN19	Not material. Equipments with these substances no longer have expression in the Group.		●	
EN20	Pages 49; 54	www.edp.pt>Sustainability>Environment>Performance	●	
EN21	Page 49	www.edp.pt>Sustainability>Environment>Performance	●	
EN22	Pages 49; 54	www.edp.pt>Sustainability>Environment>Performance	●	
EN23	Not material. There were no spills with impact on the environment.		●	
EN24	No waste was exported		●	
EN25			○	
PRODUCT AND SERVICES				
EN26	Pages 51-54		●	
EN27	Not applicable (the product - electricity and gas) sold by the company is not packed.		●	
ENVIRONMENT				
COMPLIANCE				
EN28	Page 50		●	
TRANSPORT				
EN29	Scope 3, Pages 47-48		●	
OVERALL				
EN30	Pages 50; 285		●	
SOCIAL: LABOUR PRACTICES				
EMPOLYMENT				
LA1	Page 55 (2)		◒	
LA2	Page 55		●	
EU17	Page 61		●	
EU18	Page 61 (3)		◒	
LA3	n.a.		○	
LA15	Page 55	www.edp.pt>Sustainability>Publications>GRI Indicators	●	
LABOUR/MANAGEMENT RELATIONS				
LA4	Page 55 (2)		◒	
LA5	Page 56		●	
SOCIAL: LABOUR PRACTICES				
OCCUPATIONAL HEALTH AND SAFETY				
LA6	Page 61		●	
LA7	Page 61		●	
LA8	Page 61		●	
LA9	Page 61	www.edp.pt>Sustainability>Publications	●	
TRAINING AND EDUCATION				
LA10	Page 55		●	
LA11	Page 59	www.edp.pt>Sustainability>Publications	●	
LA12	Page 58		●	
DIVERSITY AND EQUAL OPPORTUNITY				
LA13	Page 55		●	
EQUAL REMUNERATION				
LA14	Page 59		●	
SOCIAL: HUMAN RIGHTS				
OCCUPATIONAL HEALTH AND SAFETY				
HR1	100% referred to in general terms of purchased of EDP		●	

GRI CONTENT

PROFILE	ANNUAL REPORT LOCATION	ONLINE CONTENTS	REPORT	GLOBAL COMPACT
HR2	Page 64 (4)		◒	
HR3	Page 55		●	
NON-DISCRIMINATION				
HR4	Page 46		●	
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING				
HR5	0%; Code of Ethics, chapter 2.3	www.edp.pt>About EDP>Corporate Governance>Ethics	●	
CHILD LABOUR				
HR6	0%; (Code of Ethics; chapter 2.3.)	www.edp.pt>About EDP>Corporate Governance>Ethics	●	
FORCED AND COMPULSARY WORK				
HR7	0%; (Code of Ethics, chapter 2.3)	www.edp.pt>About EDP>Corporate Governance>Ethics	●	
SECURITY PRATICES				
HR8	n.a.		○	
INDIGENOUS RIGHTS				
HR9	There were no records of violation of indigenous people rights		●	
ASSESSMENT				
HR10	Page 45-46. Ethics internal control is reviewed inder the SCIRF Model		●	
REMEDIATION				
HR11	Page 46		●	
SOCIAL: SOCIETY				
LOCAL COMMUNITIES				
SO1	Pages 78-79		●	
EU22	Pages 78-79		●	
SO9	Pages 54; 79		●	
SO10	Pages 52-53	www.a-nossa-energia.edp.pt	●	
CORRUPTION				
SO2	Page 143 (Ethics internal control is reviewed by the Scirf Model)		●	
SO3	Page 55 (corruption is na issue covered by the Ethical Programme in place by EDP).		●	
SO4	Page 46		●	
PUBLIC POLICIES				
SO5	Online Content	www.edp.pt>About EDP>Principles and Policies	●	
SO6	Code of Ethics, chapter 2.2.	www.edp.pt>About EDP>Principles and Policies	●	
ANTI-COMPETITICE BEHAVIOUR				
SO7	n.a.		○	
COMPLIANCE				
SO8	Page 24		●	
SOCIAL: PRODUCT RESPONSIBILITY				
CUSTOMER HEALTH AND SAFETY				
PR1	Online Content	www.edp.pt>Sustentabilidade>Prevenção e Segurança>Segurança e Cidadania	●	
PR2			○	
EU25	Pages 61-62		●	
PRODUCT SERVICE AND LABELLING				
PR3	In Iberia Peninsula, the supplier includes environmental information on the invoices	www.edpsu.pt/pt/origemdaenergia/Páginas/OrigensdaEnergia.aspx www.edpenergia.es/es/atencion-al-cliente/preguntas-frecuentes/informacion-util/	●	
PR4			○	
PR5	Page 71-72		●	
MARKETING COMMUNICATIONS				
PR6	See Marketing Communications DMA		●	
PR7			○	
CUSTOMER PRIVACY				
PR8	Page 70-71		●	
COMPLIANCE				
PR9	Page 24		●	
ACCESS				
EU26	Page 69		●	
EU27	Pages 71-72		●	
EU28	Pages 71-72	www.edpdistribuicao.pt >Qualidade >Documentação >Relatórios de Qualidade de Serviço	●	
EU29	Pages 71-72		●	
EU30	Page 22		●	

Core Indicator	●	Fully Reported
Sector Specific Indicator	◒	Partially Reported
Adicional Indicator	○	Not Reported

n.a. Not available

(1) The demand scenarios are still described qualitatively for some markets. EDP is reviewing the indicator under the new GRI guidelines: G4. The report according to G4 is expected in 2015

(2) Not answered to the supply chain. EDP is reviewing the indicator under the new GRI guidelines: G4. The report according to G4 is expected in 2015 (page 41).

(3) Training is Reported, although not as a % of total contractors. EDP is reviewing the indicator under the new GRI guidelines: G4. The report according to G4 is expected in 2015 (page 41).

(4) Information on Brasil is not available. EDP is reviewing the indicator under the new GRI guidelines: G4. The report according to G4 is expected in 2015 (page 41).

Statement
GRI Application Level Check

GRI hereby states that **EDP - Energias de Portugal S.A.** has presented its report "2013 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 27 March 2014

Ásthildur Hjaltadóttir
Director Services
Global Reporting Initiative

GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because EDP - Energias de Portugal S.A. has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 March 2014. GRI explicitly excludes the statement being applied to any later changes to such material.*

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AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the consolidated financial information included in the Executive Board of Directors report and in the consolidated financial statements as at and for the year ended 31 December 2013 of **EDP – Energias de Portugal, S.A.**, which comprise the consolidated balance sheet as at 31 December 2013 (showing total assets of 42,649,900 thousand Euros and shareholders' equity attributable to the equity holders of EDP of 8,445,756 thousand Euros, including a net profit for the year attributable to equity holders of EDP of 1,005,091 thousand Euros), the consolidated statement of income, the consolidated cash flow statement, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that present fairly the consolidated financial position of the Group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income;

b) that the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity, financial position or results of the Group.

3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

KPMG

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. Accordingly our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and the verification, on a test basis, of the information underlying the figures and its disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
- verification of the consolidation procedures and of the application of the equity method;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the overall adequacy of the consolidated financial statements' presentation; and
- assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code (*"Código das Sociedades Comerciais"*).

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2013, the consolidated results of its operations, the consolidated cash flows , the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the consolidated financial information included in the Executive Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 27 February 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

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REPORT AND OPINION OF THE STATUTORY AUDITOR
Consolidated Accounts
Year ended 31 December, 2013

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the Shareholders of
EDP – Energias de Portugal, S.A.

1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors consolidated report and on the consolidated financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2013.

2 We have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the consolidated financial statements.

4 Within the scope of our mandate, we have verified that:

i) the consolidated balance sheet, the consolidated statements of income, of consolidated cash flows, of consolidated changes in equity, of consolidated comprehensive income and the related notes, present adequately the financial position and the results of EDP and its subsidiaries;

ii) the accounting policies and valuation criteria used are appropriate; and

iii) the Executive Board of Directors consolidated report is sufficiently clear to present the evolution of the business and the consolidated financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report; and

ii) the consolidated financial statements.

Lisbon, 27 February, 2014

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.° 189)
represented by
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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This report is a free translation to English from the original Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report on the financial information included in the Executive Board of Directors report and in the financial statements as at and for the year ended 31 December 2013 of **EDP – Energias de Portugal, S.A.**, which comprise the balance sheet as at 31 December 2013 (showing total assets of 20,988,028 thousand Euros and shareholders' equity of 7,033,084 thousand Euros, including a net profit of 790,875 thousand Euros), the statement of income, the cash flow statement, the statement of changes in equity and the statement of comprehensive income for the year then ended, and the corresponding Notes to the accounts.

