



RELATÓRIO E CONTAS
ANNUAL REPORT

2012

EMPRESA DE ELECTRICIDADE DA MADEIRA

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Note to reader:

This document is a translation of a Portuguese version. In case of doubt arising from the text here presented, the Portuguese version prevails.

Board of Directors



From left to right:

João Heliodoro da Silva Dantas (Vice-Chairman of the Board)

Rui Alberto Faria Rebelo (Chairman of the Board)

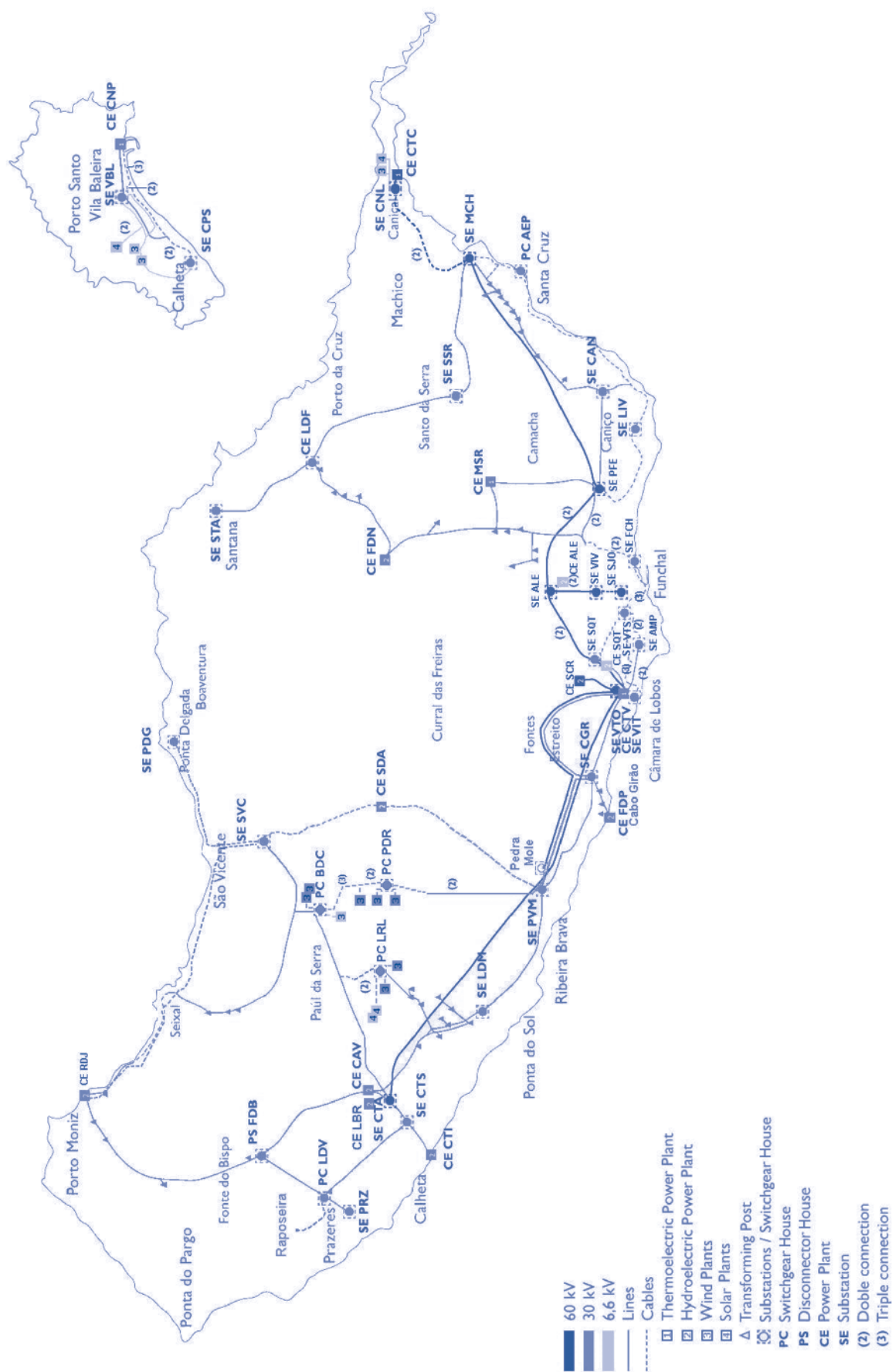
Mário Eugénio Jardim Fernandes (Board Member)

Organigram

General Assembly		Statutory Auditor	
Maria de Fátima F. Freitas (President) Rui Antero F. Pestana (Vice-President) Ana Cristina Dantas Andrade (Secretary)		KPMG & Associados, SROC, S.A.	
Board of Directors			
Rui Alberto Faria Rebelo (Chairman of the Board) João Heliodoro da Silva Dantas (Vice-Chairman of the Board) Mário Eugénio Jardim Fernandes (Board Member)			
Advising/Consulting	General Directorate		Aud. and Int. Supervision
João Pedro Sousa			Armindo Santos
D.S.P. Directorate of Studies and Planning	D.P.S. Directorate of Production Services	D.T.S. Directorate of Transmission Services	D.D.S. Directorate of Distribution Services
Agostinho Figueira	Pontes Leça	José Cotrim	Duarte Afonso
D.C.S. Directorate of Const. Services	D.L.J.S. Directorate of Labour & Judicial Serv.	D.I.S. Directorate of IT Systems	P.S.D. Porto Santo Division
António Marrana	Ana Cristina Dantas	António Nunes	Duarte Afonso

Characteristic Data

Transmission Network



Electric energy production by primary source in RAM - (EEM's system)

GWh	2008	2009	2010	2011	2012
Madeira Island	694.07	673.52	616.70	584.14	535.67
Hydroelectric	79.60	135.49	126.70	116.08	70.90
Thermoelectric (Vitória)	614.47	538.03	490.00	468.06	464.77
Porto Santo Island	39.35	37.58	32.82	29.62	27.94
Thermoelectric	38.47	36.93	32.18	29.49	27.85
Wind Plants	0.88	0.65	0.63	0.13	0.09
Total RAM	733.42	711.09	649.52	613.76	563.61

Note: RAM - Autonomous Region of Madeira

Electric energy acquisition - Other entities

GWh	2008	2009	2010	2011	2012
Madeira Island	247.21	266.96	308.24	317.88	334.61
Hydroelectric	4.10	4.65	5.00	5.11	4.20
Wind Plants	13.09	36.90	67.33	71.49	82.62
Thermoelectric (Canical)	192.81	188.60	194.85	193.34	192.40
Waste*	37.22	36.51	39.41	34.27	27.72
Photovoltaics**	-	0.29	1.65	13.67	27.68
Porto Santo Island	1.29	1.18	3.80	4.39	3.88
Wind Plants	1.29	1.17	1.31	0.97	0.75
Photovoltaics**	-	0.01	2.49	3.42	3.13
Total RAM	248.51	268.13	312.05	322.27	338.50

*Solid Waste Incineration

**Including PRE ("special power generation" Dec-Law 312/2001), microgeneration (Dec-Law 363/2007) and minigeneration (D-Law 34/2011)

RAM's energy balance - 2012

GWh	Net Demand	Billing
Madeira Island	861.33	786.53
Porto Santo Island	29.47	27.78
Total RAM	890.80	814.31

Substations

	2008	2009	2010	2011	2012
Madeira Island					
Number	28	28	28	28	28
Installed power (MVA)	528	528	533	533	533
Porto Santo Island					
Number	3	3	3	3	3
Installed power (MVA)	16	18	18	20	20
Total RAM					
Number	31	31	31	31	31
Installed power (MVA)	544	546	551	553	553

Transforming Posts

	2008	2009	2010	2011	2012
Madeira Island					
Number	1,644	1,656	1,667	1,677	1,659
Installed power (MVA)	696	716	723	731	722
Porto Santo Island					
Number	93	93	92	91	94
Installed power (MVA)	35	35	34	34	35
Total RAM					
Number	1,737	1,749	1,759	1,768	1,753
Installed power (MVA)	731	751	757	765	757

Transmission and Distribution Network - RAM

Km	2008	2009	2010	2011	2012
Low Voltage Network	3,885	3,914	3,924	3,952	3,959
Overhead lines	3,017	3,007	2,999	3,003	3,001
Underground cables	868	906	925	948	958
6,6 kV Network	1,241	1,287	1,316	1,322	1,324
Overhead lines	541	539	532	523	520
Underground cables	699	748	784	798	804
30 kV Network	387	392	400	401	401
Overhead lines	243	245	250	250	251
Underground cables	144	147	150	150	150
60 kV Network	79	79	74	74	74
Overhead lines	69	69	64	64	64
Underground cables	10	10	10	10	10
Total RAM	5,591	5,672	5,714	5,749	5,758

Commercial Data

	2008	2009	2010	2011	2012
Madeira Island					
Number of Consumers	129,636	130,786	131,962	132,782	132,555
Consumption (GWh)	839.32	842.00	830.80	812.85	786.53
Households and Agriculture	259.76	265.25	265.64	261.69	249.10
Services and Commerce	358.50	364.32	349.46	344.61	334.89
Public Services	60.02	60.81	61.29	55.97	53.64
Industry	74.57	70.80	69.63	68.90	72.18
Public Lighting	86.47	80.82	84.78	81.68	76.72
Porto Santo Island					
Number of Consumers	4,477	4,560	4,621	4,691	4,675
Consumption (GWh)	36.67	34.92	32.71	30.24	27.78
Households and Agriculture	7.43	7.51	7.31	7.19	6.76
Services and Commerce	14.23	13.55	12.00	12.09	10.57
Public Services	3.65	3.52	3.19	2.89	2.64
Industry	8.96	7.93	7.87	5.93	5.65
Public Lighting	2.40	2.41	2.34	2.14	2.15
Total RAM					
Number of Consumers	134,113	135,347	136,584	137,473	137,230
Consumption (GWh)	876.00	876.92	863.51	843.09	814.31

Human Resources

	2008	2009	2010	2011	2012
N.º of Employees	865	859	851	830	803

Other Consolidated Data

€'000	2008	2009*	2010*	2011*	2012*
Turnover	171,441	153,259	174,497	193,534	217,794
Investment	66,823	57,455	46,537	24,396	9,350

*According to the "Accounting Standard System" (SNC)

Summary

In 2012, the economic activity in the Autonomous Region of Madeira, was strongly conditioned by the worsening of the sovereign debt crisis in the Eurozone and the request for financial assistance made by the Regional Government to the Government of the Republic, which culminated in signing the Program of Economic and Financial Adjustment of RAM, on January 27, 2012, which aims to reverse the imbalance of the RAM's financial situation and ensure the sustainability of public finances. This program established the application of several policies, beyond those imposed in Portugal, with a significant impact on the regional economy, such as the adoption of taxation levels on corporate Income tax (IRC) and Income tax for individuals (IRS) equal to the Portuguese mainland, the increased standard of the value added tax (VAT) to 22%, the significant increased tax on petroleum products (ISP), as well as the adoption of strict procedures to reduce the foreseen remuneration for Public Entities. Also the loss of many tax benefits related to the International Business Centre of Madeira, in 2012, caused a rapid transfer from companies to other regions, with the subsequent negative effects on tax revenue, household disposable incomes and economy of Madeira. This depressed and recessive environment resulted in a reduction of household incomes, an increased unemployment, as well as in a general growth of uncollectible amounts, resulting in deflating pressures in regional economy, with consequences for electrical energy consumption, which decreased circa 7.3% between 2009 and 2012.

In this extraordinarily adverse context, the activities of EEM were strongly conditioned by the economic environment that surrounds it not being able to fulfil the original outlined investment plan. The total investment volume (consolidated) reached 9,350 thousand Euros, with the following relative distribution by area of activity: 49.8% in distribution/commercialisation, 19.5% in transmission, 19.5% in production and 10.0% in non-specific investment. The remaining 1.2% was invested in subsidiaries of EEM.

Production

The achieved investments in the production area amounted to 1,823 thousand Euros, mainly in:

- Recovery of hydro canal system "levadas" sections allocated to hydroelectric power plants;
- Completion of a protection wall along the riverside nearby the CTV II and III;
- Completion of the renewal of the CTV II cover;
- Completion of a large fuel oil tank repair in the CTPS;
- Intervention in the recovery boilers of the n.ºs 3 and 4 generating power groups in CTPS;
- Intervention in the cooling system of CTPS;
- Start of repair works for the CTPS cover.

Transmission

The accomplished investments in the transmission area amounted to 1,824 thousand Euros, essentially in the reinforcement of the transmission network, substations/switchgear houses remodelling.

The main investments realised in substations/switchgear houses, can be presented as follows:

- Continuation of the construction works on Pedra Mole Substation;
- Continuation of the remodelling in the Loiral Switchgear House;
- Continuation of the installing works of the differential protection in Palheiro Ferreiro Substation.

In the transmission network, the main investments are following presented:

- Execution of works along the section between the Porto Santo Thermoelectric Power Plant and Calheta Substation;
- Launching of an underground pipeline network near Madalena do Mar location;
- Changing in the interconnection pipeline network and underground cables of the Funchal Substation.

Distribution/Commercialisation

The achieved investments in the distribution/commercialisation sector reached the amount of 4,660 thousand Euros, being detailed as follows:

- Connection of 10 new transforming posts for public service;
- Connection of 2 new private transforming posts to network;
- Construction of 7.29 km of medium voltage network;
- Removal of 5.07 km of medium voltage network;
- Remodelling of medium voltage network in 7.33 km;
- Construction of 13.22 km of low voltage network;
- Removal of 6.25 km of low voltage network;
- Remodelling of low voltage network in 58.47 km;
- Installation of 74 new public lighting luminaries;
- Replacement of 204 public lighting luminaries;
- The electric energy sales achieved 786.53 GWh in Madeira Island and 27.78 GWh in Porto Santo Island, totalising 814.31 GWh in RAM;
- The average number of clients connected to the network, in 31st December 2012, reached 132,555 and 4,675 in Madeira and Porto Santo islands, respectively.

Other accomplishments

The fulfilled investments concerning unspecified areas, in a transversal way to the Company, were namely: general installations, equipment's, tools and information systems, reaching the amount of 931 thousand Euros. In this area, it is important to highlight the general installations and information systems, with particular emphasis on the following projects:

- Conclusion of the intervention in the Socorridos warehouse;
- Acquisition of new equipment for the Wave Power Quality measurements;
- Implementation of new communications management system and data acquisition for the calculation of the Voltage Wave Quality indicators;
- Implementation of various improvements in the SAP system;
- Changes in BI - Business Intelligence (Reporting Tools);
- Development of the project WFM - Work Force Management (SGE - Management Team System);
- Implementation of various improvements in the SGI (Non-Availability Management System).

Technical Information

I. Production

In 2012, the investments in the production area amounted to 1,823 thousand Euros, highlighted by: the conclusion of the requalification of the Vitória Thermoelectric Power Plant cover (CTV II) and interventions in hydraulic infrastructures of the hydroelectric power plants systems.

A. Madeira Island

Hydroelectric utilities

Among all the investments carried out during 2012, regarding the hydroelectric power plants, were highlighted the following actions:

- During the public tender for the Pico da Urze Dam, part of the Calheta Hydroelectric Power Plant expansion, it was necessary to revalue some components, which caused a planning delay. The various tenders related to this task, should be launched during 2013;
- Fulfilment of the integrated study for the technical-economic and environmental viability of the project for the hydroelectric exploitation in Chão da Ribeira and Fonte do Juncal, from which the execution plans shall be carry out;
- Recovery of water canal sections assigned to the Fajã da Nogueira Hydroelectric Power Plant;
- Recovery of water canal sections of Canal das Rabaças and Canal do Norte, assigned to the Serra de Água Hydroelectric Power Plant;
- Recovery of water canal sections allocated to the Socorridos Hydroelectric Power Plant.

Thermoelectric utilities

Vitória Thermoelectric Power Plant

In Vitória Thermoelectric Power Plant are also reported the following actions:

- Conclusion of the renewal of the CTV II cover;
- Conclusion of the riverside wall protection along the CTV II and III.

On December 31st, 2012, the EEM's electric generating system in Madeira Island, consisted of one thermoelectric power plant and nine hydroelectric power plants with a total installed power of 247.91 MW, of which 197.94 MW (79.8%) are installed in Vitória Thermoelectric Power Plant and the remaining 49.97 MW (20.2%) in hydroelectric power plants.

EEM's power system in Madeira Island - 2012

	Thermal	Hydro	Total
N.º of Power Plants	1	9	10
Installed Power (MW)	197.94	49.97	247.91
Production (GWh)	464.77	70.90	535.67

EEM's thermal power plant in Madeira Island - 2012

	Units	Installed Power		Max. C. Power*** (MW)	Production (GWh)	Net Emission (GWh)	Fuel
		(MW)	(MVA)				
Vitória Thermal Power Plant	1, 2*	15.00	19.50	-	0.61		Thick Fuel-oil
	3	7.50	9.75	5.00	0.93		Thick Fuel-oil
	4, 5, 6	23.40	29.25	18.60	27.14		Thick Fuel-oil
	7, 8, 9, 10	42.24	52.00	34.00	151.06		Thick Fuel-oil
	11, 12, 13, 14, 15	57.60	70.00	47.00	186.63		Thick Fuel-oil
	16	12.80	16.00	12.80	0.73		Dual-Fuel
	17, 18, 19, 20**	54.40	68.15	49.00	97.67		Dual-Fuel
Total - CTV		197.94	245.15	166.40	464.77	456.98	

*Decommissioned power unit groups in 2012

**Combined Cycle - Power Group N.º 20

***Maximum Continuous Power

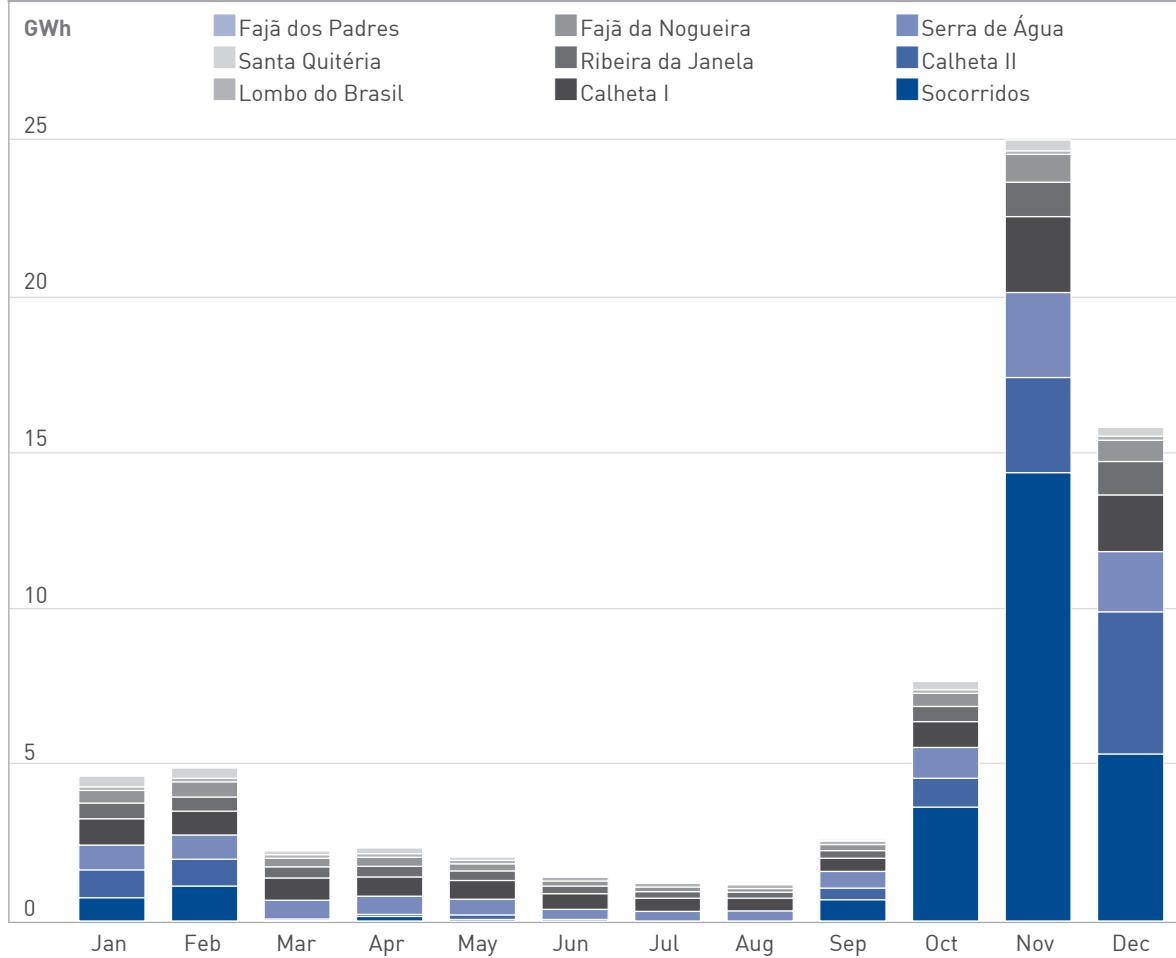
EEM's hydro power plants in Madeira Island - 2012

	Inst. Power (MW)	Production (GWh)	Net Emission (GWh)	Height of Fall (m)	Type of Turbine
Serra de Água	5.20	10.44	10.40	430	Pelton
Calheta I	1.10	10.33	10.17	629	Pelton
	0.52			314	Pelton
	0.50			181	Pelton
	2.40			629	Pelton
Calheta II	7.00	10.95	10.92	637	Pelton
Ribeira da Janela	3.00	5.51	5.42	398	Pelton
Fajã da Nogueira	2.40	4.32	4.26	348	Pelton
Lombo do Brasil	0.45	1.37	1.37	316	Pelton
Fajã dos Padres	1.70	-	-	530	Pelton
Santa Quitéria	1.70	1.93	1.87	212	Pelton
Socorridos	24.00	26.05	25.98	457	Pelton
Hydroelectric Pumping	11.25	-	-	457	Francis
Total EEM*	49.97	70.90	70.38		

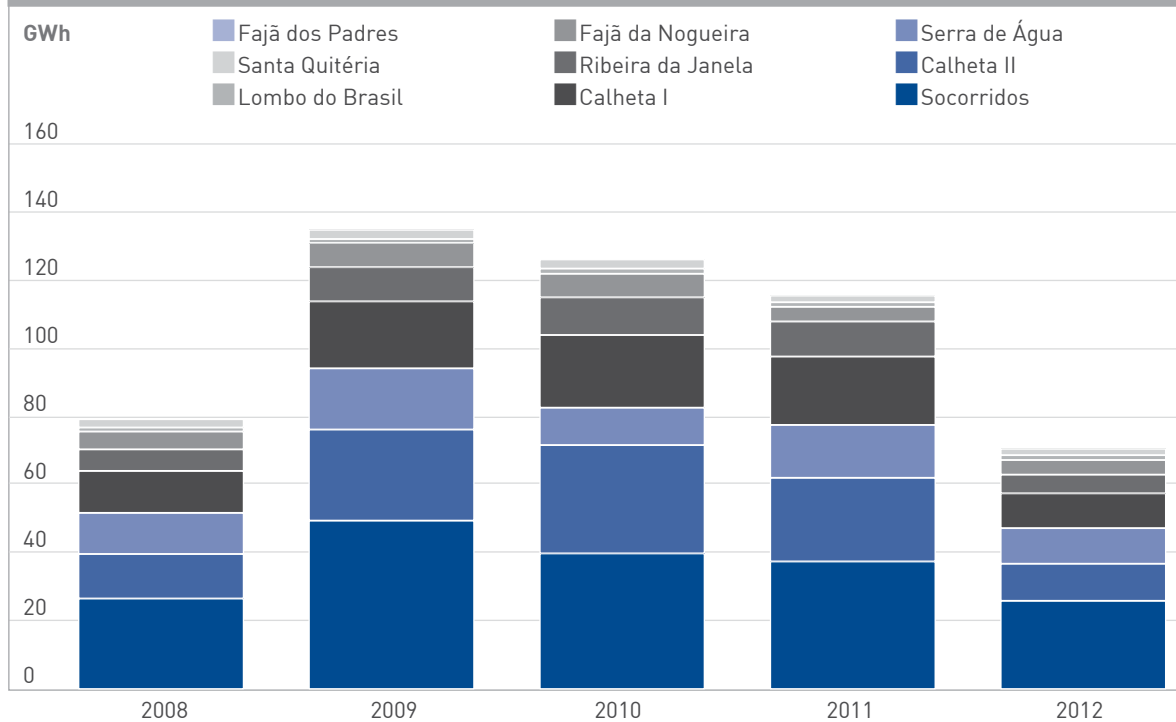
*Hydroelectric Power Pumping not included

In 2012, the total EEM energy net emission in Madeira Island, reached 527.36 GWh, 456.98 GWh (86.7%) of which generated by thermoelectric power plants and the remaining 70.38 GWh (13.3%) generated by hydroelectric power plants.

EEM's monthly hydro production in Madeira Island - 2012



EEM's annual hydro production in Madeira Island



The installed power in the private generating power plants amounted to 106.15 MW, more than 0.8% over 2011, resulting from the micro and minigeneration increment.

The following table reflects the distribution of independent producers, by primary energy sources:

Private owned power plants in Madeira Island - 2012						
	Thermal	Hydro	Wind	Waste*	Photovoltaics**	Total
N.º of Power Plants	1	1	9	1	608	620
Installed power (MW)	36.00	0.72	43.91	8.00	17.52	106.15
Acquisition (GWh)	192.40	4.20	82.62	27.72	27.68	334.61

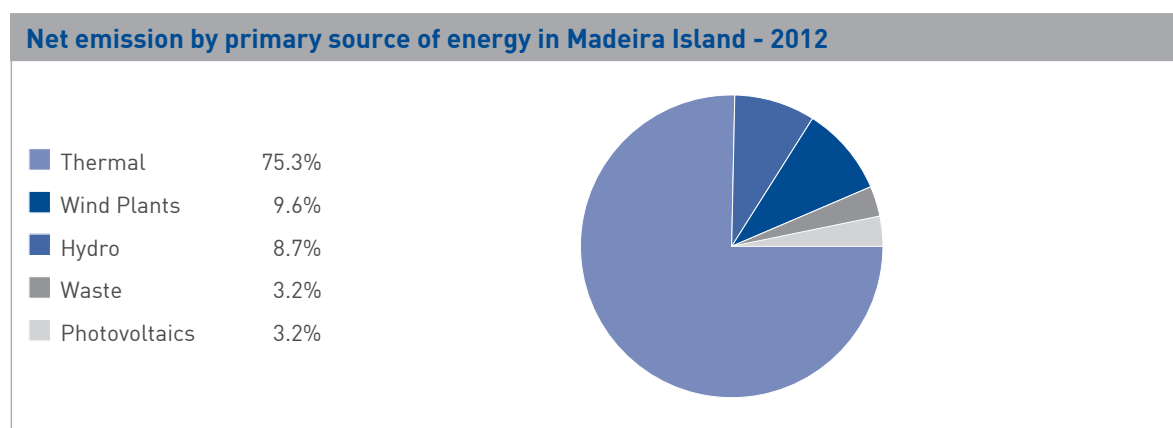
*Solid Waste Incineration

**Including PRE ("special power generation" D-Law 312/2001), microgeneration (D-Law 363/2007) and minigeneration (D-Law 34/2011)

In 2012, the global energy issued by these generating power systems, reached to 334.61 GWh, more 5.3% than the previous year. Thus, 57.5% of this energy was provided by Caniçal Thermoelectric Power Plant, 24.7% by wind plants, 8.3% by ETRSU (solid waste incineration), 8.3% by photovoltaic producers, micro and minigeneration, and the remaining 1.2% from Terça mini-hydroelectric Power Plant.

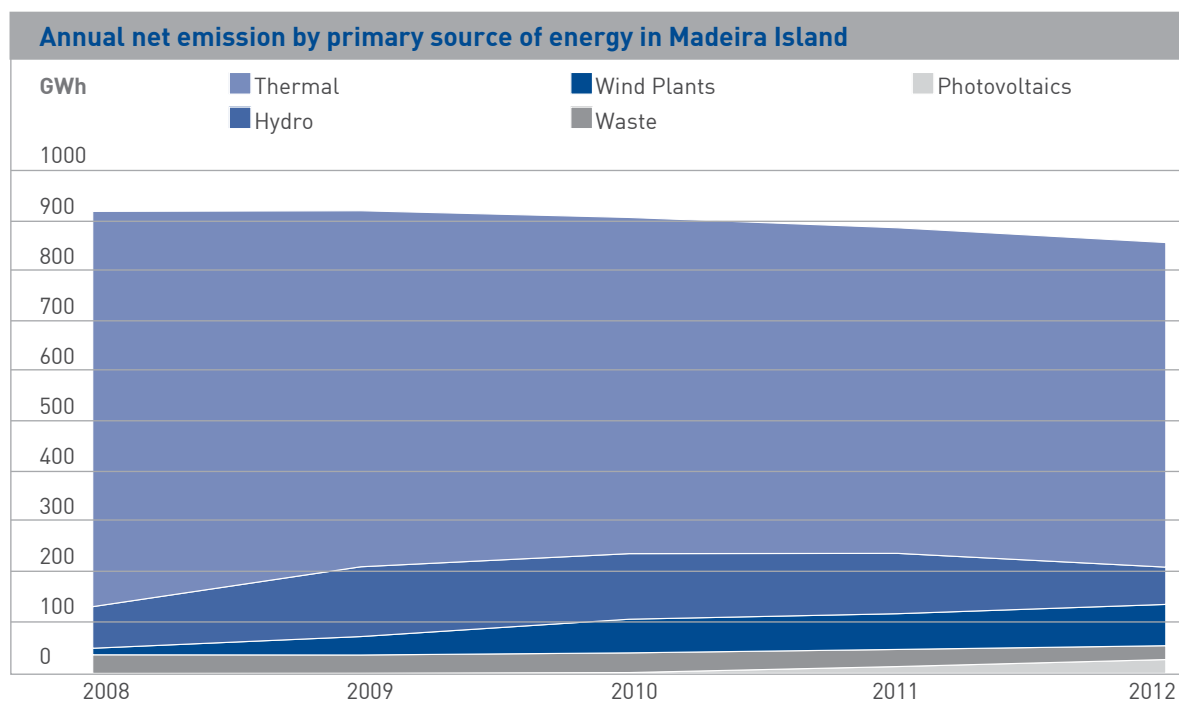
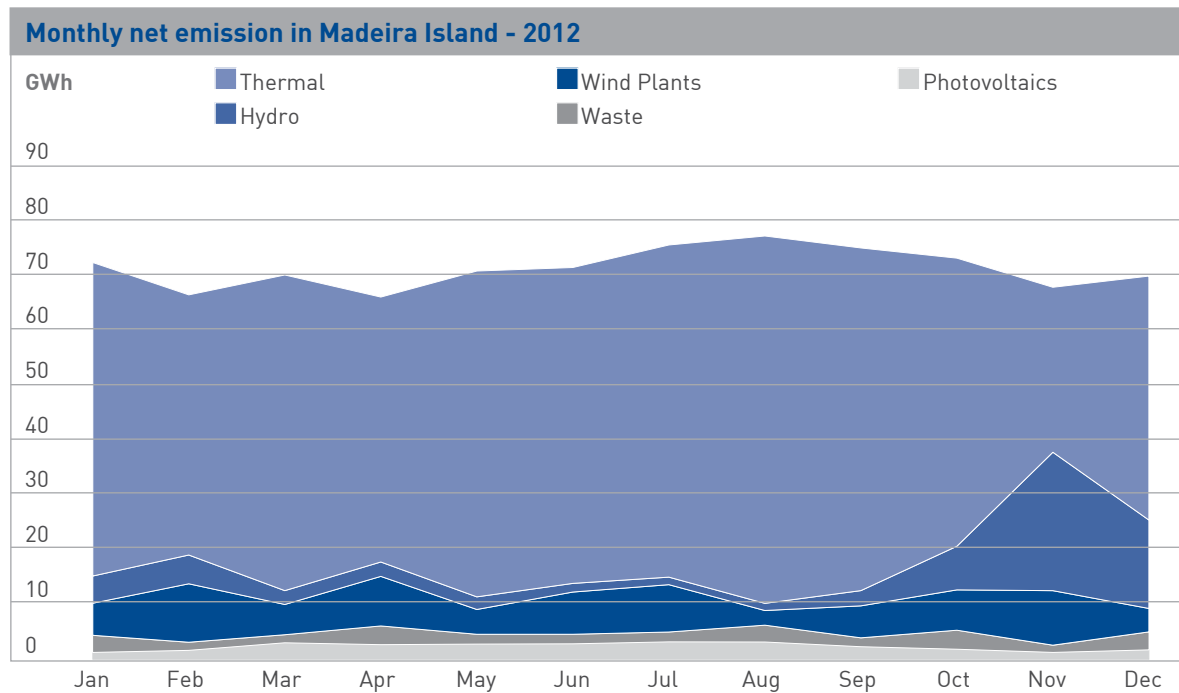
The private plants energy contribution represents 38.8% of the total emission in Madeira Island.

The net emission distribution through the network system (EEM system and private producers) in the Madeira Island, in 2012 is presented as follows:

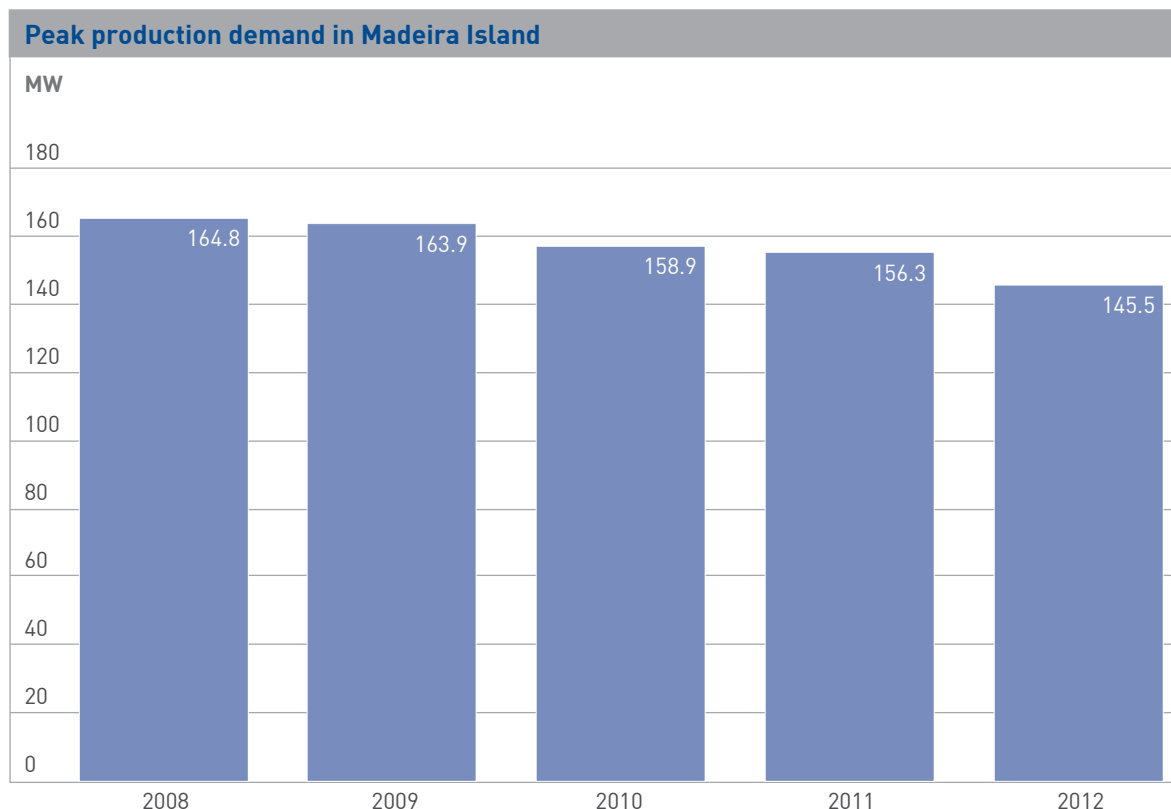


Thus, the renewable component, in 2012, amounted to 24.7% of the total energy emitted into the electric network and the remaining 75.3% came from fossil fuels.