Responsibilities

2 The Executive Board of Directors is responsible for:

a) the preparation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union that presents fairly the financial position of the company, the results of its operations, the cash flows, the changes in equity and the comprehensive income;

b) that the financial information prepared in accordance with International Financial Reporting Standards as adopted by the European Union, is complete, true, current, clear, objective and lawful as established by the Portuguese Securities Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant fact that may have influenced the activity, financial position or results of the company.

3 Our responsibility is to verify the financial information included in the above referred documents, namely as to whether it is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent report based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly our audit included:

- verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements, and an assessment of the estimates made, based on the judgements and criteria defined by the Executive Board of Directors, used in the preparation of the referred financial statements;
- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;
- assessment of the applicability of the going concern principle;
- assessment of the overall adequacy of the financial statements' presentation; and
- assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the financial information included in the Executive Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by the article 453, of the Portuguese Companies Code (*"Código das Sociedades Comerciais"*).

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **EDP – Energias de Portugal, S.A.**, as at 31 December 2013, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and the information contained therein is complete, true, current, clear, objective and lawful.

Report on other legal requirements

8 It is also our opinion that the financial information included in the Executive Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 27 February 2014

KPMG & Associados
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represented by
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REPORT AND OPINION OF THE STATUTORY AUDITOR
Year ended 31 December, 2013

(This report is a free translation to English from the original Portuguese version In case of doubt or misinterpretation the Portuguese version will prevail)

To the Shareholders of
EDP – Energias de Portugal, S.A.

1 In accordance with the applicable legislation, we herewith, as statutory auditor of EDP – Energias de Portugal, S.A., present the report on our supervisory activity and our opinion on the Executive Board of Directors report and on the financial statements, presented by the Executive Board of Directors of EDP – Energias de Portugal, S.A., for the year ended 31 December, 2013.

2 We have accompanied the evolution of the company, and its most significant subsidiaries and associated companies, activities. We have verified the timeliness and adequacy of the accounting records and supporting documentation. We have enquired about the compliance with the law and the Articles of Association.

3 As a consequence of the work carried out, we have issued the attached Auditors' Report on the company's financial statements.

4 Within the scope of our mandate, we have verified that:

i) the balance sheet, the statements of income, of cash flows, of changes in equity, of comprehensive income and the related notes, present adequately the financial position and the results of EDP;

ii) the accounting policies and valuation criteria used are appropriate; and

iii) the Executive Board of Directors report is sufficiently clear to present the evolution of the business and the financial position of EDP, highlighting the more significant aspects.

5 As result of the work carried out, and taking into account the above referred documents, we are of the opinion that the Annual General Meeting of EDP – Energias de Portugal, S.A., may approve:

i) the Executive Board of Directors annual report; and

ii) the financial statements.

Lisbon, 27 February, 2014

THE STATUTORY AUDITOR

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

EDP – Energias de Portugal, S.A.
Executive Board of Directors

STATEMENT

With reference to 2013 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, the signers hereby, acting as members of the Executive Board of Directors, declare that, to the best of their knowledge, the information foreseen in No. 1 item a) of the article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP – Energias de Portugal, S.A., and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 27th of February 2014

António Luís Guerra Nunes Mexia, Chairman

Nuno Maria Pestana de Almeida Alves

João Manuel Manso Neto

António Manuel Barreto Pita de Abreu

António Fernando Melo Martins da Costa

João Manuel Veríssimo Marques da Cruz

Miguel Stilwell de Andrade

EDP – Energias de Portugal, S.A.
Miguel Tiago Perestrelo da Câmara Ribeiro Ferreira
Senior Accounting Officer - Corporate Centre

STATEMENT

With reference to 2013 financial year, and according to No. 1, item c) of article 245º of the Portuguese Securities Code, I hereby declare that, to the best of my knowledge, the information foreseen in No. 1 item a) of article mentioned above, was prepared according to the applicable accounting standards, presenting a fair view of the assets, liabilities, financial situation and results of EDP – Energias de Portugal, S.A. ("EDP"), and the subsidiaries included in the respective consolidation perimeter, and that the Management Financial Analysis Report clearly discloses the evolution of the business, the performance and position of EDP, and the subsidiaries included in the respective consolidation perimeter, enclosing a description of the major risks and uncertainties to which they are exposed.

Lisbon, 27th of February 2014

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INDEPENDENT ASSURANCE REPORT

(This Report is a free translation to English from the Portuguese version. In case of doubt or misinterpretation the Portuguese version will prevail.)

To the Executive Board of Directors of
EDP - Energias de Portugal, S.A.

Introduction

1 We have been engaged by the Executive Board of Directors of EDP Energias de Portugal, S.A ("EDP") to provide reasonable assurance in respect of the indicators identified in paragraph 4 of the scope paragraph and limited assurance in respect of the sustainability information included in the chapter "Performance" and appendix "Reporting Principles" of the EDP Annual Report ("the Report") as a whole for the year ended 31 December 2013.

Responsibilities

2 The Executive Board of Directors of EDP is responsible for:

- The preparation and presentation of the sustainability information included in the chapter "Performance" and appendix "Reporting Principles" of the EDP Annual Report in accordance with the Sustainability Reporting Guidelines (G3.1) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix "Reporting Principles" of the EDP Annual Report, and the information and assertions contained within it;
- Determining EDP's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
- Establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

3 Our responsibility is to express, based on the work performed:

- A reasonable assurance conclusion on whether GRI indicators: Economic Data (EC1, EC4, EC5, EC6), Sector (EU1, EU2, EU3, EU4, EU5, EU15, EU16, EU21), Environmental (EN3, EN4, EN8, EN11, EN16, EN20, EN22, EN30), Product (PR3), Labour Practices (LA1, LA 2, LA7, LA10, LA13), Fines and Penalties (EN28, SO7, SO8, PR9) Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are free from material misstatement; and
- A limited assurance conclusion on whether the information on the sustainability information included in the chapter "Performance" and appendix "Reporting Principles" of the EDP Annual Report, as a whole, as of and for the year ended 31 December 2013, is not free from material misstatement.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants.

KPMG

Our work included also a moderate level of assurance in accordance with the AA1000 Accountability Assurance Standard 2008 (AA1000AS) (Type 2) issued by Accountability, that consists in the verification of the nature and extent of the organization's adherence to the AA1000APS (2008), and the evaluation of the reliability of the performance information as reported in the appendix "Reporting Principles".

These Standards require that we comply with applicable ethical requirements, including independence requirements.

Scope

4 The scope of our work was as follows:

- Reasonable Assurance:

  A reasonable assurance engagement with respect to the indicators: Economic Data (EC1, EC4, EC5, EC6), Sector (EU1, EU2, EU3, EU4, EU5, EU15, EU16, EU21), Environmental (EN 3, EN 4, EN 8, EN 11, EN 16, EN20, EN 22, EN30), Product (PR3), Labour Practices (LA1, LA 2, LA7, LA10, LA13), Fines and Penalties (EN28, SO7, SO8, PR9) Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, involves performing procedures to obtain sufficient evidence to give reasonable assurance that the indicators disclosed are free from material misstatement whether caused by fraud or error. The procedures performed depend on professional judgment, including the assessment of the risk of material misstatement in the indicators mentioned above, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to EDP in the preparation and presentation of the referred indicators in order to design assurance procedures that are appropriate in the circumstances. Our engagement also included assessing the suitability of the criteria used by the Board of Directors of EDP in the preparation of the indicators, as explained in the chapter "Report Profile" and appendix "Reporting Principles" of the EDP Annual Report, in the evaluation of the appropriateness of the quantification methods, in the reporting of the policies used and the reasonableness of the estimates made by EDP.

  Among others, our procedures included:

  - Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the identification of the indicators mentioned above;
  - Interviews with relevant responsible persons and relevant staff at operating and corporate level concerning the preparation of the indicators;
  - Evaluation of the systems used for collection, calculation and reporting of the indicators;
  - Recalculation of the indicators at corporate and operational level; and
  - Validation of the design and effectiveness of controls.

  We understand that the evidence obtained is sufficient and appropriate for the expression of our conclusion.

- Limited assurance:

  Our limited assurance engagement on the sustainability information consisted in inquiries, primarily of persons responsible for the preparation of information presented in the chapter "Performance" and appendix "Reporting Principles" of the EDP Annual Report as a whole for the year ended 31 December 2013, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

- Interviews with relevant responsible persons and relevant staff at corporate and operational level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Interviews with relevant staff at corporate operational level responsible for the preparation of the sustainability information;
- Visits to operating sites in Portugal, Spain and Brazil, selected on the basis of a risk analysis including the consideration of both quantitative and qualitative criteria;
- Comparing the information presented in the chapter "Performance" and appendix "Reporting Principles" of the Report for the year ended 31 December 2013 to corresponding information sources to determine whether all the relevant information contained in such underlying sources has been included in the Report;
- Reading the information presented in the chapter "Performance" and appendix "Reporting Principles" of the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of EDP.