The monthly and annual net emission evolution by primary sources can be presented as follows:



The peak load in Madeira Island occurred in January, reaching the value of 145.5 MW, representing a decrease of 6.9%, comparing to 2011.



The consumption of fuel and lubricants, in Vitória Thermoelectric Power Plant amounted to 101,915 and 684 thousand liters, respectively. There was a reduction in fuel consumption by about 0.7% compared to last year, due to increased renewable generation (wind and solar), the increase the production of CTV III (with a lower specific consumption) and the reduction of energy consumption. It is important to stand out the use of 1,118 thousands liters of ammonia, for the purpose of reducing NOX in CTV III.

Fuel, lubricant and ammonia consumed by the EEM system in Madeira Island - 2012				
liters '000	Thick Fuel-oil	Diesel	Lubricant	Ammonia
Vitória Thermal Power Plant	100,917	998	684	1,118

B. Porto Santo Island

The generating power system in Porto Santo Island consists of one thermoelectric power plant, two wind plants, one solar power plant and photovoltaic. The total installed power amounted to 20.73 MW, shared by Porto Santo Thermoelectric Power Plant, which contributed with 17.28 MW (83.4%), by the solar power plant and micro and minigeneration installations with 2.34 MW (11.3%), and by the two wind plants, with the remaining contribution of 1.11 MW (5.3%).

Porto Santo Thermoelectric Power Plant

In the Porto Santo Thermoelectric Power Plant, the main interventions were as following:

- Conclusion of the major repair of the fuel-oil tank;
- Intervention at the recovery boilers of the generating power groups n°s 3 and 4;
- Intervention in the cooling system;
- Beginning of repairing works of the CTPS cover.

EEM's power system in Porto Santo Island - 2012

	EEM		ENEREEM	Privates	Total
	Thermal	Wind Plants	Wind Plants	Photovoltaics*	
N.º of Power Plants	1	1	1	19	22
Installed power (MW)	17.28	0.45	0.66	2.34	20.73
Net Emission (GWh)	25.50	0.09	0.75	3.13	29.47

*Including PRE ("special power generation" - Dec-Law 312/2001) and microgeneration (Dec-Law 363/2007) and minigeneration (Dec-Law 34/2011)

EEM's thermal power plant in Porto Santo Island - 2012

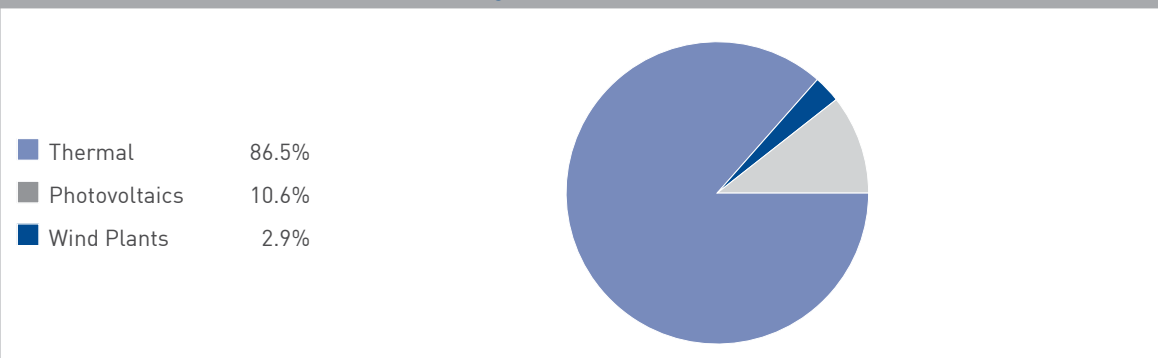
	Units	Installed Power		Max. C. Power**	Production	Net Emission	Fuel
		(MW)	(MVA)	(MW)	(GWh)	(GWh)	
Porto Santo	1,2*	10.00	12.86	-	0.01		Diesel
Thermal	3,4,5	12.96	15.30	11.40	23.11		Thick Fuel-oil
Power Plant	6	4.32	5.10	3.80	4.73		Thick Fuel-oil
Total - CTPS		17.28	20.40	15.20	27.85	25.50	

*Decommissioned power unit groups in 2008

**Maximum continuous power

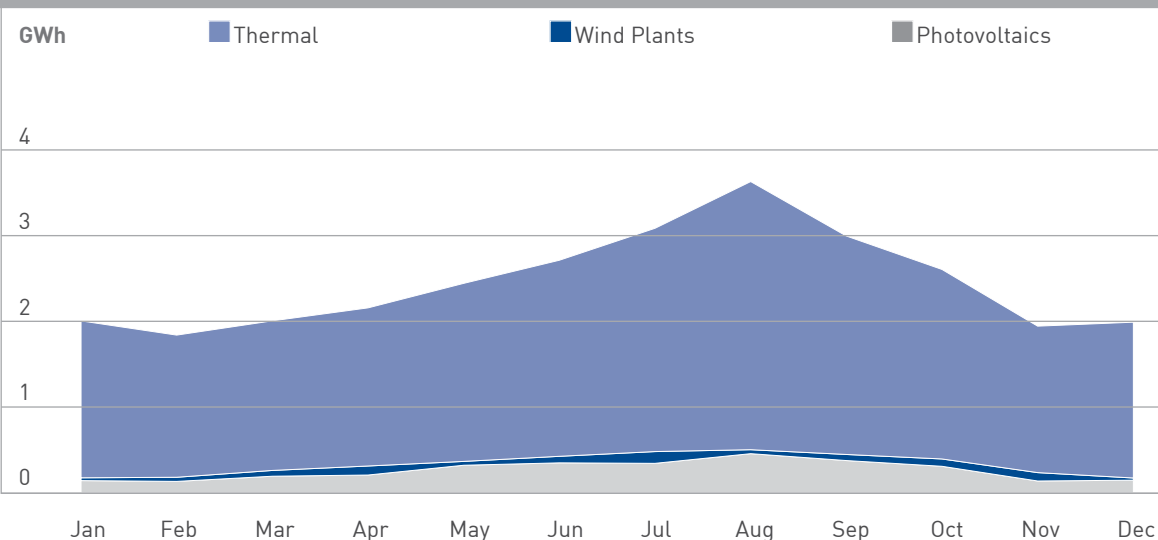
In 2012, the energy issued by the generating power system in Porto Santo Island, reached 29.47 GWh, of which 25.50 GWh (86.5%) were produced by the thermoelectric plant, 3.13 GWh (10.6%) by solar source and the remaining 0.84 GWh (2.9%) by the wind plants.

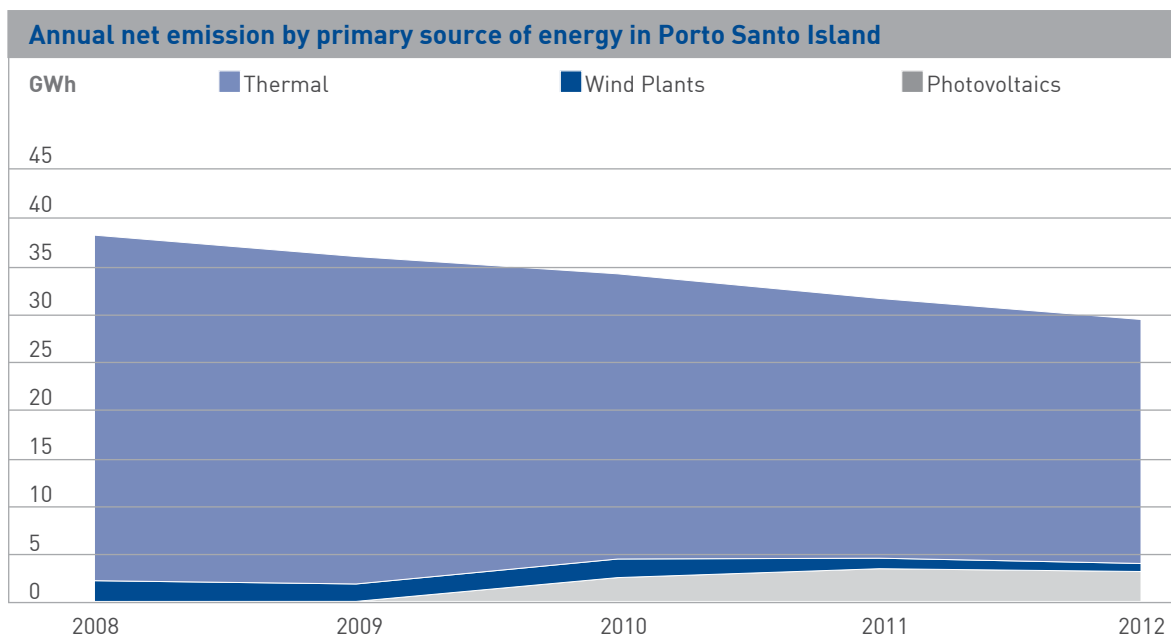
Net emission by primary source of energy in Porto Santo Island - 2012



The monthly and annual net emission evolution by primary sources can be presented as follows:

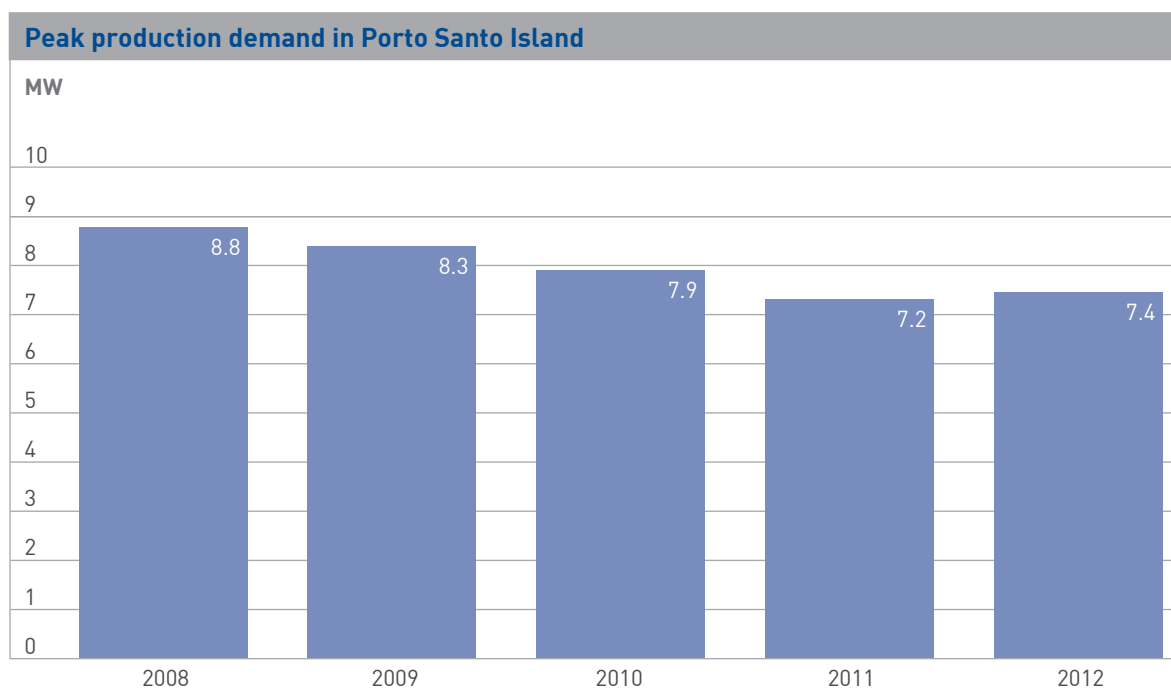
Monthly net emission in Porto Santo Island - 2012





In 2012, Porto Santo Island registered a lower consumption, thus meaning a decreased contribution of all energetic components. The renewable energies, especially from wind source, were reduced due a continued malfunctioning in one of the generating power groups.

The yearly peak load in Porto Santo Island occurred in August, registering 7.4 MW, 1.9% higher than the one recorded in 2011.



The consumption of fuel and lubricants in Porto Santo Thermoelectric Power Plant amounted to 7,407 and 30 thousand liters, respectively.

Fuel and lubricant consumption in Porto Santo Island - 2012			
liters'000	Thick Fuel-oil	Diesel	Lubricant
Porto Santo Thermal Power Plant	6,412	995	30

There was a decrease in fuel consumption of around 3.9% over the previous year, particularly motivated by the decrease in energy demand.

II. Transmission

In transmission, the most significant accomplished investments were the substations/switchgear houses and transmission lines, totalling 1,824 thousand Euros.

Substations/Switchgear Houses

In the substations/switchgear houses area the main investments, are presented as follows:

- Continuation of construction works for the Pedra Mole Substation, which conclusion is expected in 2013;
- Continuation of the Loiral Switchgear House remodelling;
- Continuation of installation works for the differential protections in Palheiro Ferreiro Substation, being expected its conclusion in 2013;
- Continuation of the execution projects and tender processes for the total remodelling of the following substations: Prazeres, Lombo do Meio and Amparo;
- Continuation of the remodelling of 30 KV cells in the Vila Baleira Substation, in Porto Santo Island.

Beyond the already refereed investments, the following actions should be highlighted:

- Carrying out general maintenance works, in particular on the power transformers;
- Accomplishment of thermal inspection works.

Substations in RAM - 2012

	Installed Power (MVA)			Total	Capacitors
	30/6,6 kV	60/30 kV	60/6,6 kV		MVAr
Madeira Island	238.0	170.0	125.0	533.0	32.0
Funchal	3 x 10.0	-	-	30.0	6.0
Amparo	2 x 10.0	-	-	20.0	2.0
Vitória 6,6 kV	2 x 10.0	-	-	20.0	4.0
Vitória	-	4 x 25.0	-	100.0	-
Santa Quitéria	10.0	-	-	10.0	-
Virtudes	2 x 15.0	-	-	30.0	2.0
Alegria	-	-	10.0	10.0	-
Viveiros	-	-	2 x 15.0	30.0	4.0
Ponte Vermelha	15.0	-	-	15.0	2.0
Lombo do Meio	4.0	-	-	4.0	-
Central da Calheta	2 x 0.5	-	-	1.0	-
Calheta	10.0	-	-	10.0	-
Lombo do Doutor	-	25.0	-	25.0	-
Ribeira da Janela	6.0	-	-	6.0	-
Serra de Água	4.0	-	-	4.0	-
Lombo do Faial	6.0	-	-	6.0	-
Santana	6.0	-	-	6.0	-
Machico	-	15.0	10.0 + 15.0	40.0	2.0
Assomada	2 x 10.0	-	-	20.0	2.0
Livramento	2 x 10.0	-	-	20.0	2.0
Palheiro Ferreiro	-	2 x 15.0	2 x 10.0	50.0	2.0
São Vicente	6.0	-	-	6.0	-
Prazeres	2 x 2.0	-	-	4.0	-
Canical	-	-	10.0	10.0	-
Cabo Girão	10.0	-	-	10.0	-
Santo da Serra	6.0	-	-	6.0	-
Ponta Delgada	10.0	-	-	10.0	-
São João	-	-	2 x 15.0	30.0	4.0
Porto Santo Island	20.0	-	-	20.0	-
Nova Central	4.0	-	-	4.0	-
Vila Baleira	4.0 + 6.0	-	-	10.0	-
Calheta	6.0	-	-	6.0	-
Total RAM	258.0	170.0	125.0	553.0	32.0

Transmission network

In the transmission network, the main undertaken investments are as follows:

- Beginning of works for the underground section between Porto Santo Thermoelectric Power Plant and Calheta Substation;
- Launching of a pipeline grid along the following road sections: in Madalena do Mar location, in a segment between the São Vicente and Ponta Delgada substations, in the road Caminho do Poço Barral and the São João Rotunda (roundabout);
- Changing of interconnection underground cables grid for the Funchal Substation. This alteration was caused by the "Storm", on 20th February, where the Regional Government promoted a strategic elaboration plan to change the courses of Santa Luzia and João Gomes riverside, in downtown of Funchal. The subsequent project alters substantially the architecture in the surrounding area to the Funchal Substation, which intervention area is coincident with the main connection of underground cables to the substation.

Other interventions took place, including the replacement of suspension isolators, terminal boxes, supports displacement required by clients, as well as the deforesting of line corridors and cleaning the bases of overhead lines supports.

Regarding the transmission network monitoring, the following actions are highlighted:

- Inspection of 60 kV and 30 kV overhead lines in an extension of 11.4 and 62.6 km, respectively;
- Inspection of underground 30 kV connection chambers, along circa 29 km extension;
- Deforesting and cleaning the overhead lines supports in an extension of 18 km;
- Fulfilment of 232 paintings for numbering the concrete supports and placement of signboards advertising for danger of death, along several overhead lines.

Transmission Network in RAM - 2012

	Madeira	Porto Santo	Total RAM
Substations 60/30/6,6 kV			
Number of units	8	-	8
Installed Power (MVA)	295.00	-	295.00
Substations 30/6,6 kV			
Number of units	20	3	23
Installed Power (MVA)	238.00	20.00	258.00
60 kV Network			
	74.05	-	74.05
Overhead lines (km)	63.84	-	63.84
Underground cables (km)	10.21	-	10.21
30 kV Network*			
	385.34	15.30	400.64
Overhead lines (km)	245.39	5.10	250.49
Underground cables (km)	139.94	10.20	150.14
Optic Fiber (km)			
	599.54	9.11	608.65

*30 kV Distribution Network included

Telecommunications

In the telecommunication area, it is relevant to point out:

- Expansion of optical-fiber cable in its backbone, namely:
 - Continuation, of the expansion plan for the optical-fiber network, in Madeira Island, increasing its extension circa 30 km;
 - Operating start of the redundant system for telecommunication network in the northern Zone.
- In the telecommunications networks:
 - Expansion of the SDH network to the Lombo da Velha Substation;
 - Upgrade of the SDH network in the Monitoring and Dispatching Centre, as also in the telecommunications technical rooms, namely in Ponte Vermelha, Virtudes and Funchal locations.
- In the telephone networks:
 - Availability of a direct telephone connection through the EEM's telecommunication grid, between the Caniçal Thermoelectric Power Plant (a private producer) and the Dispatch Centre.

Dispatch Centre

Concerning the Dispatch Centre, the main performed investments, can be presented as follows:

- Initiation of the new SCADA migration project;
- Installation of a remote control in the Loiral Switchgear House;
- Installation of converters for data acquisition in Porto Santo Thermoelectric Power Plant;
- Supervision of the Porto Santo Thermoelectric Power Plant;
- Maintenance and publication of contents on the intranet site (<http://despacho>), mainly:
 - Introduction of data for the interactive charge diagram, in Porto Santo Island;
 - Improvement of the interactive charge diagram enabled with the functionalities of dynamic correction prediction and available wind power capacity;
 - Improvement of the interactive application for the daily information through new graphs;
 - Improvement of the application for the frequency registration;
 - Publication of new statistic studies;
 - Creation of a suggestions area.
- Renovation of the certification of the ISO 9001:2008 - Quality Management Systems.

III. Distribution

Concerning the distribution network, the investment was directed mainly to the renovation and construction of new medium voltage lines (MV), transforming posts (TP), low voltage lines (LV) and public lighting (PL).

The extension of the distribution network of medium and low voltage is indicated in the following table:

Distribution Network in RAM - 2012			
Km	Madeira	Porto Santo	Total
6,6 kV Network	1,249.84	73.92	1,323.76
Overhead lines	503.05	17.01	520.06
Underground cables	746.79	56.91	803.70
Low Voltage Network	3,840.28	118.54	3,958.82
Overhead lines	2,950.40	50.62	3,001.02
Underground cables	889.88	67.92	957.80

Transforming Posts by council in RAM - 2012						
	Private		Public		Total	
	Nº	P (kVA)	Nº	P (kVA)	Nº	P (kVA)
Funchal	102	78,055	476	257,745	578	335,800
Câmara de Lobos	14	9,490	116	43,335	130	52,825
Ribeira Brava	4	2,010	112	34,275	116	36,285
Ponta do Sol	3	930	58	19,910	61	20,840
Calheta	3	1,280	126	33,525	129	34,805
Porto Moniz	-	-	49	12,630	49	12,630
São Vicente	1	160	56	16,795	57	16,955
Santana	5	3,005	90	20,990	95	23,995
Machico	26	16,505	124	48,690	150	65,195
Santa Cruz	34	23,065	260	99,840	294	122,905
Porto Santo	18	11,920	76	22,725	94	34,645
Total RAM	210	146,420	1,543	610,460	1,753	756,880

The councils with more installed capacity are Funchal, Santa Cruz and Machico with 335,800 kVA, 122,905 kVA and 65,195 kVA, respectively.

A. Madeira Island

In Madeira Island, the main indicators of the distribution network are as follows:

- Installation of 6 new public transforming posts with an installed power of 3,380 kVA and 2 new private ones with an installed power of 1,730 kVA;
- Construction of 6.88 km of medium voltage network, being 0.14 km overhead lines and 6.74 km of underground network;
- Removal of 4.71 km of medium voltage network, being 3.08 km of overhead lines and 1.63 km of underground network;
- Remodelling of medium voltage network in 7.27 km;
- Construction of 11.47 km of low voltage network, being 3.03 km overhead lines and 8.44 km of underground network;
- Remodelling of low voltage network in 57.80 km;
- Installation of 49 new public lighting luminaries;
- Replacement of 201 public lighting luminaries.

B. Porto Santo Island

Concerning Porto Santo Island, the highlighted actions are as follows:

- Installation of 4 new public transforming posts with an installed power of 1,360 kVA;
- Enlargement of the medium voltage network in 0.41 km;
- Removal of 0.16 km overhead lines, and 0.20 km of underground cables in medium voltage;
- Improvement of the medium voltage network in 0.06 km;
- Enlargement of the low voltage network in 1.75 km;
- Improvement of the low voltage network in 0.67 km;
- Installation of 25 new public lighting luminaries;
- Replacement of 3 public lighting luminaries.

Evolution of the Distribution Network in RAM - 2012

	Madeira	Porto Santo	Total RAM
Distribution Network Expansion			
Transforming Posts for public service			
Number of units	6	4	10
Power (kVA)	3,380	1,360	4,740
Transforming Posts for private service			
Number of units	2	-	2
Power (kVA)	1,730	-	1,730
6,6 kV Network	6.88	0.41	7.29
Overhead lines (km)	0.14	-	0.14
Underground cables (km)	6.74	0.41	7.15
Low Voltage Network	11.47	1.75	13.22
Overhead lines (km)	3.03	-	3.03
Underground cables (km)	8.44	1.75	10.19
Distribution Network Removal			
Transforming Posts			
Number of units	(26)	(1)	(27)
Power (kVA)	(12,140)	(200)	(12,340)
6,6 kV Network	(4.71)	(0.36)	(5.07)
Overhead lines (km)	(3.08)	(0.16)	(3.24)
Underground cables (km)	(1.63)	(0.20)	(1.83)
Low Voltage Network	(4.30)	(1.95)	(6.25)
Overhead lines (km)	(3.70)	(1.81)	(5.51)
Underground cables (km)	(0.60)	(0.14)	(0.74)
Distribution Network Renewals			
Transforming Posts for public service			
Number of units	1	2	3
Power (kVA)	(225)	(195)	(420)
Transforming Posts for private service			
Number of units	(1)	(2)	(3)
Power (kVA)	(1,035)	(415)	(1,450)
6,6 kV Network	7.27	0.06	7.33
Overhead lines (km)	2.87	0.06	2.93
Underground cables (km)	4.40	-	4.40
Low Voltage Network	57.80	0.67	58.47
Overhead lines (km)	51.39	0.27	51.66
Underground cables (km)	6.41	0.40	6.81

IV. Commercialisation

The RAM's energy balance, in 2012, is presented as follows:

RAM's energy balance - 2012			
MWh	Madeira	Porto Santo	Total RAM
EEM - Power plants productions	535,667	27,943	563,610
Thermal	464,767	27,854	492,621
Fuel	464,041	27,840	491,881
Diesel	725	14	739
Hydro	70,900	-	70,900
Wind	-	89	89
Power plants consumptions and losses	8,305	2,355	10,660
Total EEM energy net emission	527,363	25,588	552,951
Other acquisitions - SEPM**	192,403	-	192,403
Thermal	192,403	-	192,403
Fuel	192,403	-	192,403
Total special status generation	142,211	3,884	146,095
Hydro	4,201	-	4,201
Wind	82,616	755	83,370
Waste*	27,716	-	27,716
Photovoltaics	24,507	2,836	27,343
Microgeneration	3,172	293	3,465
Total net generation	861,977	29,472	891,449
Hydroelectric pumping	651	-	651
Total net demand SEPM**	861,326	29,472	890,797
Proper consumptions	909	53	962
Total energy sales SEPM**	786,528	27,779	814,307
MV	177,755	10,323	188,078
LV	608,773	17,456	626,229
Total net delivery	787,437	27,832	815,269
Losses	73,888	1,640	75,528

*Solid Waste Incineration

**SEPM - Public Electricity Supply System of Madeira Island

The energy consumption in 2012, presented the decreased rates of 3.2% and 8.1% in Madeira and Porto Santo islands, respectively.

Energy sales to SEPM clients per tension level and tariffs regime - 2012						
GWh	HV	MV	SLV	NLV	PL	Total
Energy	-	188.08	140.82	406.54	78.87	814.31

Note:
 HV - High Voltage
 MV - Medium Voltage
 SLV - Special Low Voltage
 NLV - Normal Low Voltage
 PL - Public Lighting
 SEPM - Public Electricity Supply System of Madeira Island

The RAM's consumption in medium voltage reached 188.08 GWh, while in low voltage was 626.23 GWh, which corresponds to a distribution of 23.1% and 76.9%, respectively, of the total consumption.

In the following tables, we present the distribution of consumption and consumers by council and by activity sector:

Consumption by activity in RAM - 2012										
GWh	Households	Hotels	Services & Commerce	Industry	Agriculture	Public Lighting	Public Services	Construction	Total	%
Madeira Island	243.74	142.93	187.31	72.18	5.37	76.72	53.64	4.65	786.53	100.0%
	31.0%	18.2%	23.8%	9.2%	0.7%	9.8%	6.8%	0.6%	100.0%	
Funchal	106.28	101.33	125.91	16.75	0.53	18.15	32.10	2.22	403.25	51.3%
Câm. Lobos	28.28	5.00	9.48	12.80	0.48	8.87	2.45	0.24	67.60	8.6%
Rib. Brava	11.84	2.42	6.64	0.80	0.09	6.35	1.09	0.48	29.70	3.8%
Ponta do Sol	8.61	2.23	2.42	1.43	0.66	3.69	0.94	0.16	20.14	2.6%
Calheta	12.71	3.87	4.04	1.01	0.73	6.49	1.13	0.20	30.17	3.8%
Porto Moniz	2.70	1.36	1.16	0.20	0.41	3.30	0.70	0.07	9.89	1.2%
S. Vicente	5.58	2.15	1.67	0.75	0.16	4.74	0.91	0.21	16.17	2.1%
Santana	7.39	2.08	3.63	0.63	0.35	4.69	1.18	0.10	20.04	2.5%
Machico	20.82	5.41	12.07	13.37	0.85	9.57	2.52	0.38	64.98	8.3%
Santa Cruz	39.53	17.09	20.29	24.45	1.13	10.87	10.63	0.60	124.59	15.8%
Porto Santo Island	6.69	6.55	3.83	5.65	0.08	2.15	2.64	0.19	27.78	
	24.1%	23.5%	13.8%	20.4%	0.3%	7.7%	9.5%	0.7%	100.0%	
Total RAM	250.42	149.49	191.13	77.83	5.44	78.87	56.28	4.85	814.31	
	30.7%	18.4%	23.5%	9.5%	0.7%	9.7%	6.9%	0.6%	100.0%	

Consumers by activity in RAM - 2012										
	Households	Hotels	Services & Commerce	Industry	Agriculture	Public Lighting	Public Services	Construction	Total	%
Madeira Island	110,815	2,077	13,271	866	1,397	1,681	1,872	576	132,555	100.0%
	83.6%	1.6%	10.0%	0.7%	1.0%	1.3%	1.4%	0.4%	100.0%	
Funchal	46,292	1,050	7,555	230	108	456	936	190	56,816	42.9%
Câm. Lobos	11,999	138	1,160	88	225	150	172	58	13,990	10.6%
Rib. Brava	6,013	77	503	34	70	138	70	37	6,942	5.2%
Ponta do Sol	4,313	52	324	47	120	76	66	27	5,024	3.8%
Calheta	6,564	91	464	52	92	151	93	65	7,572	5.7%
Porto Moniz	1,643	50	151	16	94	71	75	12	2,111	1.6%
S. Vicente	3,067	61	242	27	226	75	64	24	3,787	2.8%
Santana	4,246	74	371	32	144	109	97	22	5,095	3.8%
Machico	8,667	202	831	111	133	186	142	58	10,331	7.8%
Santa Cruz	18,010	283	1,671	230	185	269	157	83	20,888	15.8%
Porto Santo Island	3,939	85	394	45	19	67	85	41	4,675	
	84.3%	1.8%	8.5%	1.0%	0.4%	1.4%	1.7%	0.9%	100.0%	
Total RAM	114,754	2,162	13,665	911	1,416	1,748	1,957	617	137,230	
	83.6%	1.6%	10.0%	0.7%	1.0%	1.3%	1.4%	0.4%	100.0%	

In December 2012, the average number of clients connected to the electric network of RAM, reached 137,230, presenting a decrease of nearly 0.2% comparing to 2011.

Consumption / Clients - Distribution by activity in RAM - 2012

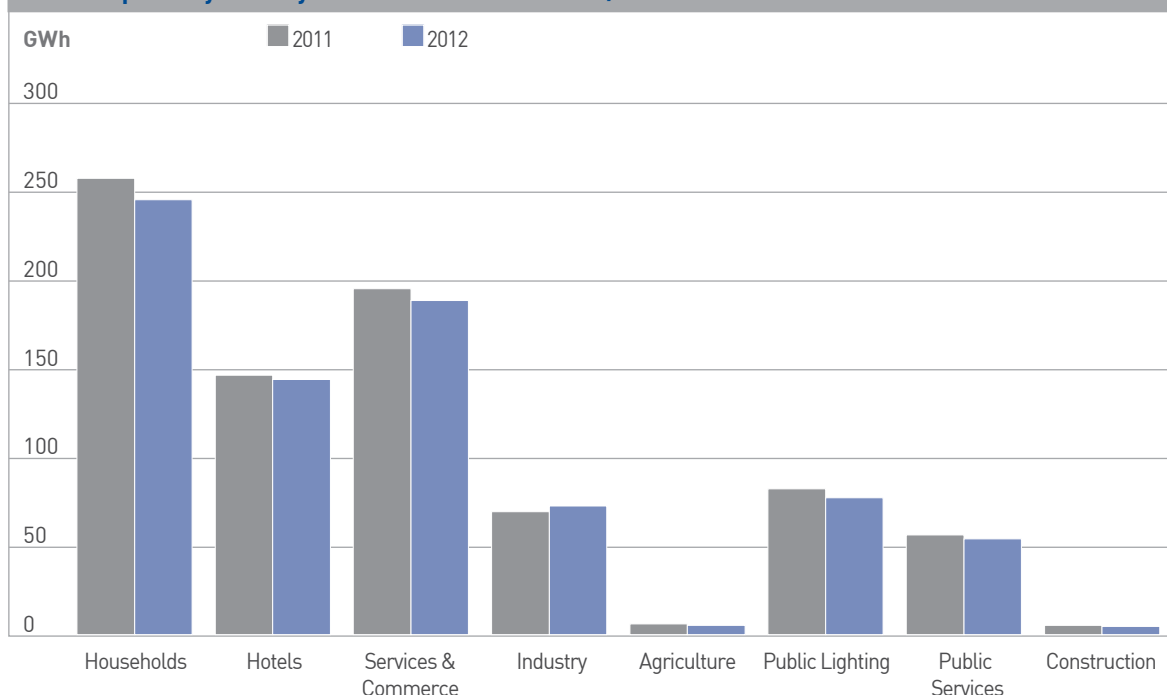
	Medium and Low Voltage			Low Voltage			Households		
	Consump. (GWh)	Clients	(MWh)/Client	Consump. (GWh)	Clients	(MWh)/Client	Consump. (GWh)	Clients	(MWh)/Client
Madeira Island	786.53	132,555	5.93	608.77	132,330	4.60	243.74	110,815	2.20
Funchal	403.25	56,816	7.10	291.27	56,703	5.14	106.28	46,292	2.30
Câm. Lobos	67.60	13,990	4.83	54.76	13,975	3.92	28.28	11,999	2.36
Rib. Brava	29.70	6,942	4.28	29.22	6,939	4.21	11.84	6,013	1.97
Ponta do Sol	20.14	5,024	4.01	19.02	5,015	3.79	8.61	4,313	2.00
Calheta	30.17	7,572	3.99	29.92	7,567	3.95	12.71	6,564	1.94
Porto Moniz	9.89	2,111	4.69	9.87	2,110	4.68	2.70	1,643	1.64
S. Vicente	16.17	3,787	4.27	15.89	3,786	4.20	5.58	3,067	1.82
Santana	20.04	5,095	3.93	18.12	5,088	3.56	7.39	4,246	1.74
Machico	64.98	10,331	6.29	48.36	10,297	4.70	20.82	8,667	2.40
Santa Cruz	124.59	20,888	5.96	92.34	20,850	4.43	39.53	18,010	2.19
Porto Santo Island	27.78	4,675	5.94	17.46	4,652	3.75	6.69	3,939	1.70
Total RAM	814.31	137,230	5.93	626.23	136,982	4.57	250.42	114,754	2.18

The average consumption per client ascended to 5.93 MWh/client. The highest consumption values were registered in the councils of Funchal, Machico and Santa Cruz. The average consumption in the Households sector of the RAM reached the amount of 2.18 MWh/client, slightly inferior to the previous year. The highest values occurred in the councils of Machico, Câmara de Lobos and Funchal.

A. Madeira Island

In Madeira Island, the consumption distribution by sectors is similar to the recent years. The Households consumption presented the highest percentage with 31.0%, followed by the Services and Commerce sectors with 23.8% and Hotels with 18.2%.

Consumption by activity in Madeira Island - 2011/2012

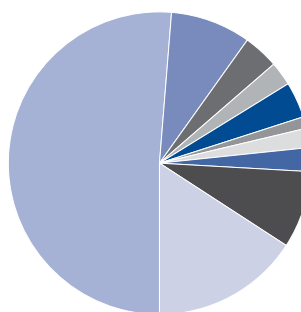


The council of Funchal with 42.9% of the total number of clients, registered 51.3% of the total consumption in Madeira Island, followed by the councils of Santa Cruz with 15.8%, Câmara de Lobos with 8.6% and Machico with 8.3%.