The extent of evidence gathering procedures performed in a limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements, and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion on the information presented in the chapter "Performance" and appendix "Reporting Principles" of the EDP Annual Report as a whole.

5 Our multidisciplinary team included specialists in AA1000APS, stakeholder dialogue, social, environmental and economic business performance.

Conclusion

6 Based on the procedures performed, as described above:

- We conclude that the indicators: Economic Data (EC1, EC4, EC5, EC6), Sector (EU1, EU2, EU3, EU4, EU5, EU15, EU16, EU21), Environmental (EN3, EN4, EN8, EN11, EN16, EN20, EN 22, EN30), Product (PR3), Labour Practices (LA1, LA2, LA7, LA10, LA13), Fines and Penalties (EN28, SO7, SO8, PR9) Absenteeism rate, Billing of Energy Services, CO2 avoided and Maximum Certified Installed Capacity ISO 14001, are presented in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1), of the Global Reporting Initiative (GRI) as described in the chapter "Performance" and appendix " Reporting Principles" of EDP's Annual Report.
- Nothing has come to our attention that causes us to believe that the sustainability information included in the chapter "Performance" and appendix "Reporting Principles" of EDP's Annual Report for the year ended 31 December 2013 is not presented fairly, in all material respects, in accordance with the Sustainability Reporting Guidelines (G3.1) and the Electric Utilities Sector supplement, of the Global Reporting Initiative (GRI) as described in the appendix "Reporting Principles" of EDP's Annual Report. Additionally and also based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that EDP has not applied the principles of inclusivity, materiality and responsiveness as included in the AA1000 Accountability Principles Standard 2008, as described in the appendix "Reporting Principles" of EDP's Annual Report.

Without affecting our conclusions presented above, we present some of the key observations:

In relation to the Inclusiveness principle

EDP managed to leverage the process that started to implement in 2012, making a successful transition to a new stakeholder management model, where inclusion and identification of the concerned parties became dynamic, reviewed on a regular basis and monitored at the highest level of corporate management. This transition must be complemented with the adjustment of the process mentioned above to the other geographies where the group operates.

In relation to the Materiality principle

Materiality identification outputs became more robust and reliable due to the firms capacity increase to gather and analyse a greater array of information from multiple sources, ensuring a clearer understanding of the stakeholder's expectations regarding EDP's activity within the energy sector. To ensure even greater reliability and robustness, the process used for materiality definition should be adjusted on the other geographies where the group operates.

In relation to the Responsiveness principle

EDP should consider the creation and communication of corporate objectives and commitments that incorporate and address the major material issues identified by their stakeholders.

Our assurance report is made solely to EDP in accordance with the terms of our engagement. Our work has been performed only with the objective of reporting to EDP those matters for which we were engaged in this assurance report and for no other purpose. We do not accept or assume responsibility to any third party other than EDP for our work, for this assurance report, or for our conclusions.

Lisbon, 27 February 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
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AA1000
Licensed Assurance Provider
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Independent Evaluation Report on the Internal Control System Over Financial Reporting of EDP Group

(This report is a free translation to English from the original Portuguese version In case of doubt or misinterpretation the Portuguese version will prevail)

To the
Executive Board of Directors
EDP – Energias de Portugal, S.A.

Introduction

1 We were engaged by EDP – Energias de Portugal, S.A. ("EDP" or "the Company") to perform a work to assess the internal control system over consolidated financial reporting ("SCIRF") of the Company and its subsidiaries ("Group" or "EDP Group") as at 31 December 2013, based on the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in relation with global business and control procedures, and with the Control Objectives for Information and Related Technologies ("COBIT") in relation to the general information technologies controls.

Responsibilities

2 The Executive Board of Directors is responsible for adopting adequate measures to ensure to a reasonable degree of security the implementation and maintenance of an adequate internal control system over the consolidated financial reporting and the proper development of improvements to the system.

3 Our responsibility is to assess and express a conclusion, with reasonable assurance, on the effectiveness of the EDP Group's internal control system over consolidated financial reporting.

Scope

4 The internal control system over the consolidated financial reporting is a process designed, to provide reasonable assurance regarding the reliability of financial reporting and preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles and includes policies and procedures that:

- respect to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposals of assets of EDP Group;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of EDP Group are being made only in accordance with authorizations of the Executive Board of Directors and Directors of EDP, S.A. or Directors and Management of EDP subsidiaries; and
- provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisitions, use or disposals of assets of EDP Group that could have a material effect on the consolidated financial statements.

5 Our work was conducted in accordance with the International Standard on Assurance Engagements - "ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group's internal control system is effective in all material respects.

6 Our evaluation included obtaining an understanding of the Group's internal control system over the consolidated financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk and performing such other procedures as we considered necessary in the circumstances.

7 We believe that the work performed provides a reasonable basis for our conclusion.

8 Due to the limitations inherent in any form of internal control system, there is a possibility that internal control over consolidated financial reporting may not prevent or detect the errors or irregularities that might arise, whether due to collusion, errors in judgment, human error, fraud or malpractice. Also, projections of any evaluation of effectiveness to future periods of the internal control over consolidated financial reporting are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Conclusion

9 In our opinion, the Group's internal control system over consolidated financial reporting as at 31 December 2013 is adequate and effective, in all material aspects, according to the criteria established in the internal control framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in relation with global business and control procedures, and with the Control Objectives for Information and related Technologies (COBIT) for general information technologies controls.

10 On 27 February 2014 we issued our audit report on the consolidated financial statements of the Group as at 31 December 2013, expressing an unqualified opinion.

11 This report has been prepared according to your request in accordance with terms as described in paragraph 1. We do not accept any liability to any third parties other than the intended recipients of this report.

Lisbon, 27 February 2014

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vitor Manuel da Cunha Ribeirinho (ROC n.º 1081)

EXTRACT FROM THE GENERAL MEETING

Non-binding translation
For information purposes only

----------------------- Extract of Minutes no. 1/2014 of the General Shareholders' Meeting -------------------

--- On the twelfth of May, of the year two thousand and fourteen, at fifteen hours, the General Shareholders' Meeting of EDP – Energias de Portugal, S.A., a listed company (hereinafter referred to as "EDP" or "Company"), with head office at Praça Marquês de Pombal, 12, in Lisbon, with the share capital of € 3 656 537 715, with the sole number with the tax authorities and with the Commercial Registry Office of Lisbon 500 697 256, met at Auditorio I of FIL Meeting Center, at Rua do Bojador, Parque das Nações, in Lisbon. The meeting took place outside of the Company's head office since it did not allow the meeting to occur in satisfactory conditions, considering, as EDP is a listed company, the high level of shareholders participating. ---

--- The Chairman of the General Shareholders' Meeting, Mr. Rui Eduardo Ferreira Rodrigues Pena, started by informing that, before the beginning of the works, an institutional movie of EDP would be presented.---

--- After the presentation of the institutional movie, the Chairman of Shareholders' Meeting welcomed all presents - namely the shareholders and its representatives, the members of the General and Supervisory Board, the members of the Executive Board of Directors, the representative of the Statutory Auditor, the Chairman of the Remuneration Committee elected by the General Shareholders, his colleagues of the Board of the General Shareholders and the guests – and explained the participation procedures in the present General Shareholders' Meeting and the respective functioning, which are provided in the General Shareholders´ Meeting folder, namely: notice to convene meeting, accounts' reporting documents, opinions and statements of the relevant Corporate Bodies, resolution proposals and EDP By-Laws in force. Afterwards, and assisted by the Vice-Chairman of the General Shareholders' Meeting, Mr. Rui Pedro Costa Melo Medeiros, and by the Company Secretary, Ms. Maria Teresa Isabel Pereira, the Chairman of the General Shareholders' Meeting verified the regularity of the notice to convene the meeting through the mandatory publications made at the Ministry of Justice's, CMVM's and EDP's websites, as well as in the Euronext's Official Listing Bulletin. --

--- The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the attendance list was duly organized and that there were representation letters for the shareholders that were legal persons or that were not physically present. ---

Afterwards, the Chairman of the General Shareholders' Meeting and the Company Secretary verified the percentage of the share capital present or represented at the General Shareholder's Meeting – which, adding the correspondence votes, represented 71,3610% of the share capital and the voting rights – based upon the shares' registry statements issued by the financial intermediaries responsible for the individual registry of shares for each shareholder. --

--- The Chairman of the General Shareholders' Meeting proceeded underlining that the exercise of participating and voting rights at the General Shareholders' Meeting would not be prejudiced by the transfer of shares after the registration date (5th of May 2014), nor was dependent from the respective block between registration date and the present date. Nevertheless, the Chairman of the General Shareholders' Meeting referred that shareholders that declared their intention to participate at the General Shareholders' Meeting and, meanwhile, transferred ownership of their shares between registration date and the General Shareholders' Meeting were obliged to communicate it immediately to the Chairman of the General Shareholders' Meeting and to the Portuguese Securities Market Commission. --

--- The Chairman of the General Shareholders' Meeting mentioned, afterwards that shareholders who, by professional title, own shares on its own name, but on behalf of clients, may vote on a different way with its shares, as long as, beyond the participating statement and the sending, by the respective financial intermediary, of the shares' registry statements, they had presented to the Chairman of the General Shareholders' Meeting, until 23:59 hours (GMT) of the 2nd of May 2014 – with sufficient and proportional evidence, being understood that the indication of the number of corporate entity issued by the competent authority of the origin country – the following information and documentation: (i) identification of each client and number of shares to vote on its own account and (ii) vote instructions, which shall be specific for each different item of the agenda and shall be given by each client. The Chairman of the General Shareholders' Meeting referred also that in case one shareholder had designated several representatives regarding shares held in different book-entry registries, and these representatives vote in a different way regarding the same proposal, all the expressed votes may be annulled. If any of the representatives would not attend the General Shareholders' Meeting, the votes of the representatives present would be considered, as long as all of the representatives vote in the same way. The presence at the General Shareholders' Meeting of a shareholder that had designated one or more representatives revokes the representation powers conferred. -----------------------------------

--- Following, the Chairman of the General Shareholders' Meeting also stated that, according to article 14, number 3 of EDP's By-Laws, votes would not be cast in the event that they exceeded 25% of the total votes, situation that was not verified at the date of the General Shareholders' Meeting. ------------

--- The Chairman of the General Shareholders' Meeting and the Company Secretary also verified that the remaining General Shareholders' Meeting's prior formalities were observed, namely, that the proposals and other information in relation to the seven items of the agenda were made available to shareholders, at the head office and at the CMVM's and EDP's websites, within the periods provided for by law. --

(...)---

--- Following all these verifications, the Chairman of the General Shareholders' Meeting declared having sufficient conditions to initiate the works, as the General Shareholders was validly constituted and ready to deliberate, and proceeded by reading the agenda, according to the notice to convene meeting, with the following content: ---

Item One – Resolve on the approval of the individual and consolidated accounts' reporting documents for 2013, including the global management report (which incorporates a chapter regarding corporate governance), the individual and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of the individual and consolidated accounts.-

Item Two – Resolve on the allocation of profits in relation to the 2013 financial year. ---------------------

Item Three – Resolve on the general appraisal of the management and supervision of the company, under article 455 of the Portuguese Companies Code.---

Item Four – Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP. ---

Item Five – Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP.--

Item Six – Resolve on the remuneration policy of the members of the Executive Board of Directors presented by the Remunerations Committee of the General and Supervisory Board. ------------------------

Item Seven – Resolve on the remuneration policy of the other members of the corporate bodies presented by the Remunerations Committee elected by the General Shareholders' Meeting.-------------

--- The Chairman of the General Shareholders' Meeting initiated the works of the General Shareholders' Meeting by submitting to discussion **Item One** in the agenda – "*Resolve on the approval of the individual and consolidated accounts' reporting documents for 2013, including the global management report (which incorporates a chapter regarding corporate governance), the individual and consolidated accounts, the annual report and the opinion of the General and Supervisory Board and the legal certification of the individual and consolidated accounts*".---

--- Subsequently, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia, in order to present a summary of the Company activity regarding 2013, as reflected in the annual management report and in the individual and consolidated accounts.--

(…)--

--- The Chairman of the General Shareholders' Meeting thanked Mr. António Luís Guerra Nunes Mexia his presentation and granted permission to speak to the Chairman of the General and Supervisory Board, Prof. Eduardo de Almeida Catroga in order to present the opinion and report of the activity of the corporate body chaired by him regarding 2013. --

(…)--

--- The Chairman of the General Shareholders' Meeting thanked the intervention of the Chairman of the General and Supervisory Board and declared open the debate regarding Item One of the agenda.(…) --

--- After the debate and since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal, having been issued 2.606.350.680 votes, corresponding to 2,606,350,680 shares, which represent 71.2518% of the share capital. As abstentions are not considered, the sole management report, the other accounts' reporting documents regarding 2013 and the Report of the General and Supervisory Board were approved by majority of the votes cast (99.9897 % of votes in favour). --

--- The Chairman of the General Shareholders' Meeting proceeded the works, regarding **Item Two** of the agenda, which content is as follows: – "*Resolve on the allocation of profits in relation to the 2013 financial year*". Subsequently the Chairman of the General Shareholders' Meeting read out the proposal presented by the Executive Board of Directors, within the scope of item two of the agenda, according to following terms: ---

"In accordance with number 1 of article 30 of EDP's Articles of Association, the Executive Board of Directors hereby proposes for approval by the Shareholders the following allocation of profits, in the total value of € 790,875,100.65: ---

Legal reserve	*€ 39,543,755.03* -----------------------
Dividends (The proposed dividend is € 0.185 per share)	*€ 676,459,47.28* -----------------------
Endowment to EDP Foundation	*€ 7,200,000.00* ------------------------
Profit forwarded	*€ 67,671,868.34"*-----------------------

--- After reading out, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to the Chairman of the Executive Board of Directors, Mr. António Luís Guerra Nunes Mexia in order to present the allocation of profits proposal.--

(…)--

Following that, the Chairman of the General Shareholders' Meeting expressed gratitude for the explanation made by the Chairman of the Executive Board of Directors, and subsequently granted permission to speak to the Chairman of the General and Supervisory Board, in order to present the appreciation made by the aforesaid corporate body regarding EDP Foundation activities plan, inherent to the proposed endowment. (…)---

--- The Chairman of the General Shareholders' Meeting thanked the presentation of the Chairman of the General and Supervisory Board and declared opened the discussion regarding Item Two of the agenda. (…)---

--- After discussion, and since no other person asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding Item Two of the agenda, having been issued 2,605,425,376 votes, corresponding to 2,605,425,376 shares, which represent 71.2539% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99. 9769% of votes in favour).---

--- Next entering into **Item Three** of the agenda, the Chairman of the General Shareholders' Meeting read its content, namely, *"Resolve on the general appraisal of the management and supervision of the company, under article 455 of the Portuguese Companies Code*". ---

Following, the Chairman of the General Shareholders' Meeting informed about the request for clarification made to the Board of the General Shareholders' Meeting by the shareholder Mr. Luís António Dinis Correia, owner of 3,534 shares representative of EDP share capital, and read out loud on the following terms: ---

"GSM 12-May-2014---

<u>Request for clarification</u> ---

As I have already done in Item 1 of the Agenda, I hereby question again the "process method" to be adopted in Item 3 of the Agenda. --

The reading of the "Other Information" in the Notice to Convene Meeting is not clear about the "Discussion".---

In such "Other information" reference is made only to the "voting" being cast "separately".---------------

I hereby request a clarification on how the previous "Discussion" of each of the items will be made.-----

Lisbon, 12th May 2014--

Luís António Dinis Correia ---

Shareholder 313144." --

In reply, the Chairman of the General Shareholders' Meeting explained that, as it has been a reiterated practice of the General Shareholders' Meeting of past years, it is his understanding that in view of item three the discussion of the matters shall be aggregated, taking into account the interaction of the corporate bodies functioning and the law (article 455.º of Portuguese Companies Code, which refers to the general appreciation of the management and supervise), being the voting cast separately regarding each of the corporate bodies. Therefore, the intervention of the shareholders shall happen in the discussion part, and afterwards the item shall be separated for the voting. ---------------------------

--- Subsequently, the Chairman of the General Shareholders' Meeting reiterated, according to the notice to convene meeting that the voting of this item would me made separately, and so it should be made by sub items as following:--

3.1 Vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2013 financial year.---

3.2 Vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2013 financial year.---

3.3. Vote of confidence and praise to the Statutory Auditor for the performance of its office during 2013 financial year. --

--- Following, the Chairman of the General Shareholders' Meeting asked the present shareholders about the waiver of reading the proposal regarding the Opinion of the General and Supervisory Board on the vote of confidence to the Executive Board of Directors regarding 2013 (document attached to these minutes), as follows:---

"As established on the article 22º nº 1 h) of the Articles of Association of EDP, the General and Supervisory Board (GSB) must Issue an opinion, by its own initiative, or when so requested by the Chairman of the Executive Board of Directors (EBD), on the annual vote of confidence which is referred in the article 455º of the Portuguese Code of Commercial Companies.--

The GSB, in the uncompromising pursuit of the interests of the EDP and in the exercise of its powers and without prejudice to the principle of institutional cooperation that steers the relationship with the EBD, believes and has also put into practice a principle of maximum exigency and accountability, which has special significance in terms of the assessment of the work and performance of the EBD. -------------