In terms of consumption evolution by sector, there was an increase of 4.7% in Industry. On the other hand, there was a decrease in consumption by 12.4% in Construction, 11.3% in Agriculture and 6.1% in Public Lighting, compared to the previous year.

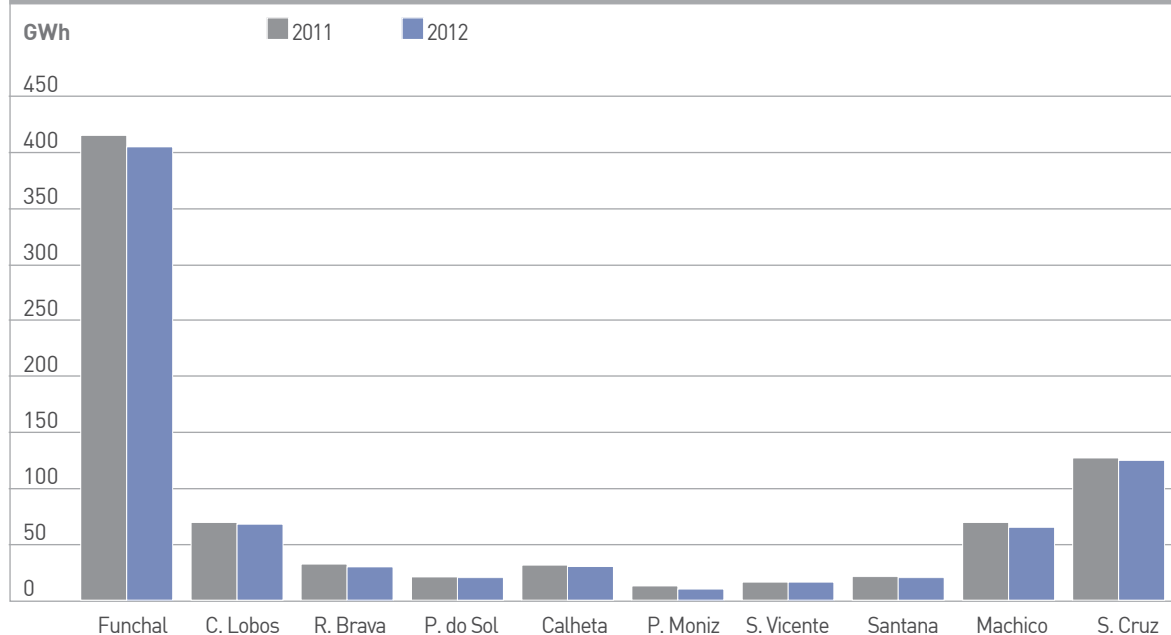
Consumption in Madeira Island per council - 2012

Funchal	51.3%	Porto Moniz	1.2%
Câm. de Lobos	8.6%	S. Vicente	2.1%
Rib. Brava	3.8%	Santana	2.5%
Ponta do Sol	2.6%	Machico	8.3%
Calheta	3.8%	Santa Cruz	15.8%



Regarding the consumption decrease, the council that registered the best consumption rate growth, in comparison to 2011, was São Vicente council, with an increase of 0.2%.

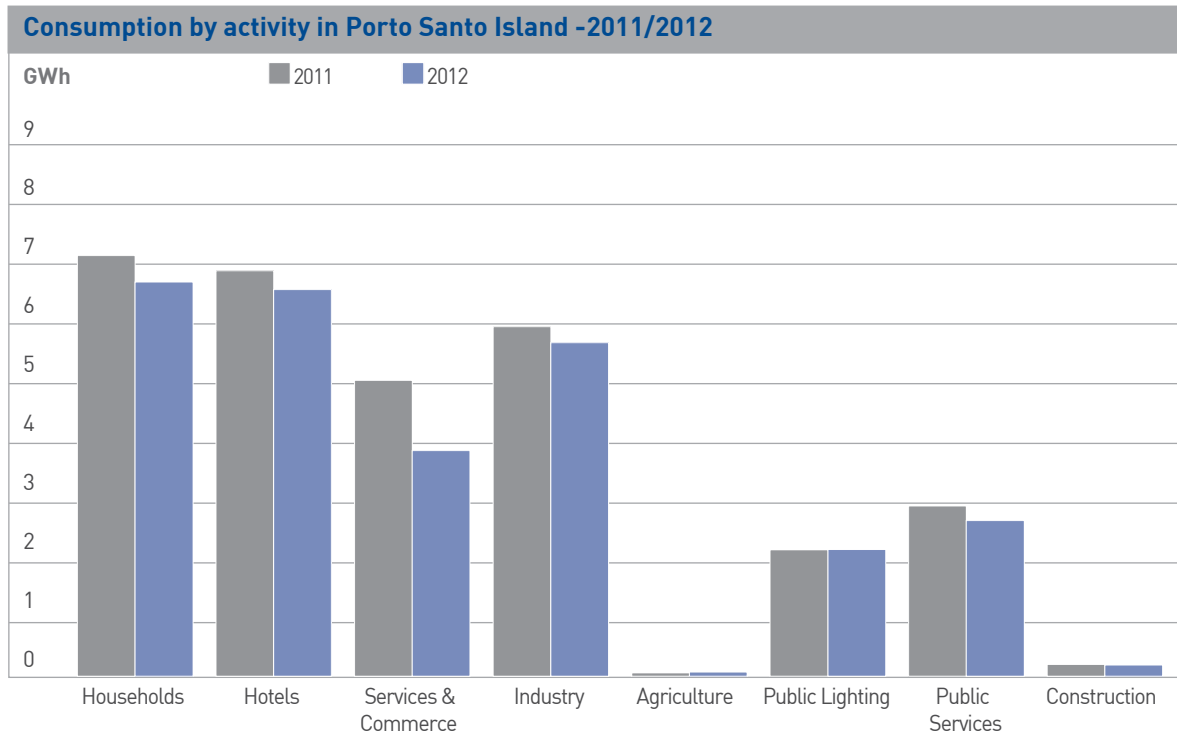
Consumption in Madeira Island per council - 2011/2012



In 2012, the electric network of Madeira contains 132,555 clients, of which 225 in a medium voltage level.

B. Porto Santo Island

The evolution rate, concerning electricity consumption in the Porto Santo Island, compared to 2011, suffered a decrease of 8.1%, as a result of the economic activity slowdown.



The distribution of the main energy consumption by activities was: 24.1% in Households, 23.6% in Hotels and 20.4% in Industry.

The Agriculture sector consumption increased by 30.9% compared to 2011. On the other hand, it was registered a decrease of 23.7% in Services and Commerce, 8.6% in Public Services and 6.2% in Households, compared to the previous year.

In 2012, the network of the Porto Santo Island contains 4,675 clients, including 23 in a medium voltage level.

The consumption of medium and low voltage reached 10.32 GWh and 17.46 GWh, with a distribution of 37.2% and 62.8%, respectively.

V. Service Quality

The characterisation of the Quality Service in RAM, is supported by the Regulation of the Quality Service (RQS), and it comprises essentially, the following areas:

- Service Continuity;
- Voltage Wave Quality;
- Commercial Quality.

In this context, EEM has armed itself of the necessary resources to fulfil the regulation framework, being distinguished, the following initiatives, in 2012:

- Investments in the improvement of existing systems for Voltage Wave Quality System, having for primary objective, the improvement of communications, recording and information processing, allowing not only the connection of new equipment, but also adapt more easily to the requirements and specifications processes of regulatory review;
- On the end 2012, went into function the new system for communications management and data acquisition for the calculation of the Voltage Wave Quality;
- In 2012, also started operating the new Voltage Wave Quality equipment, installed in the Vitória Substation (30 kV);
- Accomplishment of Customers satisfaction inquiries, aiming the general indicators of Customers evaluation and satisfaction.

The Quality Service has a specific report, published annually in April and available in EEM web site.

The Service Continuity Indicators of Transmission and Distribution Networks, in 2012, are within the limits imposed by regulation, having been recorded in some aspects the best ever results, demonstrating a high level of service continuity. In this context, EEM continues to develop measures to minimize the number and duration of interruptions, through the introduction of technical improvements and remodelling networks sections, traditionally most affected. Highlighting the measures contemplated in the investment plan, which will allow for a more rapid diagnosis of the cause of outages and respective location.

Concerning to the Voltage Wave Quality measurements, the results of the campaigns carried out show that, in general, are being complied with the conditions stipulated in the RQS. In this aspect, we highlight the introduction of new measuring points in all future overhauls or new substations, allowing the ability to better monitor and control any phenomena.

Regarding Commercial Quality, indicators achieved in the year 2012, show that commercial activity has equivalent performance to the previous year, which, in general the conditions stipulated in the RQS are being fulfilled. It should be noted that EEM remains committed to the improvement of processes, human resources and technology. In the next year, it will enter into productive the Management Teams System in order to automate the control of processes associated with the services which require visits to clients, enabling the audit on the times specified in RQS.

VI. Unspecified Investments

The investments realised in unspecified areas by EEM in 2012, amounted to 931 thousand Euros, comprising the accomplishment of support infrastructures construction and initiatives in systems information area.

VI.I - Support Infrastructures

Some investments in the support infrastructures area were also undertaken, highlighted by:

- Intervention in the Socorridos warehouse;
- Other small interventions.

VI.II - Information Systems

EEM continued to develop several initiatives to restructure and modernize the commercial and technical systems area, to improve the service to Customers as well as implementing changes in processes resulting from regulatory and legal charges. The main developments were as follows:

• SAP Developments

Implementation of several improvements to the SAP system, namely:

- ODN - Oficial Data Numbering;
- SAF - T - Communications of invoices electronically;
- Amendment of the extraordinary levels of VAT;
- Other legal and regulatory implementations.

• Changes in BI - Business Intelligence – (reporting tools)

During 2012, EEM has implemented a wide range of business reports, particularly in the financial component of the commercial area, especially regarding the report of energy debt billing.

• WFM – Work Force Management

In 2012, the continuation of the implementation of work force management teams in EEM. To the initial project, was added an extra development concerning the integration components, namely the SAP and SGI (Non-availability Management System), as well as the involvement of EEM's resources in the project. This effort, due the necessity of implementing a control application aims to optimize the business in the commercial area.

• SGI Improvements (Non-Availability Management System)

It was fulfilled various improvements on this platform, intending to guarantee an optimum and higher efficiency.

• Specialised Business Consulting

In 2012, EEM in continuity with the previous years, developed a set of business activities included in the Specialised Business Consulting project, being the year under review focused on developing mechanisms to control debt, analysis and revision of energy billing, in order to implement new tariff energy and adapt the business to new legal requirements.

• Other projects

EEM developed during 2012 a number of projects, although in a structural scope, were confined in a small level, not presenting a high investment individually, namely: changes on the SIT and SGI technical platforms, aiming an improved integration, as also to assure the loading of some unpredicted electric components, implementation of interactive tools concerning the new assiduity management system and alteration of some costumers services processes, regarding the access to the EEM's website, among others.

VII. Human Resources

As at 31st December 2012, EEM's staff was composed by 803 employees, thus being 791 as permanent staff and 12 under a short term contract.

Human Resources by functions					
	2008	2009	2010	2011	2012
Engineers	74	68	73	73	76
Others with university degree	29	36	36	36	37
Technical Engineers	11	9	8	8	8
Industrial Staff	450	459	459	446	411
Administrative Staff	262	256	255	249	257
Assistants	12	8	9	7	10
Employees under term contract	27	23	11	11	4
Total	865	859	851	830	803

From the 803 total employees, 761 rendered services in Madeira Island and the remaining 42 in Porto Santo Island.

Professional training actions

During 2012, several training actions were accomplished, covering 426 employees in a total of 1,683 training hours, subdivided by 728 hours of external actions and 955 hours of internal actions.

Economic and Financial Information

1 - Economic and Financial Information

Context

In 2012, the economic activity in Portugal was strongly conditioned by the increasing of sovereign debt crisis in the Euro area and the implementation of the measures of the Economic and Financial Assistance Program established in May 2011 between the Portuguese State, the International Monetary Fund, the European Union and the EIB - European Investment Bank. The depressed/recession environment led to a reduction in the available income, high levels of unemployment and widespread increase in uncollectible, resulting in deflationary pressures in the Portuguese economy.

The impact that this set of adjustment measures led in the economy in the face of the overwhelming necessity of correction of macroeconomic unbalances until then prevailing (excess debt, financial and treasury deficit), and that somehow, were applicable to several agents, including state and private companies, add the spread of the sovereign debt crisis to countries with a different magnitude in southern Europe, particularly Spain and Italy. However, it should be noted, that despite the expected contraction of the Portuguese economy resulting from the application of a strict adjustment program, it's notorious a progressive correction of unbalances, namely in the reduction of the trade deficit, more intense than anticipated in the adjustment plan, which was possible to achieve in a short period of time and in a context of weak economic growth in the major European economies.

The speed and intensity of the adopted measures had a tremendous impact on the economic activity of countries, causing a sudden and rapid deterioration of living standards of populations whose social impact was severely accentuated in 2012 with record levels of unemployment and bankruptcies, drastic cuts in income, significant movements of emigration and population exodus.

In this particularly adverse environment and in continuity with what happened in 2011, it is with no surprise that 2012 has been confirmed as one extraordinarily difficult year for Portuguese companies who saw their credit access completely confined in international markets (due to the assigning of a junk level rating to the Portuguese Republic and by extension the adjustment of the ratings levels for Portuguese companies). Simultaneously, Portuguese banks with strong liquidity constraints and high requirements for recapitalisation accentuated the deleveraging process by reducing the credit exposure to the economy in general and to companies in particular. On the other hand, the increase in bank uncollectible due to economic recession prevails in Portugal, forcing banks to apply a rigorous criteria on the demands of risk management, including credit with collateral and significant impact on the application of bank spreads to levels absolutely inconceivable, reaching and even surpassing in its threshold current levels of remuneration set by ERSE for 2012-2014 triennium regulation. In the same way, the banking operations with the EIB - European Investment Bank which, by 2010, was the only source of financing available in the market is also almost "closed", due to the fact that the guarantees and collateral required by the EIB, represent a strong limitation in achieving financing operations.

In the particular case of the Autonomous Region of Madeira, 2012 was marked by the implementation of the specific adjustment program to the region, signed between the Regional Government and the Central Government, which determines the application of an additional set of measures with significant impact on regional economy, such as the implementation of taxation levels for corporate income tax and personal income tax equal to the Mainland, the increase in the standard VAT rate to 22%, a significant increase of the ISP, and the adoption of measures to reduce staff costs on public entities. The financial assistance provided by the Adjustment Program for debt refinancing of the Regional Government and regularization of outstanding values amounted to around 1,100 million Euros. However, despite the agreement being signed in 2011, the truth is that the Central Government has not proceed up to the end of 2012, to the transfer of any amount under the adjustment plan, not materializing this important liquidity injection in Madeira's economy.

On the other hand, it is also worth noting that the loss of tax benefits to companies located in the International Business Centre of Madeira caused a rapid transfer from companies to other countries such as Malta, Gibraltar, Cayman Islands, Cyprus, with the inevitable loss of important tax revenue and jobs in Madeira.

In this extremely restrictive and adverse context, EEM activities were strongly conditioned by the surrounding economic environment.

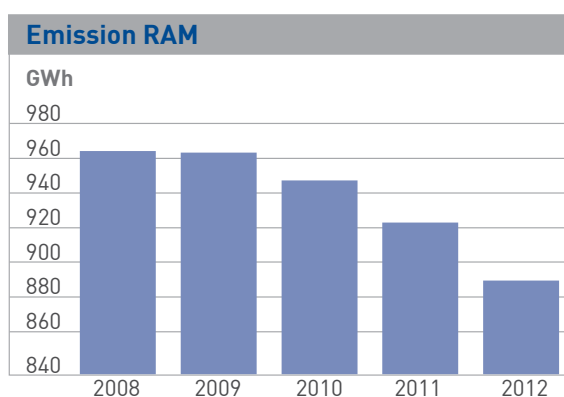
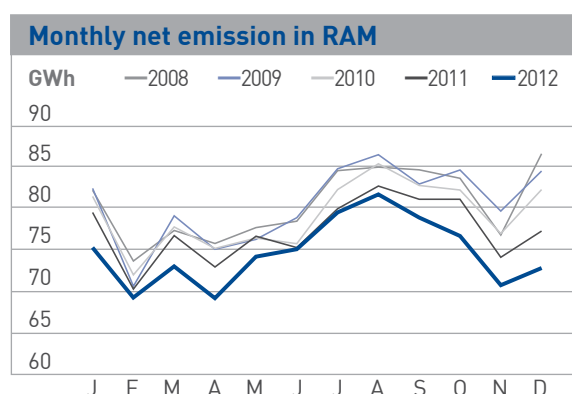
Nevertheless it's important to highlight, due to a strong liquidity constraints that EEM faced in 2012, plus added with the non-accomplishment of the Ministerial Order of 3 October 2008, issued by the Minister of Economy and Innovation. The energy tariffs set in 2008 to take effect in 2009, did not seem sufficient to cover all the cost estimates for the electrical systems, as a result the Central Government decided that the compensation for the tariff rates set in 2009 for EEM and EDA would be contemplated that year and in exceptional circumstances, the allocation of 50 million Euros (EEM: 24,173,186 Euros and EDA: Euros 25,826,814) related to the value of economic and financial balance, paid by hydroelectric power systems (under Article 92 of Decree-Law No. 226-A/2007) and the stabilization of electricity tariffs, including the payment of part of the cost with tariff convergence between the Autonomous Regions and Mainland, in accordance with the Ministerial Minister of Economy and Innovation, further provided that the payment of that amount should occur until 31 January 2009 which, however, did not come up to date. At the end of fiscal year 2009, that is, in 2010 it was settle that EEM and EDA, by diverse assumptions, would have to return to the electrical system substantially the same amount, about 50 million Euros.