EDP remains one of the few listed companies in Portugal and abroad that has voluntarily established a formal and impartial process to assess the work of the EBD. This distinctive practice adopted by the GSB directly contributes to the Dow Jones Sustainability Index evaluation, and it acknowledges the continued endeavor for excellence in corporate governance practices that the GSB has sought to develop. ---

At the beginning of 2014, the members of the GSB were invited to complete a questionnaire to assess the EBD, which was divided into two major areas:---

● *Assessment of the adequacy of aspects of a formal and organizational nature.* -----------------------------

● *Material assessment of the work of the EBD.*--

The purpose of the questionnaire was to be an impartial support document for the GSB's appraisal with a view to the assessment of the EBD that it has to issue and present to EDP's shareholders to vote on. -

Based on the answers to the questionnaires, the GSB jointly analysed these data at the meeting of 27 February 2014, and drew its conclusions. Hence, pursuant to its rules, which were approved in line with *best corporate governance practices, the GSB wishes to record the following conclusions on the assessment of the work and performance of the EBD in 2013.* --

The GSB assessed all aspects under evaluation as satisfactory. These being: ----------------------------------

● *Organization and powers of the EBD (Internal rules of procedure and composition)*-----------------------

● *Compliance with the provisions defined by the GSB concerning:* --

- The issue and waiving of prior opinions --

- Handling conflicts of interest---

- Additional audit services ---

The GSB considered the overall performance of the EBD in 2013 to be excellent, with particular emphasis on the following areas of activity:--

• *Strategy*---

• *Financing* --

• *Investment* --

• *Preparation of financial and accounting information* ---

Regardless of the assessment results obtained, the work of the EBD is underpinned by the continual improvement of its performance, both in terms of carrying out its duties and the relationship with the other bodies and corporate bodies of EDP, and also in the best interests of the shareholders.--------------

Proposal --

On the basis of this analysis, the GSB decided to classify the overall work of the EBD during the business year 2013 as excellent. ---

Therefore, the GSB unanimously decided to issue its favorable opinion on the activity and performance of the EBD during 2013 and to transmit to the Shareholders its support to the vote of confidence and praise to the EBD, to its Chairman, Mr. António Mexia, and to each of its Members". -----------------------

--- Following the Chairman of the General Shareholders' Meeting also noted that, about this item of the agenda, a proposal was presented to him, by the shareholders CWEI (Europe), S.A., Oppidum, S.A., José de Mello Energia, S.A. e Banco Comercial Português, S.A. document attached to these minutes, and read it, as follows: --

"*Considering article 455 of the Portuguese Companies Code and the quality of the performance of the members of the management and supervision bodies of EDP - Energias de Portugal, S.A. who exercised their functions during 2013:* ---

The Shareholders propose: --

1º - A vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2013 financial year. ---

2º - A vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2013 financial year. ---

3º - A vote of confidence and praise to the Statutory Auditor for the performance of its office during 2013 financial year".---

The Chairman of the General Shareholders' Meeting declared then open the discussion on Item Three of the agenda.--

(…)--

--- Concluded the interventions, the Chairman of the General Shareholders' Meeting submitted to vote the proposal regarding "*vote of confidence and praise to the Executive Board of Directors and each of its members for the performance of their offices during 2013 financial year*", having been issued 2,587,141,006 votes, corresponding to 2,587,141,006 shares, which represent 70.7538% of the share capital. As abstentions are not considered, the aforementioned proposal was approved by majority of the votes cast (99.9895% of votes in favour).---

--- Afterwards, the Chairman of the General Shareholders' Meeting submitted to vote the proposal *"vote of confidence and praise to the General and Supervisory Board and to each of its members for the performance of their offices during 2013 financial year",* having been issued 2,579,019,874 votes, corresponding to 2,579,019,874 shares, which represent 70.5317% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9806% of votes in favour). ---

(…)---

--- Following that, the Chairman of the General Shareholders' Meeting submitted to vote the proposal "*vote of confidence and praise to the Statutory Auditor for the performance of its office during 2013 financial year",* having been issued 2,587,146,002 votes, corresponding to 2,587,146,002 shares, which represent 70.7540% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9860% of votes in favour).------------------------

--- After the conclusion of the voting, the Chairman of the General Shareholders' Meeting received from the shareholder Mr. Luís António Dinis Correia, holder of 3,534 shares representatives of EDP share capital, the voting statements regarding sub items one and two of Item Three of the agenda, which are reproduced herein according to the originals as follows and filed as attachments to these minutes: ---

"GSM of 12-May-2014 ---

Vote declaration --

I abstain to vote on the proposal regarding a "vote of confidence to the Executive Board of Directors for the financial year 2013" on the grounds that such proposal is presented and signed by the Chairman of the General Supervisory Board, in whom, as already demonstrated, I cannot trust. ---------------------------

Lisbon, 12-May-2014 ---

Luís António Dinis Correia ---

Shareholder 313144" ---

"GSM of 12-May-2014 ---

Vote declaration ---

I vote against the proposal for a vote of "confidence and praise to the General Supervisory Booard", on the grounds that its Chairman, after more than two years, having answered that the subject of "REMUNERATIONS/WAGES" was not addressed in the extraordinary GSM of 20/Fev/2012 when this same subject is included in a vote declaration presented, read and written by me, which is included in the minutes of such GSM as can be confirmed by its consultation and that I do not transcribe here in order to avoid this "vote declaration" becoming too long. ---

The letter received from the advisor of the General Supervisory Board on 9/April/2014 on behalf of its Chairman is not compatible with the contents of my vote declaration, which is clear about the subject "REMUNERATIONS/WAGES" having been "ADDRESSED". ---

Lisbon, 12-May-2014 ---

Luís António Dinis Correia"---

--- The Chairman of the General Shareholders' Meeting continued the works by reading the content of **Item Four** of the agenda – *"*Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own shares by EDP and subsidiaries of EDP*"* – and asked the shareholders that were present to waive the reading of the proposal presented by the Executive Board of Directors, which is reproduced herein as follows and is filed as an attachment to these minutes, since the referred proposal was too extensive and known by all: ---

"Considering: --

A) The legal regulations applicable to the acquisition and sale of own shares by limited liability companies set forth in the Portuguese Companies Code; --

B) The permission granted on no. 3 of article 5 of the Articles of Association to acquire, hold and sell own shares, as provided in the law and up to the limits set forth in the law; ----------------------------------

C) The provisions laid down in Regulation (EC) 2273/2003 of the European Commission dated December 22nd, 2003, that established a special regime contemplating, namely, requirements to exempt from the general regime of market abuse for certain programs of reacquisition of own shares that should be taken into consideration even if the acquisition of own shares is not integrated on the reacquisition programs covered by the referred Regulation;---

D) The obligation to communicate and disclose the execution of own shares' operations by companies listed into trading that are provided for in CMVM's Regulation no. 5/2008, in its current version; --------

E) The authorization granted to the Executive Board of Directors to buy and sell own shares by resolution of the General Shareholders' Meeting of May 6th, 2013 by virtue of which EDP carried out stock operations on own shares and currently holds, directly or through its subsidiaries, 25.747.268 own shares; ---

F) From the Company's point of view it is deemed convenient for EDP and its subsidiaries to hold an authorization to buy or to sell own shares, namely considering the stock-options programs previously approved or for any actions deemed necessary or appropriate for the development of the Company's interests;---

The Executive Board of Directors proposes that the Annual General Shareholder's Meeting: ---------------

1. Approves to grant authorization to the Executive Board of Directors of EDP and the management bodies of EDP's subsidiaries for acquiring or selling own shares;--

2. Approves the acquisition by EDP, or any of its current or future subsidiaries, of own shares, including acquisition or allocation rights, subject to decision of the Executive Board of Directors of EDP and under the following terms and conditions: ---

a) Maximum number of shares to buy: to a total not exceeding 10% of the share capital of EDP, less any sales that might have occurred, regardless of the exceptions included in number 3 of article 317 of the Portuguese Companies Code and the number of shares required for the buying entity to comply with its commitments set forth by law, contract, issue of securities or contractual requirement regarding the provision of stock-options previously approved programs for the Executive Board members to purchase shares, subject to, if required and in compliance with legislation, the subsequent sale of shares exceeding the foregoing threshold; --

b) Period during which shares can be acquired: eighteen months from the date of this resolution; -------

c) Forms of acquisition: acquisition of shares or shares purchase or allocation rights, against payment, in any shape or form and pursuant to the terms and limits peremptorily determined in legislation, either in regulated market where EDP shares have been admitted for trading or outside of stock market, respecting the principle of shareholder equal treatment, under the legal terms applicable, namely through (i) transaction performed outside regulated market with entity (ies) selected by the Executive Board of Directors, including financial institution(s) with which EDP or a subsidiary has entered into an equity swap agreement or similar derivative financial instrument agreement, or (ii) any acquisition of any form in order to or for the purpose of complying with any legal or contractual requirements, or the conversion or exchange of convertible or exchangeable securities issued by the company or a subsidiary, under the terms of the respective issuance conditions or agreements executed in relation to such conversion or exchange;--

d) Minimum and maximum consideration for acquisitions: the maximum and the minimum buying price shall be, respectively, 120% and 80% of the weighted daily average of the closing price of EDP shares in the last 5 sessions of the Euronext Lisbon immediately prior to the date of acquisition or the date on which the right to acquire or allocate shares was attained, or it will correspond to the acquisition price arising from contractual financial instruments, from the issuance conditions established by the company or any subsidiary, from securities convertible into or exchangeable for shares of the company, or any agreement entered into concerning such conversions or exchanges.------

e) When to acquire: to be determined by the Executive Board of Directors of EDP, considering the security market situation and the convenience or commitments of the buying entity, of any of its subsidiaries or of the buyer(s). Acquisitions may occur on one or more occasions, broken down in the manner that the referred Board deems appropriate. ---

3. Approves the selling of own shares, including the right to acquire and to hold, that have already been acquired by EDP or any of its current or future subsidiary, subject to decision by the Executive Board of Directors of EDP and under the following terms and conditions:--

a) Minimum number of shares to sell: the number of sale transactions and the number of shares to sell shall be determined by the Executive Board of Directors of EDP, whenever deemed necessary or convenient for the development of the corporate interest or for compliance with legal or contractual obligations. Sales transactions include the allocation of stock purchase options under the abovementioned stock-option programs; --

b) Period during which shares can be acquired: eighteen months from the date of this resolution; -------

c) Forms of selling: selling of shares or share purchase or allocation rights, against payment, in any shape or form and pursuant to the terms and limits peremptorily determined in legislation, namely by sale or exchange, by negotiating proposal or public offer, respecting the principle of shareholder equal treatment under the applicable legal terms, to perform on regulated market where EDP shares have been admitted for trading or through transaction performed outside regulated market with entity (ies) selected by the Executive Board of Directors, including financial institution(s) with which EDP or a subsidiary has entered into an equity swap agreement or similar derivative financial instrument agreement, or through sale, in any title, in compliance with legal or contractual obligations, or even with the intention or meeting any commitment made in regard to EDP's stock-options programs incorporated under the express approval of the Annual General Shareholder's Meeting;--------------------

d) Minimum Price: the minimum selling price shall be either (i) no less than 80% of the weighted daily average of the closing price of EDP shares in the last 5 sessions of the Euronext Lisbon immediately prior to the date of the sale, except when the purpose of the sale is to permit the full implementation of stock-options programs that have been created under the express approval of the General Meeting of Shareholders, or (ii) it shall be the price that was set or results from the terms and conditions of the *issuance of other securities, namely convertible or exchangeable securities, or from a contract entered into in regard to such issue, conversion or exchange, relative to a sale obliged by the same;---------------*

e) When to sell: the Executive Board of Directors of EDP shall determine the timing of each transaction in view of the securities market conditions and whether the sale is appropriate to or complies with the requirements of the selling entity, the Company or its subsidiary. Sales transactions may occur one or more times, broken down in the manner the referred Executive Board deems appropriate.-----------------

4. Approves that the Executive Board of Directors be indicatively notified that, without prejudice to its freedom to decide and to act as per the resolutions taken in respect to paragraphs 1 to 3 precedent, in as much as possible and under the terms and according to the circumstances it deems appropriate – particularly in relation to acquisitions forming part of stock repurchase programs for the purpose of covering bond or other securities' conversion rights, or stock-options programs or similar rights, or other programs that may be governed by the Regulation mentioned in Recital C) – it should not only consider the legislation applicable regarding the disclosure of remuneration policy of the corporate bodies and the Securities Market Commission recommendations in force but also the following recommended practices concerning the buying and selling of own shares in accordance with the authorizations granted under the previous paragraphs: --

a) Disclose to the public, before beginning purchase and sale transactions, the contents of the authorization referred to in the foregoing paragraphs 1 to 3, in particular, the objective, maximum acquisition counter value, maximum number of shares to buy and the authorized timeframe established for the transaction;--

b) Record each transaction performed in the ambit of the preceding authorizations;-------------------------

c) Perform stock transactions in such a manner, in terms of timing, form and volume, that does not disturb the regular operation of the market, trying to avoid execution during sensitive trading periods, in particular the opening and closure of a session, at times when the market is disturbed, or when relevant facts are announced or financial results are being disclosed; ---

d) Restrict acquisitions to 25% of the average daily trading volume, or to 50% of this trading volume provided that the competent authority is previously notified of the intention of exceeding that limit;

e) Publicly disclose of any transactions performed, that are relevant according to the applicable regulations, until the end of the third trading day subsequent to the date on which such transaction occurred;---

f) Communicate to the competent authority, until the end of the third working day counting from the transaction date, all acquisitions and sales performed; ---

g) Refrain from shares selling when stock repurchase transactions are occurring under the auspices of the program governed by the Regulation referred to in Recital C). --

For that purpose and in the event of acquisitions under stock repurchasing programs, or other plans that might be covered by the Regulation referred to on C), the Executive Board of Directors may divide up acquisitions and their conditions according to the respective program. It may provide information of such division in any public disclosure that may be made ". --

--- Having the shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting granted permission to speak to the Executive Board of Directors in order to present it.(…) ---

--- Afterwards, since no one else asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related regarding Item Four of the agenda, having been issued 2,577,268,585 votes, corresponding to 2,577,268,585 shares, which represent 70.4839% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.5898% of votes in favour). ---

--- Regarding **Item Five** of the agenda, the Chairman of the General Shareholders' Meeting proceeded by reading the mentioned item – "*Resolve on the granting of authorization to the Executive Board of Directors for the acquisition and sale of own bonds by EDP and subsidiaries of EDP"* – and, according to the previous item, asked the shareholders that were present to waive the reading of the proposal, which is reproduced herein as follows and is filed as an attachment to these minutes, since the referred proposal was too extensive and known by all: ---

"Considering that: --

A) The Articles of Association allow, according to number 1 of article 6, to carry out transactions legally permitted by law involving its own bonds or other securities issued by EDP; ------------------------------------

B) It is deemed appropriate from the Company's and Group EDP point of view, that EDP holds an authorization to acquire or to sell own bonds; --

The Executive Board of Directors proposes to the General Shareholders' Meeting the approval of the following resolution: --

To approve the granting of the authorization to allow EDP's Executive Board of Directors to buy or to sell own bonds or, independently of the applicable jurisdiction, other securities representative of debt of EDP and/or of its current or future subsidiaries, for a period of 18 months and under any business condition or negotiation structure, either out of the Stock Exchange or within national or international regulated markets, applying or not to a financial trustee, through direct transaction or by means of derivative instruments, as well as in accordance with further condition and the following restraints: ----

1. Acquisition ---

1.1. Maximum number of bonds to buy: ---

a) When the acquisition is for amortization, partial or total, of the bonds acquired, until the total number of bonds of each issuance; --

b) When the acquisition has other purpose, until the limit correspondent to 10% of the nominal aggregate amount of all bonds issued, deducted the sales performed, without prejudice of the exceptions foreseen on no. 3 of article 317 of the Portuguese Companies Code and of the quantity that is required for the compliance of buyer obligations pursuant to law, agreement or securities issuance;

1.2. Minimum and maximum consideration of the acquisition: ---

a) The maximum and minimum buying price will be, respectively, 120% and 80% of the weighted average of the closing price of the issuance published in the last 5 negotiation sessions prior to the date of acquisition or it will be correspondent to the acquisition price resulting from financial instruments entered into or from the respective issuance terms;--

b) The maximum and minimum buying price concerning issuances not listed in the Euronext Lisbon, irrespective of being listed or not in other markets, its average buying and selling price published by an entity internationally well known in the bond market;---

c) For issuances not complying with the previous paragraph, the limit price is the value indicated by an independent and qualified consultant or by a financial trustee appointed by the Executive Board of Directors; ---

d) In the case where a transaction results from or has to do with contractual conditions contemplated in another securities issuance, the price will be the value that results from the said contractual conditions;---

1.3. Moment of acquisition: the Executive Board of Directors shall determine the timing of each transaction and acquisition may take place one or more times, depending on what the Board deems more appropriate from the Company's point of view. --