Thus, in the 2011 fiscal year, the island businesses theorised that not having received the aforementioned 50 million Euros they also would not have to return the same determined surplus amount. However, ERSE, in setting rates for 2011 forced island companies to return to the electrical system the tariff surplus established in 2009, plus the respective financial charges, despite the fact that the aforementioned dispatch does not make any mention of compensatory interest for non-compliance with government obligations.

These negative situations aggravates the company's financial stability, forcing EEM to find an urgent solution to its resolution.

Still regarding the contract for Convergence of Electricity Tariff for the period 1998 to 2002 made by the Central Government through the Ministry of Economy and Innovation, it turns out that, since September 2009, the established payment plan has not been fully fulfilled. In fact, despite the payment made on 23 December 2009 by the Ministry of Economy and Innovation settling on that date, all installments due by 30 September 2009, the truth is that the payment plan established with the Central Government, is once again not being fulfilled, and by 31 December 2012 there are already pending 13 quarterly settlement installments (one for the year 2009, four in 2010, four in 2011 and four in 2012) amounting to 14,155 thousand Euros (excluding VAT). This continued default penalizes EEM treasury and is a further cause of concern.

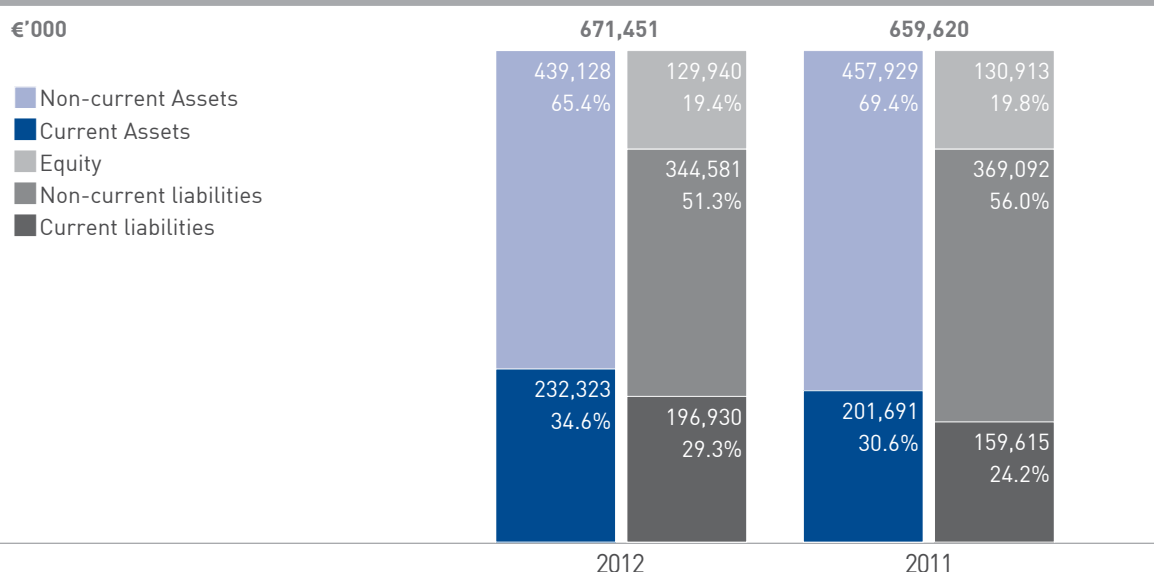
Taking into consideration what was mentioned above EEM was left with the only possibility of taking on a very criterious governance plan and simultaneously limited in a restrictive macroeconomic scenario of recession which has caused a contraction of the production of electricity in recent years, with a decrease of 7.3% between 2009 and 2012, as shown by the following charts:



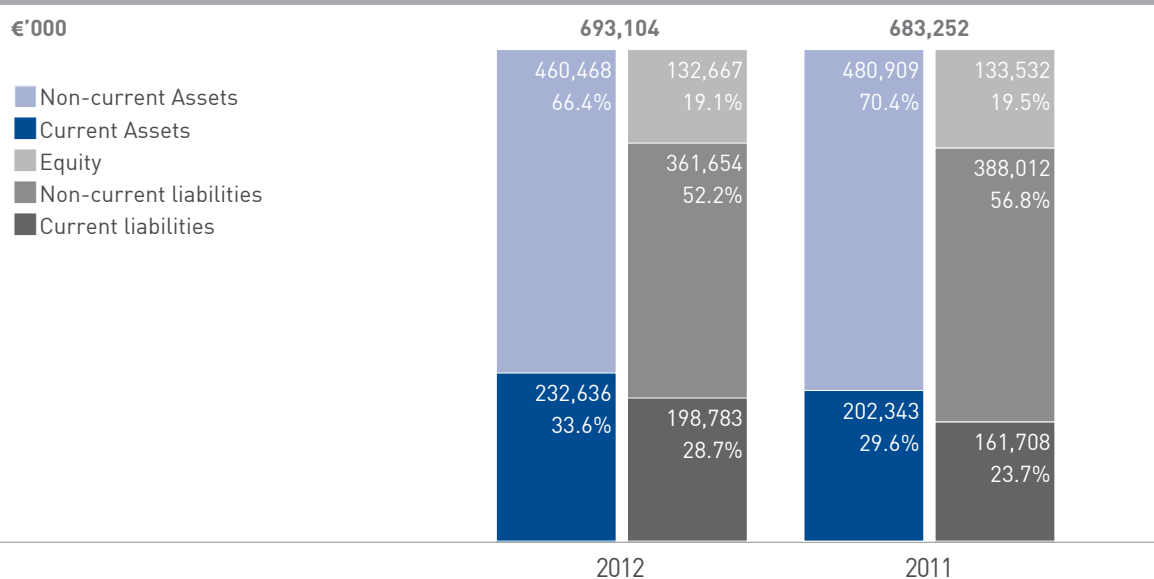
Despite all the limitations and contingencies of economic and financial nature mentioned above, EEM has responded proactively to adversity, the demand for ever greater efficiency in the management of its resources in general, but particularly in controllable costs, most notably, among others, the following actions/results:

- The caption Supplies and Services shows a reduction of 25.8% compared to 2011;
- Non considering the fuel consumption for electricity production, energy purchases and the consumption of materials showed a decrease of 13% compared to 2011;
- It has been implemented a criterious and restrict human resources management policy, and in 2012, EEM had 803 active employees when compared to 830 in 2011 and 851 in 2010, corresponding thus to a reduction of 3.3%, compared to 2011 and 5.6% compared with the year 2010.

Individual Balance Sheet Structure



Consolidated Balance Sheet Structure



Balance

In 2012, the EEM's Balance sheet amounted to 671,451 thousand Euros (consolidated: 693,104 thousand Euros), up to 1.8% compared to 2011 (consolidated: 1.4%).

Tangible and intangible assets				
€'000	Group		Individual	
	2012	2011	2012	2011
Gross assets	854,086	848,429	816,862	811,204
Accumulated depreciation and adjustments	462,858	435,776	453,080	427,779
Net assets	391,228	412,653	363,782	383,425

The total net for Tangible and intangible assets, which represents 54.2% of the total assets of EEM (consolidated: 56.4%) reached 363,782 thousand Euros (consolidated: 391,228 thousand Euros), showing a decrease of 5.1% compared to 2011 (consolidated: -5.2%).

Due to the economic and financial environment of recent years, EEM, similar to what happened in 2011, adopted a very selective and quite moderate investments plan, executed in a macroeconomic scenario of recession, which caused a contraction in the demand for energy in 3.4%, compared to 2011, a trend that has been evident since the 2010.

In this context, EEM total investment plan amounted to 9,239 thousand Euros in 2012 (consolidated: 9,350 thousand Euros), including 277 thousand Euros of capitalised interest, a decrease of 48.1% (consolidated: 61.7%) compared to the amount realised in 2011 (17,802 thousand Euros).

The investment plan in EEM's main activities was divided as follows:

• Production:	1,823 thousand Euros;
• Transmission:	1,824 thousand Euros;
• Distribution/Commercialisation:	4,660 thousand Euros;
• Other activities:	932 thousand Euros;
• Subsidiary companies:	111 thousand Euros.

In the Production area, the investment in hydroelectric power plants amounted to 1,153 thousand Euros, including 478 thousand Euros relating to the refurbishment of hydroelectric system of Calheta, 180 thousand Euros for the hydroelectric development of the Fonte do Juncal / Chão da Ribeira and 374 thousand of Euros spent on the reconstruction of various canals. There were made several interventions in thermoelectric power plants, in order to maintaining the productive capacity of the same, amounting to 513 thousand Euros.

In the Transmission area, several interventions were performed in transmission lines (317 thousand Euros), substations (540 thousand Euros), switchgear stations (422 thousand Euros) and dispatch/control monitoring centers (424 thousand Euros).

In the areas of Distribution/Commercialisation the most significant investments were made in low voltage networks (2,655 thousand Euros), medium voltage (970 thousand Euros), counting and measuring equipment (495,094 thousand Euros) and transforming posts (351 thousand of Euros).

In Other activities investment regards essentially the information and communication systems which amounted to 768 thousand Euros. In building refurbishments it was invested 93 thousand Euros.

Regarding the subsidiary companies, there has been no significant investment during the year 2012 (111 thousand Euros), contrary to what happened in 2011 (6,594 thousand Euros). The highest fall

recorded in the Group's investment when compared with EEM, is due to the reduction in investment of subsidiaries, since in 2011 Enereem concluded the wind farm Loiral II, consisting of 2 wind turbines 3 MW each, whose total investment amounted to 6,431 thousand Euros, of which 6,399 thousand Euros were performed in 2011, thereby achieving the total investment of subsidiaries in the that year, 6,594 thousand Euros.

The balance Other investments presented a decreased of 1,791 thousand Euros, worth of shares on an individual basis, was due mainly to the reduction in the fair value of quoted shares in about 1,665 thousand Euros, the shares registered by the equity method (MEP) maintained their total value virtually unchanged, declining by only 126 thousand Euros. On a consolidated basis, through the annulment of shares in Group companies investments, devalued 1,574 thousand Euros.

The remaining items of Non-current assets, including protocols and agreements with official entities and tariff convergence due to receive in more than a year, as well as deferred taxes, amounted to 57,394 thousand Euros (consolidated: 57,173 thousand Euros), and suffered an increase of 4.8% compared to the previous year. This evolution stems mainly from the fact that the adjustment of the tariff in 2012, receivable two years later (in this case in 2014) is higher than that calculated in 2011 (22,531 thousand Euros in 2012 and 17,356 thousand Euros in 2011), which was transferred to current assets. Also the value in effect of non-current Protocol with the Central Government regarding the Convergence 1998-2002 (recorded at amortised cost), was fully transferred to Current Assets (4,039 thousand Euros in 2011). The net deferred taxes increased by 1,618 thousand Euros, through the increase of the deferred tax asset relating to non-tax deductible provisions, as well as the reduction of deferred tax liabilities associated with the revaluation of tangible fixed assets.

Long-Term Capital				
€'000	Group		Individual	
	2012	2011	2012	2011
Shareholders' equity				
Amount	132,667	133,532	129,940	130,913
%	27.0%	26.0%	27.0%	26.0%
Medium and long-term liabilities				
Amount	361,654	388,012	344,581	369,092
%	73.0%	74.0%	73.0%	74.0%
Long-term capital				
Amount	494,321	521,544	474,521	500,005
%	100.0%	100.0%	100.0%	100.0%

The Long-term capital (Equity capital and medium-long term liabilities) represent 70.7% (consolidated: 71.3%) of the total balance, ensuring an adequate coverage of financial fixed assets.

Shareholders' equity in the amount of 129,940 thousand Euros (consolidated: 132,667 thousand Euros), showed a slight decrease of 0.7% (consolidated: 0.6%), and the net income reached 4,500 thousand Euros (profit attributable to Group: 4,541 thousand Euros).

The Medium and long-term liabilities decreased by 6.6% compared to the previous year mainly due to the reduction in capital due to financial institutions in the medium and long term, in the amount of 27,307 thousand Euros, due to amortisation of 5,417 thousand Euros of capital and financing obtained and for the transfer to short-term of 21,890 thousand Euros.

Still in Medium and long-term liabilities, there was an increase in liabilities for post-employment benefits in the amount of 621 thousand Euros, due to the update of actuarial assumptions, being the most significant the reduction in the discount rate.

Working Capital

€'000	Group		Individual	
	2012	2011	2012	2011
Current assets	232,636	202,343	232,323	201,691
Current liabilities	198,783	161,708	196,930	159,615
Working capital	33,853	40,635	35,393	42,076

The Current assets in the amount of 232,323 thousand Euros (201,691 thousand Euros in 2011) shows an increase of 30,632 thousand Euros, which results primarily from the increase of 11,976 thousand Euros recorded in the balance of receivable tariff compensation, the increased of receivable net balance related to tariff convergence for the years 1998 to 2002 amounting to 4,437 thousand Euros, transferred from non-current assets, the positive growth of loans to subsidiaries amounting to 4,156 thousand Euros, as well as the increase in the net balance of customers in about 5,948 thousand Euros. The caption Other financial assets refers to the deposit made as collateral which consists of an international operation to cover the interest rate, increased 4,160 thousand Euros. On the other hand the value of the energy to third parties decreased 1,085 thousand Euros.

The Current liabilities amounted to 196,930 thousand Euros, representing an increase of 37,315 thousand Euros compared to 2011.

This increase is explained by the net effect of the increases in short term debt to credit institutions, in the amount of 23,230 thousand Euros, in debts to suppliers (+6,467 thousand Euros) and the State (+5,614 thousand Euros) and in Other liabilities (+2,120 thousand Euros), by reducing the Mark to Market of an international transaction to coverage interest rate.

The financial debt decreased by 3,853 thousand Euros (consolidated: -5,692 thousand of Euros), with the weight of the medium and long term amounted to 76.1% in 2012 (2011: 82.0%) of its global value.

Income Statement

Operating Income

Operating Revenues

€'000	Group					Individual				
	2012	%	2011	%	△%	2012	%	2011	%	△%
Sales	216,670	92.8%	192,509	88.0%	12.6%	216,718	92.6%	192,527	87.9%	12.6%
Services rendered by third parties	1,124	0.5%	1,025	0.5%	9.7%	439	0.2%	488	0.2%	(10.0%)
Exploitation subsidies	-	0.0%	59	0.0%	(100.0%)	-	0.0%	59	0.0%	(100.0%)
Imputed gains of associates	495	0.2%	567	0.3%	(12.7%)	1,660	0.7%	1,804	0.8%	(8.0%)
Own work capitalised	5,946	2.5%	12,568	5.8%	(52.7%)	5,946	2.5%	12,568	5.7%	(52.7%)
Other revenues	9,436	4.0%	11,806	5.4%	(20.1%)	9,424	4.0%	11,771	5.4%	(19.9%)
Total	233,671	100.0%	218,534	100.0%	6.9%	234,187	100.0%	219,217	100.0%	6.1%

In 2012, on an individual basis, the caption Sales amounted to 216,718 thousand Euros (192,527 thousand Euros in 2011), including:

- 121,965 thousand Euros in energy sales;
- 72,840 thousand Euros in Tariff Convergence in 2012;
- 21,957 thousand Euros for the Tariff Adjustment in 2012 receivable in 2014;
- -57 thousand Euros related to the correction of the Adjustment in 2011 to receive in 2013;
- 13 thousand Euros of sales of goods.

The energy sales in the Autonomous Region of Madeira amounted to 121,965 thousand Euros (2011: 120,461 thousand Euros), representing an increase of approximately 1.2% compared to last year. This increase results due to the raise of average tariffs in 4.8%, since the consumption decreased 3.4%.

The investments executed by EEM through own work account amounted to 5,946 thousand Euros, which represents a decrease of 52.7% over the previous year (12,568 thousand Euros), following the reduction of the investment activity of the company.

The caption Other operating income reached 9,424 thousand Euros, showing a decrease of 2,347 thousand Euros compared to 2011. This item includes the value of the subsidy to the exploitation on the value of CO2 allowances, consumed and sold in 2012, which had been allocated for free under the PNALE II, amounting to 5,200 thousand Euros (2011: 7,005 thousand Euros). The income value for the year corresponding to the allocation of investment grants, amounted to 3,972 thousand Euros (2011: 4,269 thousand Euros).

Expenses

Operating Expenses										
€'000	Group					Individual				
	2012	%	2011	%	△%	2012	%	2011	%	△%
Cost of sales - Materials	4,027	1.9%	6,647	3.4%	(39.4%)	4,027	1.9%	6,645	3.3%	(39.4%)
Cost of sales - Raw material	64,454	30.8%	56,217	28.5%	14.7%	64,455	30.8%	56,217	28.2%	14.7%
Cost of sales - Electric energy acquisition	48,559	23.3%	40,079	20.2%	21.2%	52,515	25.0%	44,006	22.0%	19.3%
Services rendered by third parties	10,131	4.9%	13,412	6.8%	(24.5%)	9,596	4.6%	12,931	6.5%	(25.8%)
Staff expenses	30,004	14.4%	29,602	14.9%	1.4%	29,839	14.2%	29,457	14.8%	1.3%
Impairment	3,445	1.7%	8,330	4.2%	(58.6%)	3,445	1.6%	8,330	4.2%	(58.6%)
Provisions	1,950	0.9%	(5,655)	(2.9%)	(134.5%)	1,950	0.9%	(5,655)	(2.8%)	(134.5%)
Impairment of investment (gains/reductions)	-	0.0%	-	0.0%	0.0%	40	0.0%	(39)	0.0%	(202.6%)
Gains/Reductions of fair value	3,785	1.8%	6,235	3.1%	(39.3%)	3,785	1.8%	6,235	3.1%	(39.3%)
Others	10,447	5.0%	8,708	4.4%	20.0%	10,383	4.9%	8,656	4.3%	20.0%
Depreciations and adjustments	31,818	15.3%	34,509	17.4%	(7.8%)	29,961	14.3%	32,801	16.4%	(8.7%)
Total	208,620	100.0%	198,084	100.0%	5.3%	209,996	100.0%	199,584	100.0%	5.2%

The Operating expenses amounted to 209,996 thousand Euros (consolidated: 208,620 thousand Euros), representing an increase of 5.2% compared to 2011. The increase of 10,412 thousand Euros (consolidated: 10,536 thousand Euros), is mainly explained by the details given in the following paragraphs.