2. Selling ---

2.1. Maximum number of bonds to sell: the total number of bonds held; ---------------------------------------

2.2. Minimum consideration of the sale: ---

a) The minimum selling price will be 80% of the weighted average of the closing price of the issuance in the last 5 negotiation sessions prior to the date of selling or it will be correspondent to the selling price resulting from financial instruments entered into or from the respective issuance terms; ------------

b) For issuances not listed in the Euronext Lisbon, irrespective of being listed or not in other markets, the limit price is the average buying and selling price published by an entity internationally well known in the bond market; ---

c) For issuances not complying with the previous paragraph, the limit price is the value indicated by an independent and qualified consultant or by a financial trustee appointed by the Executive Board of Directors; ---

d) In the case where a transaction results from or has to do with contractual conditions contemplated in another bond issuance, the price will be the value that results from the said contractual conditions; -

2.3. Moment of selling: the Executive Board of Directors shall determine the timing of each transaction and selling may take place one or more times, depending on what the Board deems more appropriate from the Company's point of view". ---

--- As the shareholders waived the reading of the proposal, the Chairman of the General Shareholders' Meeting grant permission to speak to the Executive Board of Directors to present the proposal. (…)-----

--- Then, since no one other persons asked to speak, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related to Item Five of the agenda, having been issued 2,577,266,600 votes, corresponding to 2,577,266,600 shares, which represent 70.4838% of the share capital. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.5900% of votes in favour). --

--- Afterwards Mr. Rui Eduardo Ferreira Rodrigues Pena proceeded with the reading of the content of **Item Six** of the agenda - "*Resolve on the remuneration policy of the members of the Executive Board of Directors presented by the Remunerations Committee of the General and Supervisory Board*." As per the extension of the statement and since it was already acknowledged by the shareholders, the Chairman of the General Shareholders' Meeting asked the presents to waive the reading of the document, which is filed as an attachment to these minutes and is hereby reproduced: --------------------

"*1. On the 6th of May of 2013, at the General Shareholders' Meeting of EDP – Energias de Portugal, S.A. (EDP), it was presented and subjected to approval some adjustments to the remuneration policy of the members of EDP Executive Board of Directors (EBD) for the triennium 2012-2014, previously approved at the EDP´s General Shareholder´s Meeting occurred on the 17th of April, 2012. The proposed modifications concerned the indicators used, especially their respective weights. Additionally, the form of payment of the variable multiannual remuneration component has been changed. During 2013, several meetings to assess the reasonableness of the remuneration policy were held, and the Remuneration Committee of the General and Supervisory Board (REMC) decided to propose its maintenance to this General Shareholder's Meeting, with the exception of the substitution of the "Performance of Free Cash flow" indicator by the "Performance of Operating Cash Flow excluded of regulatory receivables" indicator, as this last was considered to be more appropriate to evaluate the management performance. In summary, and if this amendment is adopted, the remuneration policy of the EBD members of EDP, for 2013-2014, will be based on the following principles and rules:* --------------

a. Fixed remuneration of the EBD Chairman in 600 000 EUR, an amount already practiced on the last two terms of office, since 2006. Likewise, the ratio between the fixed remuneration of the other Executive Directors and its Chairman remains at 80%. Based on the analysis undertaken, although competitive, this value is below the average remuneration of the analyzed universe. As a result of this decision, if approved, at the end of this current term, the fixed remuneration component (and by *consequence, the maximum limit of the total compensation of the EBD members) will be the same in nominal terms, for 9 consecutive years; --*

b. Retirement Saving Plans (RSP) assigned to the Executive Board of Directors members during their term of office, amounting in net terms, 10% of their fixed annual remuneration. The characteristics of these standard RSP are covered by the legislation applicable to these financial products;-------------------

c. Remuneration structure by which the variable component can duplicate the fixed component and the multiannual variable component, that reflects the assessment for the whole term of office, will have a weighting of 60% compared with 40% of the weight assigned to the set of indicators that assess the annual performance; --

d. Minimum and maximum thresholds to define the existence of a performance bonus and the highest value that it may assume. More specifically, if the concrete performance falls below 90% of the fixed targets, and submitted to the GSB, as a reference for performance assessment, there will not be any payment. If, on the other hand, it exceeds 10% or more of its targets, it shall be assigned, always and only, the maximum value. These general criteria apply both to the annual variable component (limited to 80% of the fixed remuneration) as to the multiannual component (which can go up to 120% of the fixed remuneration);---

e. Criteria that determines the allocation of the multiannual variable remuneration regarding the performance throughout the term of office: although it is calculated annually, it only becomes effective if, at the end of the mandate, at least 90% of the strategic goals have been achieved, according to the performance of the company, its comparison with strategic benchmarks and the individual contribution of each member of the EDB for the achievement of that purpose; ---

f. Individual performance will weight 20% regarding the annual objectives and 32% for multi-year targets;---

g. The payment of the multiannual performance bonus will occur with a three year lag regarding the respective year; ---

2. The indicators used to evaluate the performance of the EBD, particularly regarding the comparison between the stock market performance of EDP and its Iberian and European pears and regarding the economic and financial performance, will be as follows:---

a. Annual performance indicators--

a.1. Quantitative component and its weight: --

Total shareholder return vs Eurostoxx utilities e PSI20-- (19%)

ROIC/WACC --- (19%)

Growth of gross profit --- (14%)

Growth of net profit -- (14%)

EBITDA performance ---(7%)

Operating cash flow excluded of regulatory receivables performance --------------------------------------(7%)

The 80% resulting from the weighted sum of these indicators reflect the performance that is common to all EBD members. --

a.2. Qualitative component: ---

The remaining 20% result from an individualized assessment conducted by the REMC, based on the individual performance of each of the EBD members. ---

a.3. The resulting value of the quantitative and qualitative component is applicable, as previously mentioned, to 80% of the fixed annual remuneration.---

b. Multiannual performance indicators ---

b.1. Quantitative component and its weight --

Total shareholder return vs Eurostoxx utilities e PSI20 --- (17%)

ROIC/WACC--(17%)

EBITDA performance --(8,5%)

Operating cash flow excluded of regulatory receivables performance --(8,5%)

Sustainability Performance Indicator -- (17%)

The 68% resulting from the weighted sum of these indicators reflect the performance that is common to all EBD members. --

b.2. Qualitative component: --

The remaining 32% result from an individualized assessment conducted by the REMC, based on the individual performance of each of the EBD members. ---

b.3. The resulting value of the quantitative and qualitative component is also applicable, as previously mentioned, to 120% of the fixed annual remuneration. ---

3. EDP Directors do not enter into agreements, either with the company or with third parties, with the goal of mitigating the risk inherent to the variability of the remuneration that is established by the company. ---

4. It is further clarified that there are no agreements in EDP that foresee payments in the event of dismissal or termination by agreement of the directors' functions, nor were any payments made in this context during the year of 2013.---

In accordance to the applicable law and EDP's articles of association, the Remuneration Committee of the General and Supervisory Board submits to the approval of the Shareholders the declaration on the remuneration policy of the members of the Executive Board of Directors in accordance with the above stated terms". --

--- As the shareholders waived the reading of the above said statement, Mr. Rui Eduardo Ferreira Rodrigues Pena granted permission to speak to Prof. Alberto João Coraceiro de Castro, Chairman of the Remuneration Committee of the General and Supervisory Board, who, after welcoming all presents, made a brief summary of the referred proposal. --

(…) ---

--- After the presentation, the Chairman of the General Shareholders' Meeting thanked Prof. Alberto João Coraceiro de Castro and declared open the debate relating to Item Six of the agenda. (…) ----------

--- Concluded the debate, the Chairman of the General Shareholders' Meeting submitted to vote the proposal on Item Six of the agenda, having been issued 2,578,372,932 votes, corresponding to 2,578,372,932 shares, which represent 70.5141% of the share capital. As abstentions are not considered, the referred proposal was approved by majority of the votes cast (with 99.9228% of votes in favour). -- -

--- Afterwards, the Chairman of the General Shareholders' Meeting read the content of **Item Seven** of the agenda – "*Resolve on the remuneration policy of the other members of the corporate bodies presented by the Remunerations Committee elected by the General Shareholders' Meeting*" – and, following the same procedure adopted in the previous proposals, asked the shareholders that were present about the waiver of the reading of the statement, with the following content: ---------------------

"In accordance and for the effects of the contents of article 2, no. 1 of Law no. 28/2009, dated 19th June and of article 11, no. 2, d) of EDP – Energias de Portugal, S.A. By-Laws, it competes to the Company's General Annual Shareholders' Meeting to approve the proposal on the Remuneration Policy of the Members of the Corporate Bodies that is submitted by the respective Remunerations Committee. Thus, at the General Shareholders' Meeting held on 17th April 2012, it was not only approved the proposal of the Remunerations Committee that ended its term of office, but also elected the new Committee, composed by: ---

- *José Manuel Galvão Teles – Chairman reelected*---
- *José de Mello Energia, S.A., represented by Luís Brito de Goes – Member*-----------------------------------
- *Álvaro Pinto Correia – Member*---

EDP – Energias de Portugal, S.A. By-Laws establish, on article 8, no. 1, that the Company's Corporate Bodies are: --

a) The General Shareholders' Meeting (GSM) --

b) The General and Supervisory Board (GSB) --

c) The Executive Board of Directors (EBD)---

d) The Statutory Auditor (SA) --

On the other hand, the By-Laws of the Company also foresee the existence of other Corporate Bodies, with statutory dignity:--

a) The Environment and Sustainability Board (ESB)--

b) The Remuneration Committee, elected by the General Shareholders' Meeting and, within the GSB, a Committee for the Monitoring of Financial Matters which according to the By-Laws, also assumes the designation of Audit Committee---

c) The Board of the General Shareholders' Meeting ---

These are the corporate bodies of EDP - Energias de Portugal, S.A. --

The Remuneration Committee, elected by the General Shareholders' Meeting, is therefore, responsible for the determination of the remuneration of the members of the following corporate bodies: Board of the General Shareholders' Meeting; Chairman and members of the GSB; Statutory Auditor and Environment and Sustainability Board. The Financial Matters Committee or Audit Committee shall be dealt together with the other Committees of the GSB. ---

In compliance with of the powers conferred by the GSM, the Remunerations Committee set the remunerations of EDP' Corporate Bodies members for the 2012-2014 term of office (with exception of the EBD), although with an express reservation regarding the fact that the Committee would comply with its duty of following, every year, the activity of the respective corporate bodies. -----------------------

In that sense, it shall be disclosed, as it has been done in previous years, the Remuneration Policy of Corporate Bodies Members, which has been unchanged in the last years, complying with the main principles approved in General Shareholders' meetings. --

As a result and with the purpose of providing clear and complete information on the referred remuneration policy and with the aim of obtaining from the General Shareholders Meeting the confirmation of that same policy, the adopted guiding principles and the way found suitable to secure the necessary mitigation of the management risks and the alignment of corporate bodies members' interests with the Company's interest are detailed as follows. --

I. Framework--

EDP's remuneration Policy is framed by the guidelines defined by reference shareholders of the Company, which are issued in accordance with the applicable rules and recommendations and with the best practices in the sector. --

The Corporate Bodies Remuneration Policy is annually reviewed and a statement, which resumes its general guidelines is, with the same periodicity, subject to approval by the General Shareholders under proposal of the Remunerations Committee. On the respective definition it were formulated proposals aiming to assure that remunerations are adequate and reflect the risk profile and the long-term objectives of the Company, being also in conformity with the legal rules, principles and pertinent national and international recommendations.---

II. Guiding Principles --

This Committee has guided its decisions on the matter of remuneration policy, namely of the General and Supervisory Board members, by the following guiding principles: ---

i) Definition of a policy, which is simple, clear, transparent and aligned with EDP's culture, in order that the remuneration practice may be based on uniform, consistent, fair and balance criteria.-----------

ii) Definition of a policy, which is consistent with the management and control of risk, efficient to avoid excessive exposition to risk and to conflicts of interest, seeking coherence with the purposes and long-term values of the Company. ---

iii) Assessment and stimulus of a careful performance, in which the merit shall be dully awarded, assuring homogeneity levels compatible with GSB necessary cohesion, considering also the economic and financial situation of the company and of the country. --

iv) Alignment of the remunerations of the several corporate bodies members of the companies with higher stock market capitalization and congeners, namely Iberian.---

v) The more recent recommendations issued by European Union and Portuguese Securities Commission. --

vi) Taking into consideration of the circumstances arising from the serious economic crisis and the current European financial constraint, with the necessary consequences for the Company, with the purpose of complying with the demands of a greater social justice within the scope in general of the country, as well as within the scope of the company's several remuneration regimes. ----------------------

The remuneration policy of EDP's corporate bodies shall, in essence, be simple, transparent, moderated, adapted to the conditions of the work performed and to the company's economic situation, but also, competitive and equitable, in order to assure the purpose of value creation for the shareholders and remaining stakeholders.---

III. Structure of remuneration policy ---

Based on these criteria, and considering the challenges that the Company intends to pursue during the current civil year, the Commission defined the following remuneration policy guidance:---------------------

i) It shall be maintained a differentiation between remunerations attributed to GSB members and the ones assigned to EBD members, and it shall not be attributed to the firsts a variable remuneration component or any other remuneration complement. ---

ii) The difficulties that the country is still struggling in consequence of the generalized economic, financial and social crisis installed worldwide and the challenges that the country still has in the exit process of redemption in which Portugal is, imply the maintenance of the remuneration framework in force, but, in any case, it shall always be taken into account the performance merit and the complexity of the functions performed by the members of each body, so that the cohesion, stability and development of the company is not endangered. --

iii) It shall be considered the progressive increase of work and responsibility of the Audit Committee members, assuring a differentiation in relation to other GSB members. --

iv) It is also important to distinguish the performance of other specific functions within GSB, namely the coordination, assigned to the Chairman and Vice-Chairman. ---

IV. Remuneration limits ---

i) The inexistence of variable components within the remuneration structure of the supervisory body members leads to establishing, as the sole maximum limit on the remuneration policy, the fixed component of remuneration. --

It has been understood, on that subject, according to proportionality and adequacy criteria, that it should be differentiated remuneration limits according to the level of work and responsibility inherent to each supervisory board member. Pursuant to that, it was specially considered the evolvement of some members of the Financial Matters Committee/Audit Committee and other General and Supervisory Board committees. It also has been established additional distinctions, whether the involvement in corporate committees implies, or not, the performance of coordination functions. -------

Within this conformity, it was set the following maximum limits of remuneration of the General and Supervisory Board: --

Chairman of the GSB	*€ 490,500.00/ year*
Vice-Chairman of the GSB	*€ 72,000.00/ year*
Vice-Chairman of the Financial Matters Committee/Audit Committee	*€ 85,000.00/ year*
Members of the Financial Matters Committee/Audit Committee	*€ 70,000.00/ year*
Chairman of other Committees	*€ 57,000.00/ year*
Members of other Committees	*€ 52,000.00/ year*
Members of the GSB (without other attributions in this Board)	*€ 47,000.00/ year*

ii) Regarding the other corporate bodies members, the Committee has considered, also, that the circumstances of the period in which we are living recommended to maintain the level of remuneration adopted in previous years. ---

Therefore, in due course, the following values were set to remunerate the members on the corporate positions subsequently described: ---

a) General Shareholders Meeting Board ---

Chairman and, simultaneously, Member of the GSB	*€ 57,000.00/year*
Vice-chairman	*€ 2,000.00/year*

b) Statutory Auditor ---

The Committee accepted and confirmed, regarding the remuneration of the Statutory Auditor, the values contained in the "Agreement for the Rendering of Statutory Audit Services" entered into between EDP and KPMG & Associados, Sociedade de Revisores Oficiais de Contas. --------------------------

c) Environment and Sustainability Board ---

The members of this Board have the right to receive one attendance fee by meeting in the amount of €1,750.00. --

V. Conclusion --

Current circumstances, in which the companies with national relevance carried out their activity deserve, from our point of view, that it is maintained a particular care in the development of the value chain which, beyond economic aspects, reveal its social sustainability point of view, reason why we ask for the best acceptance, by the General Shareholders Meeting, of the proposal hereby submitted". -----

--- As the shareholders waived the reading of the above said proposal, the Chairman of the General Shareholders' Meeting granted permission to speak to the Chairman of the mentioned Committee, Mr. José Manuel Archer Galvão Teles, who began by welcoming the shareholders and the members of the corporate bodies that were present, and subsequently made some considerations regarding the policy of remuneration defined by the Committee chaired by him (…)--

--- Succeeding, the Chairman of the General Shareholders' Meeting submitted to vote the proposal related Item Seven of the agenda, having been issued 2,588,379,655 votes, corresponding to 2,588,379,655 shares, which represent 70.7877% of the share capital social. As the abstentions are not considered, the referred proposal was approved by majority of the votes cast (99.9874% of votes in favour).---

--- Concluded the discussion and resolution on all items of the agenda, Mr. Rui Eduardo Ferreira Rodrigues Pena thanked the fair way all presents cooperate supporting the General Shareholders' Meeting Board in the development works and congratulated the members of the Executive Board of Directors for the activities developed in EDP's benefit in the last exercise, wishing that the same success is achieved in the next year. ---

--- There being no further business, the meeting was closed at seven hours and thirty minutes, in relation to which the present minutes were drawn up and will be signed by the Chairman of the General Shareholders' Meeting and by the Company Secretary. ---

Lisbon, 16th May 2014

The Company Secretary

Maria Teresa Isabel Pereira

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TO BE CONTINUED...