Consumption of materials shows a decrease of 2,618 thousand Euros.

The cost of raw materials, which includes fuel, amounted to 64,455 thousand Euros, presenting an increase of 8,238 thousand Euros (14.7%) when compared to the previous year. Although, on average, the price of Brent in U.S. dollars has remained virtually unchanged, the depreciation of the Euro against the U.S. dollars during 2012, led to the growth of the average price in Euros in international markets, leading to a significant increase in the cost of fuels compared to 2011 (average unit cost of fuel in 2012 increased 15.9% compared to 2011). Thus, growth in fuel costs in 2012 was due to the increase of prices in international markets, despite the production of thermal origin have decreased 1% (-5 GWh) over the previous year.

The decline in consumption (-3.4%), which resulted in a decrease of 34 GWh in the total energy produced in RAM is accommodated firstly, by the decrease in hydroelectric production at about 45 GWh as a result of weak hydrological year, and secondly, by increasing the power purchases to third parties (16 GWh) and by the reduction of 5 GWh of EEM thermoelectric production.

In 2012, the increase in energy purchase to third parties, is due to the growth of photovoltaic purchasing (+12 GWh), 2012 was the first full year of operation of new photovoltaic parks and the growth of wind energy purchase (+11 GWh), which more than offset the lower purchase of power from burning waste (-6 GWh) and a slight reduction of the acquisition of thermal energy (-1 GWh).

EEM's Production

GWh	Group				Individual			
	2012	%	2011	%	2012	%	2011	%
Hydro	70.90	11.6%	116.08	17.5%	70.90	12.6%	116.08	18.9%
Wind plants*	47.99	7.8%	48.43	7.3%	0.09	0.0%	0.14	0.0%
Thermal	492.62	80.6%	497.55	75.2%	492.62	87.4%	497.55	81.1%
Total	611.51	100.0%	662.06	100.0%	563.61	100.0%	613.77	100.0%

*The production of Enereem was 47.90 GWh in 2012 and 48.29 GWh in 2011.

Thus, the increase in the cost of purchasing energy from third parties, increased by 19.3%, +8,509 thousand Euros (consolidated: 21.2%, +8,480 thousand Euros), reaching 52,515 thousand Euros (consolidated: 48,559 thousand Euros). Individual accounts include 3,956 thousand Euros of energy acquired from the subsidiary Enereem, corresponding to 48 GWh.

It should also be noted that the increase in the cost of purchases of energy to third parties, in addition to the result from net increase of quantity purchased (+16 GWh; consolidated: +17 GWh), is also complemented by the growth of unit prices, especially of thermal energy source, the most relevant in the mix of energy purchases to third parties (56.9%; consolidated: 66.3%) due to the rising price of raw materials mentioned above.

The weight of the production of thermal origin in the total mix of purchases from third parties decreased by 3.1%, as can be seen in the following tables, which are detailed in the acquisitions of EEM, as well as the Group:

Electric energy acquisition

GWh	Group				Individual			
	2012	%	2011	%	2012	%	2011	%
Hydro	4.20	1.4%	5.11	1.9%	4.20	1.2%	5.11	1.6%
Wind plants	35.47	12.2%	24.16	8.8%	83.37	24.6%	72.45	22.5%
Thermal	192.40	66.3%	193.34	70.6%	192.40	56.9%	193.34	60.0%
Waste incineration	27.72	9.5%	34.27	12.5%	27.72	8.2%	34.27	10.6%
Photovoltaic	27.34	9.4%	15.10	5.5%	27.34	8.1%	15.10	4.7%
Mini/Micro generation	3.47	1.2%	1.99	0.7%	3.47	1.0%	1.99	0.6%
Total	290.60	100.0%	273.97	100.0%	338.50	100.0%	322.26	100.0%

The caption Supplies and services showed a decrease of 25.8% (consolidated: 24.5%). This reduction is due mainly to the decrease of (3,618 thousand Euros) the caption of subcontracts, the result of the already mentioned limitations and contingencies of an economic and financial nature, as well as the demand for ever greater efficiency in the management of its resources in general, and in particular the controllable costs.

The total of the Staff expenses caption amounted to 29,839 thousand Euros, which represents an increase of 1.3% over the amount of this account in 2011 (29,457 thousand Euros). These variations are, in essence, due to the following factors:

- Implementation of measures included in the State Budget for 2012, emphasizing the full suspension of holiday and Christmas pay for public sector workers with salaries above 1,100 euros, and partial for salaries between 600 and 1,100 Euros. Thus, in 2012, EEM didn't register the charges relating to Christmas year subsidy. However the State Budget for 2013 foresees the suspension of holiday pay due to the fact that it raised doubts as to its respective constitutionality, which led to the questioning of the norm and therefore subject to the scrutiny of the Constitutional Court, the Board of Directors considered such grant as additional costs in the accounts of 2012, due to the high probability of that norm being considered unconstitutional;
- The caption Other charges amounts in 2012 to 888 thousand Euros, a value lower in 28% when compared to 2011, due mainly to the decrease of the reference values applicable to subsistence expenses, holiday subsidy, child benefits supplement, among others;
- EEM has been implementing a rigorous workers admissions policy. The continuity of this policy, together with the constant demand for ever greater efficiency in resources in general, and human resources in particular, as well as setting limits for the reduction in the number of workers, due to the adjustment program, which allowed in 2012 a reduction of 27 active employees, which means a reduction of 830 to 803 active workers, corresponding to -3.3% compared to 2011, representing a decrease of 5.6% in 2010. It was thus possible, once again, to surpass the reduction of the 2% goal, defined in Adjustment Program;
- In accordance with market and sector best practices there were reviewed some of the basic assumptions of the actuarial study on the post-employment benefit liabilities, including the discount rate and the rate of wage growth. Thus, pension spending recorded in 2012 amounted to 2,713 thousand Euros.

In 2012, and similar to the previous year, EEM and its subsidiaries have fully complied with the remuneration reduction measures included in the State Budget for 2011 and implemented in the 2012 budget, aimed to reach a global average of 5% reduction in pay applicable to sovereign bodies and public administration, including public institutes, regulatory authorities and public companies.

EEM being a public company held exclusively by public capital (Regional Legislative Decree n.º 14/94/M, 3 June) and since the Madeira Regional Government undertook a rigorous implementation of measures to reduce remuneration (included in State budgets for the years 2011 and 2012), covering public managers and employees of Public Enterprises of exclusive or majority public capital and public regional business entities (Regional Legislative Decree n.º 5/2012/M, 30 March), EEM proceeded to apply a progressive reduction rates system, covering the monthly remunerations exceeding 1,500 Euros.

Thus, despite the overall staff expenses rising by 1.3%, excluding the value corresponding to spending on pensions (2,713 thousand Euros) this caption decreased 7.9% compared to the previous year.

The amount of Impairment of receivables, in the year 2012 amounted to 3,445 thousand Euros, which represents a decrease of 58.6% over the previous year (8,330 thousand Euros in 2011). This decrease occurs because the previous year there had been an atypical growth in impairment resulting from the adoption of more conservative criteria concerning the assessment of the likelihood of recovery/default, and, crucially, the effect of recording the current value of debts in cases where it is intended that the proceeds of the same will occur in the longer term. However this value of impairment remains high, reflecting the difficulties created by the extremely adverse economic environment that exists in Portugal and consequently in RAM.

The amount recorded under Provisions in the amount of 1,950 thousand Euros, refers to the enhancement of provision to meet the contingencies arising from EEM activity.

Reductions in fair value, relate to devaluations recorded on quoted investments and derivative financial instruments at fair value through profit or loss.

The amount in Other expenses and losses amounted to 10,383 thousand Euros, increasing 20.0% over the previous year. Under this caption it was recorded in the amount of 7,601 thousand Euros (7,665 thousand Euros in 2011) relating to municipal occupancy rate, by applying the rate of 7.5% on sales of energy at low voltage in each council (including public lighting) in the Autonomous Region of Madeira.

It was also registered under this caption the loss in value in the amount of 1,438 thousand Euros (21 thousand Euros in 2011), obtained in the sale of CO₂ emission allowances corresponding to the difference between the total value of sales of licenses and their book value (see note "European Emissions Allowances Trade" in note 3).

The remaining amount of other expenses and losses correspond essentially to direct and indirect taxes (Imposto Selo), expenses relating to easements (Direitos de Superfície) and compensations paid to customers for damages caused by network disturbances. These expenditures show an increase of about 375 thousand Euros in comparison with the previous year.

In 2012, the value of the Depreciation and amortisation in EEM amounted to 29,961 thousand Euros (consolidated: 31,818 thousand Euros), 8.7% less than in 2011 (consolidated: -7.8%). This caption includes the amortisation expenses relating to the consumption of CO₂ allowances of the year, which amounted to 2,295 thousand Euros (4,660 thousand euros in 2011) (see note "European Emissions Allowances Trade" in Note 3). Thus, the amount related to depreciation and amortisation expenses relating to the remaining tangible and intangible fixed assets was 27,666 thousand Euros (consolidated: 29,523 thousand Euros), representing a decrease of 1.7% (consolidated: 1.1%) compared to 2011.

The caption Interest and other income, amounting to 2,058 thousand Euros, decreased by 12.5% over the previous year. This development is primarily related to the decrease of the interest in tariff adjustment (-564 thousand Euros), which more than offset the increase in interest received for late payment of energy and receipt of 250 thousand Euros dividend of CLCM.

The Interest and other expenses, amounted to 23,164 thousand Euros (consolidated: 23,519 thousand Euros), representing an increase of 17.1% over the previous year. It should be noted that the amount of interest and similar expenses is net of capitalised financing charges, the amount of which, in 2012, was 277 thousand Euros (208 thousand Euros in 2011). Excluding the capitalisation of financing costs, this item increased by about 16.9%. Although the capital owed to financial institutions has decreased 4,224 thousand Euros and the reference rates have dropped (on average) to about half of those in 2011, the increase in these charges is justified by the significant increase in spreads and commissions associated with the financing. This increase was due to the reduction of the ratings of the Portuguese Republic, the Autonomous Region of Madeira and EEM, and the consequent inability to access to international financial markets, as well as the difficulties facing the domestic banking sector to finance and to comply with the new commitments of capital ratios and deleveraging. This situation further adds, the costs of obtaining an endorsement from the Regional Government of Madeira, as collateral for the syndicated loan of 220 million Euros (contractual requirement - rating trigger clause), as well as the increase in the guarantee fees for loans from the European Investment Bank.

Net Cash Flow

The Net cash flow before tax and financial charges in 2012 show an increase of 3.3% (consolidated: 3.5%) compared to 2011, reaching 54,152 thousand Euros (52,433 thousand Euros in 2011). The Consolidated profit before depreciation, financing costs and taxes amounted to 56,869 thousand Euros (2011: 54,958 thousand Euros).

EEM's Contributions to the State

In 2012, EEM Group and its employees directly contributed to the Portuguese State, revenues in 33,254 thousand Euros, showing a large increase over the previous year, as shown in the following tables:

EEM's contributions for the State										
€'000	Group					Individual				
	2012	%	2011	%	△%	2012	%	2011	%	△%
Company:										
Corporate income tax	1,285		382		236.4%	875		52		1,582.7%
Other tax	21,715		1,854		1,071.3%	20,767		1,467		1,315.6%
Social security costs	4,607		5,748		(19.9%)	4,578		5,723		(20.0%)
	27,607	83.0%	7,984	51.3%	245.8%	26,220	82.4%	7,242	49.0%	262.1%
Staff:										
Personal income tax	3,513		4,916		(28.5%)	3,482		4,876		(28.6%)
Social security costs	2,134		2,662		(19.8%)	2,120		2,651		(20.0%)
	5,647	17.0%	7,578	48.7%	(25.5%)	5,602	17.6%	7,527	51.0%	(25.6%)
Total	33,254		15,562		113.7%	31,822		14,769		115.5%

This growth is almost entirely due to the increase in the VAT rate applied to energy sales. Recall that from October 2011, the VAT rate for energy rose from 4% (reduced rate) to 16% (standard rate), which, in April 2012 rose to 22%.

The increase in the income tax is related to differences between book and tax results, resulting mainly from the application of the equity method, spending on post-employment benefits and provisions with no tax relevance.

The reduction in social charges and items of IRS is directly related to the evolution of personnel expenses, as described above.

Gross Added Value

The Gross added value, reached the amount of 91,552 thousand Euros (consolidated: 95,558 thousand Euros), representing an increase of 3.0% (consolidated: 2.9%) compared to 2011.

Companies included in consolidation method

The subsidiaries included in the consolidation by the integral method, as at 31 December 2012 are presented as follows:

Designation							
€'000	Share Capital	Total Assets	Total Liabilities	Total Equity	Sales and Services Rendered	Net Profit for the Period	% Group
Casa da Luz-Empreendimentos Turísticos Similares, Unip., Lda	99,760	2,412,996	2,005,161	407,835	55,015	1,392	100.00%
Enereem-Energias Renováveis, Lda.	49,880	25,397,734	20,395,648	5,002,085	3,955,987	926,626	92.50%
Emacom-Telecomunicações da Madeira, Unip., Lda.	49,880	1,684,801	1,248,770	436,031	898,500	376,152	100.00%

The Enereem - Energias Renováveis, Lda. (Enereem), whose main activity is the production of energy from renewable sources, with the main focus on wind component. Being the Company with the largest installed wind capacity in RAM, it has added responsibilities on the balance of the regional power system, looking to contribute so that they can safely reach levels of integration of wind power without parallel in isolated and small scale networks so it should not be reductively perceived as a mere instrument of EEM Group for the production of energy.

The Emacom, Telecomunicações da Madeira, Unipessoal, Lda. (Emacom), is the entity responsible for the EEM Group Contact Center, it also commits to the installation and operation of telecommunications systems for digital networks.

The Casa da Luz - Empreendimentos Turísticos, Similares Unipessoal, Lda. (Museu Casa da Luz), whose main activity is the exploration of the museum. Apart from reflecting the history of electricity in Madeira from 1897 to date, from the simple knowledge of electricity to its widespread use in multiple applications, also intends to be a place of knowledge transmission, which projects the role that electricity is expected to play and discuss the importance of renewable energy and rational use of energy. Is thus characterised as something intrinsic to EEM, the memory and heritage of its history and culture, as well as an asset that transcends when considered in its size and significance to the regional heritage.

Economic and Financial Indicators

Economic Structure

€'000	Group		Individual	
	2012	2011	2012	2011
Net income	4,541	5,650	4,500	5,219
Sales and services provided	217,794	193,534	217,158	193,014
EBITDA	56,869	54,958	54,152	52,433
Depreciations and adjustments	31,818	34,509	29,961	32,801
Financial expenses	23,519	20,195	23,164	19,783
Staff expenses	30,004	29,602	29,839	29,457
Gross value added	95,558	92,846	91,552	88,898
Nº of employees	814	840	803	830
Staff productivity	117	111	114	107
Average costs per employee	37	35	37	35
Financial expenses in gross value added	0.25	0.22	0.25	0.22
Staff costs in gross value added	0.31	0.32	0.33	0.33
Depreciations and adjustments in cash flow EBITDA	0.56	0.63	0.55	0.63
Return on Equity	3.42%	4.23%	3.46%	3.99%
Net income / Power energy sales and services provided	2.08%	2.92%	2.07%	2.70%

Financial Structure

€'000	Group		Individual	
	2012	2011	2012	2011
Current assets	232,636	202,343	232,323	201,691
Non-current assets	460,468	480,909	439,128	457,929
Total assets	693,104	683,252	671,451	659,620
Current liabilities	198,783	161,708	196,930	159,615
Non-Current liabilities	361,654	388,012	344,581	369,092
Total liabilities	560,437	549,720	541,511	528,707
Bank debts	423,101	428,793	404,915	408,768
Equity	132,667	133,532	129,940	130,913
Fixed capital	494,321	521,544	474,521	500,005
Working capital	33,853	40,635	35,393	42,076
Coverage of non-current assets by equity	0.29	0.28	0.30	0.29
Coverage of non-current assets by fixed capital	1.07	1.08	1.08	1.09
Indebtedness - (Total liabilities / Total assets)	0.81	0.80	0.81	0.80
Shareholders' equity / Total assets	0.19	0.20	0.19	0.20
Non-current liabilities / Fixed capital	0.73	0.74	0.73	0.74
Solvency - (Total assets / Total liabilities)	1.24	1.24	1.24	1.25
Liquidity - (Current assets / Short-term liabilities)	1.17	1.25	1.18	1.26

Other disclosures

The relevant facts that occurred after the end of the financial year are disclosed in Note 47 of the individual and consolidated the financial statements.

Under Article 397º of the CSC, during the year 2012 did not exist, authorizations for transactions between the Company and its Directors.

Under Article 447º of the CSC, members of the governing bodies do not hold title to any shares and/or obligations of the Company, to the extent that this is wholly owned by the Government of the Autonomous Region of Madeira.

The company does not have any outstanding debts to the Tax Administration, or Social Security.

2 - Proposed Appropriation of Net Income

In accordance with article 19° of EEM's Statues, the Board of Directors proposes the following application of 2012 Company's net Income, amounting to 4,500,208.43 Euros:

Statutory Reserve	450,020.84 Euros
Retained Earnings	4,050,187.59 Euros

3 - Environment

Introduction

It is widely recognised that environmental quality is a fundamental criteria towards the concept of sustainable development of regions, thus in Autonomous Region of Madeira is of great importance as a quality touristic destination, increasing EEM's environmental responsibility as the Regional Public Electric System Operator.

The year 2012 was characterised by the continuation of projects initiated in the previous year and the launching of new environmental challenges. The total costs with prevention, reduction and repairing of possible environmental damages, reached 1,880 thousand Euros, distributed by the following domains:

Environment			
€'000	Investment	Exploitation Costs	Global
Residual waters management	-	6	6
Waste management	-	291	291
Other environmental protection activities	720	167	887
Noise and vibration protection	-	3	3
Biodiversity and landscape protection	-	20	20
Air and climate protection	-	432	432
Soils, underground and superficial waters protection	134	107	241
Total	854	1,026	1,880

To be mention an overall decrease of 17.5%, compared to 2011, that amounted to 2,278 thousand Euros, justified by the investment slowdown, reflecting the quite adverse global situation. However, on the other hand there was an increase of 6.9% in operating costs in environmental protection and prevention activities, aroused by EEM's performed undertakings. To point out in the exercise, is the sale of ferrous and non-ferrous materials at 64 thousand Euros, which is deducted directly to waste management in the amount of 291 thousand Euros.

The Other activities balance of the Environmental Protection congregates the following main actions: environmental management procedures, accountancy and reports, professional training actions in this specific area, and others issues not included in the others headings referred in this table.

Environmental Performance

Under the EEM's Group activities, it should be pointed out that in May 2012, EEM obtained for all sectors of activity developed on Madeira Island, the Environmental Certification according to the reference standard NP EN ISO 14001. The implemented Environmental Management System (EMS) thus responds to identified needs, providing the company with a fundamental management tool, to promote continuous improvement and increase its environmental performance.

EEM's Objectives and Environmental Management Program Plan

According to EEM's Objectives and Environmental Management Program Plan for 2012, there was a 64.0% global implementation of the proposed environmental objectives as shown below. However, as can be seen, this rate does not allow an assessment of compliance by goal reached, of 100.0% in some cases, whereas in others the process was not started, delaying to the program for 2013.

Environmental objective	Achievement (%)
Obtaining Environmental Certification	100.0%
Follow up of environmental program	64.0%
Internal Auditing	100.0%
Environmental training actions	63.0%
Update environmental legislation	100.0%
EEM's water consumption reduction (Except in CTV which has a specific objective)	0.0%
Reduction of CTV's water specific consumption	0.0%
Preservation and conservation of the surrounding hydro domain of CTV	100.0%
Reduce the consumption of electricity	100.0%
Promote the use of electric car in Madeira Island	0.0%
Promote the use of electric car in Porto Santo Island	100.0%
Reduce the paper utilisation consumption	100.0%
Optimise the fuel oil consumption on CTV	71.0%
Characterise and quantify the EEM's solid waste	17.0%
Improve the conditions of industrial waste selective deposition	100.0%
Reduce gas emissions of the Public Electricity Supply System (SEPM)	90.0%
Minimise the occurrence of spills	96.0%
Organisation and coordination of response to emergencies	38.0%
Reduce noise emissions on CTV	100.0%
Characterisation of noise emissions from Hydro plants	75.0%
Characterisation of noise emissions from transforming posts	0.0%
Characterisation of noise emissions from Substations	0.0%
Global accomplishment	64.0%

Regarding the main environmental issues under control for 2012, it has to be pointed out:

Gas emissions on the Public Electricity Supply System (SEPM)

In 2012, the SEPM's atmospheric emissions variation reached the following values, compared to 2011:

Pollutant	△ %
Carbon Dioxide (CO2)	(0.9%)
Sulfur Dioxide (SO2)	1.1%
Nitrogen monoxide (NOX)	(7.0%)
Particles (PM10)	1.8%

The exploration of the Nave III, in Vitória Thermoelectric Power Plant (CTV) presents itself as the main justification for the NOX emissions reduction, since this facility is equipped with catalytic systems, consuming ammonia, which provide lower emissions.

Water consumption

The monitoring of consumption, in an Environmental Management System allows the setting of goals and targets.

Water consumption			
	2012	2011	△%
Water consumption (m3)	13,786.0	13,380.2	3.0%
Water consumption (m3)/EEM's energy production (GWh)	25.7	22.9	12.4%
Water consumption (m3)/nº of employees	16.9	15.8	6.5%

In 2012, there was an increase of circa 3.0% in EEM's water consumption, mainly due to the growing number of facilities, as well as the entrance into operation of a steam turbine in Nave III of Vitória Thermoelectric Power Plant, which during the tests increased water consumption (about 1 m3/hour). Disregarding this effect, water consumption would have been reduced by about 6.0% compared to 2011.

Electricity consumption

EEM's total electricity consumption is presented as follows:

Electricity consumption			
	2012	2011	△%
Electricity consumption [kWh]	9,177,828.8	11,320,667.0	(18.9%)
Electricity consumption/EEM's energy production (kWh)	0.0171	0.0194	(11.9%)
Electricity consumption kWh/nº of employees	11,429.4	13,639.4	(16.2%)

In 2012, there was a reduction in consumption of about 18.9% compared to 2011, which avoided about 37 tons of CO2 emissions, mainly due to the larger use of Nave III, in CTV, which is more efficient than the others.

Waste

The type of waste generated by the EEM is very wide due to its performed activity, covering the production, transportation, distribution and commercialisation of energy, comprising diversified waste as oils, fuel, electrical and electronic discarded equipment, scrap, wood packaging, cartridges and solid waste.

To ensure waste management, conditions were created for a correct deposition and selective waste separation, as well as delivery mechanisms to the respective waste management operators, properly licensed for recovery / disposal operations.

Waste production			
Kg	2012	2011	△%
Hazardous waste	1,234,042	1,357,668	(9.1%)
Non hazardous waste	258,511	1,249,201	(79.3%)
Total	1,492,553	2,606,869	(42.7%)

In 2012, approximately 1,493 tons of waste was produced, reflecting a decrease of about 42.7% compared to 2011.

About, 30 different kinds of waste were declared according to the classification established by European Waste List, being 50.0% considered hazardous and the remaining 50.0% non-hazardous.

Noise

In 2012, a noise emission classification was fulfilled concerning the hydroelectric power plants and Vitória Thermoelectric Power Plant (CTV), according to the legislative framework, being in preparation an action plan for the EEM's remaining facilities, which are likely to cause any noise discomfort.

Other accomplished activities

It should be noted that in addition to the activities already mentioned, specifically directed to environmental protection, there are many others that having a smaller scope, are also closely linked to the best environmental practices, which are, as well, important to be pointed out.

Accomplished activities

Production

• European Union Emission Trading Scheme

EEM is the owner of 2 plants under the European Union Emission Trading Scheme, with greenhouse gas emissions titles: Vitória Thermoelectric Power Plant ("TE GEE.RAM.076.05 II") and Porto Santo Thermoelectric Power Plant ("TE GEE.RAM.076.04 II").

During 2012, EEM released into the atmosphere 332,173 tons of CO₂, resulting in an excess of 245,246 CO₂ emission licenses, compared with the attributed licenses (577,419 licenses/year during 2008/2012, according to PNALE II).

In the Depreciation costs balance of EEM's accounting reports, 2,295 thousand Euros are registered, regarding the gas emissions valuation during 2012, whose licenses were already owned by the Company, corresponding to the total licenses amount attributed by the Environmental Institute, in 2012 (331,801 licenses) and in 2011 (372 licenses).

In Other incomes balance, 5,200 thousand Euros are included, referring the valuation of spent and sold licenses, attributed by the Environmental Institute.

The attributed licenses for 2012, according to the Bluenext rate, were valued at the price obtained on the 2nd of January 2012, reaching 6.90 Euros/license, being 209,372 transferred licenses from 2011, at the price of 13.90 Euros/licenses. During 2012, EEM sold 209,000 emission licenses reaching the amount of 2,905 thousand Euros (all licenses were transferred from 2011).

In Other costs and losses balance, the amount of 1,438 thousand Euros are registered, referring the least value accounting, obtained by the sale of CO₂ free emission licenses along the year. This least value accounting relates the difference between the total amount of the free sold licenses and its accounting value (Intangible assets). The total 209,000 emission licenses were sold by a global amount of 1,467 thousand Euros, reaching its accounting value 2,905 thousand Euros.

EEM also registered costs with the emission licenses management and commissions through the accomplished transactions in a global value of 53 thousand Euros, accounted in Services rendered by third parties balance.

Given the accounting movements during the year, 1,695 thousand Euros are included in the account Intangible assets (net debit balance) and in Other Payables (credit balance), corresponding to the license that carried over into the year 2013.

Concerning the number of emission licenses carried over to 2013 (245,618 licenses), they comply with the limit imposed by the Energy Services Regulatory Authority (ERSE), as the balance coming from the current year (36,246 licenses) is inferior to 30.0% of the yearly excess (difference between the amount of attributed and used licenses, in 2012). Once accomplished this condition, the total effect in results, is exclusively attributed to emission value IC02 (incentive to an efficient management of CO2 emission licenses), corresponding to the half difference between the sale price and the average price in 15 days previous and forward to the transaction date, totalling 9 thousand Euros, in 2012.

The total net selling value was deduced to the permitted incomes, as the emission licenses were freely attributed, being the management and transaction costs accepted.

The CO2 emissions balance effect (transactions and emissions) in 2012, as following presented:

CO2 impact in EEM's incomes	
€'000	2012
Direct effect:	
Direct sales	1,467
Commissions	(53)
	1,414
Permitted incomes effect:	
Direct sales	(1,467)
Direct sales (IC02)	9
Commissions	53
	(1,405)
Total	9

• Action Plans to minimize the environmental damages, concerning Prevention and Integrated Control of the Environmental Pollution-Licenses

In 2012, monitoring actions were taken into accomplishment and the respective Annual Environmental Report was delivered to the Regional Environmental Authority, according to the Decree-Law nº 02/2009, of 28 February, 2011, amending and replacing the previous Environmental License, nº 02/2009, of 28 December, 2009, settled by the Decree-Law nº 173/2008, of 26 August, referred to the Integrated Pollution Prevention and Control for Vitória Thermoelectric Power Plant (CTV).

Consumption Efficiency Promotion Plan in electric energy consumption

The Consumption Efficiency Promotion Plan (PPEC) is settled by the Energy Services Regulatory Authority (ERSE), and aims to implement measures to promote rationale electric consumption habits and the use of more efficient equipment by consumers.

As part of its duties, EEM has been proposing and implementing measures to promote an efficient consumption, being approved policies within the PPEC 2007-2008 and PPEC 2009-2010. However, despite having accomplished the candidature to the PPEC 2011-2012, EEM failed to approve the proposed measures alongside the strong competitive nature of the selection process.

Environmental Performance Promotion Plan - voluntary procedures

Although ERSE has no direct competence in the environmental area, it has obligations under its Statutes in terms of promoting corporate environmental performance and efficient resources use.

Following the amendment of the Tariff Regulations, in 2005, incentives to promote environmental performance were provided, for the first time, towards regulated companies in Autonomous Regions.

Concerning its duties, EEM has been proposing and implementing measures of the Environmental Performance Plan, in the editions of PPDA 2006-2008 and PPDA 2009-2011.

For the 2006-2008 periods, the maximum amount predicted by ERSE to the Autonomous Region of Madeira was 660 thousand Euros. EEM presented a set of five measures reaching the global value of 668.18 thousand Euros. While in 2009-2011, the set of 7 approved measures reached 1,606.66 thousand Euros.

Questions and reserves were raised by the Tariff Council, regarding ERSE's proposal for new rules in environmental performance promotion plans for companies in the natural gas sector, which led to the suspension of the new PPDA's for the electric sector. Therefore, in 2012, no works were developed under this program.

Investments with environmental benefits

As a result of the fulfilled infrastructures in renewable energies, largely carried out by EEM's Group, in 2012, amount of 216.6 GWh of green energy was emitted into the network, allowing annual avoided emissions of 144,964 ton of CO₂; 652 ton of SO₂; 2,679 ton of NO_x and 57 ton of particles, also avoiding the consumption of 53,058 ton of fuel-oil.

• Hydroelectric energy - Enlargement of Calheta Hydroelectric Exploitation System

Following the opinions and amendments proposed by the "Autoridade Nacional de Barragens", it was necessary to redefine the entire project, particularly concerning the Pico da Urze storage reservoir and Calheta restoring reservoir. These important revisions caused amendments in the environmental impact study and the presentation of a new application to the "Programa Operacional INTERVIR+" (Operational Program for the Economic Potential Valuation and Territorial Cohesion of RAM), whose financial support is essential to fulfill the project.

The enlargement of the actual Calheta Hydroelectric Exploitation System and its transformation into reversible functioning, through the storage reservoir and water pumping system integrates the following main interventions:

- Construction of the Pico da Urze storage reservoir;
- Construction of the Calheta restoring reservoir;
- Construction of the Calheta III Hydroelectric Power Plant and Calheta power pumping system;
- Construction of the water penstock and/or pumping system through the DN1500 piping, from the Pico da Urze storage reservoir to the new Calheta III Hydroelectric Power Plant;
- Construction of the Paúl Power Pumping System;
- Renovation/expansion of the 60/30 kV Lombo Doutor Substation;
- Enlargement of the hydro conducting capacity of the Levada do Paúl II;
- Enlargement of the hydro conducting capacity of the Levada Velha do Paúl;
- Remodelation of Levada do Lombo do Salão.

The project, actually under a public tender phase, comprises the hydro/wind association through the creation of a strategic water reserve in Madeira Island, with a reservoir capacity of 1,091,540 m³. It is also predicted the installation of 17.7 MW of pumping power capacity, the construction of a new 30 MW hydroelectric power plant and the integration of 25 MW wind power capacity, enabling an hydroelectric energy production growth of 27.4 GWh (16.4 GWh due to direct flows and 11 GWh through a pumping system), as well as an annual wind energy power production estimated at 61 GWh.

The enlargement completion of the Calheta hydroelectric exploitation has a total estimated cost of 66 million Euros, integrating the planning and design aspects, land acquisition, construction, facilities and engines, comprising the supply and installation of electrical, mechanical and electromechanical equipment, technical assistance, publicity and supervision during the execution of the construction works.

It is important to point out that this project contributes to the regional policies for energy, water and environment, accomplishing the responsibility of Autonomous Region of Madeira, within the indispensable participation of the European regions, towards the European Union (EU) policies implementation.

• Wind energy

The year 2012, was marked by the unprecedented fact, that the wind component has taken the lead in the energy mix from renewable sources in Madeira Island, an assured level, till now, detain by the hydroelectric component since 1952, the first year for integration of hydro exploitation in the Region. The wind power contribution to the energy emitted in the Madeira's electric grid amounted 9.6% and the hydro power 8.7%. This situation, in addition to the return of investments in the wind sector, was also due to the exceptionally low hydrological year occurred in 2012.

In comparative terms, the wind power reported an increased energy emission of about 15.0% (2012: 83.5 GWh) regarding the previous year (2011: 72.6 GWh).

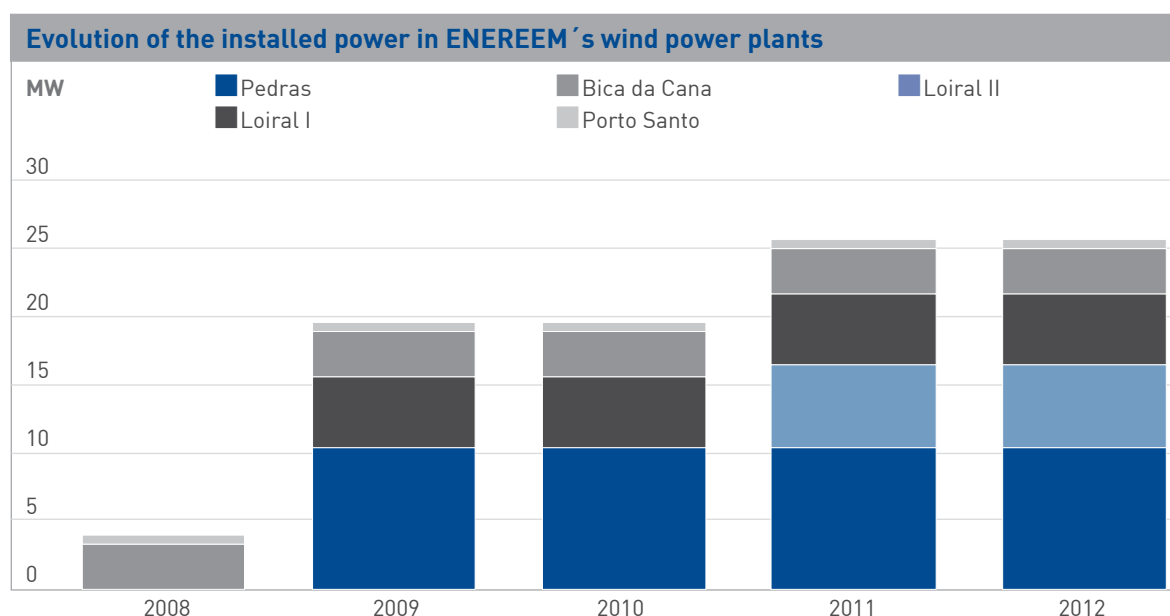
It is also important to note that the economic recession of the country and region, had a direct impact on the reduction of energy consumption, which stood at 3.2% and 8.1%, in Madeira and Porto Santo islands, respectively, being the main reason, together with technical constraints, for it not to be possible to accommodate all of all energy from this renewable source.

Still, wind energy, a form of irregular and intermittent power, is having a considerable level of integration in the network, by virtue of design of the farms management and control systems, responsibility of the EEM's Dispatch Center, which attempts, at all times, to maximize the penetration of this renewable energy source without disregarding the security levels of the grid.

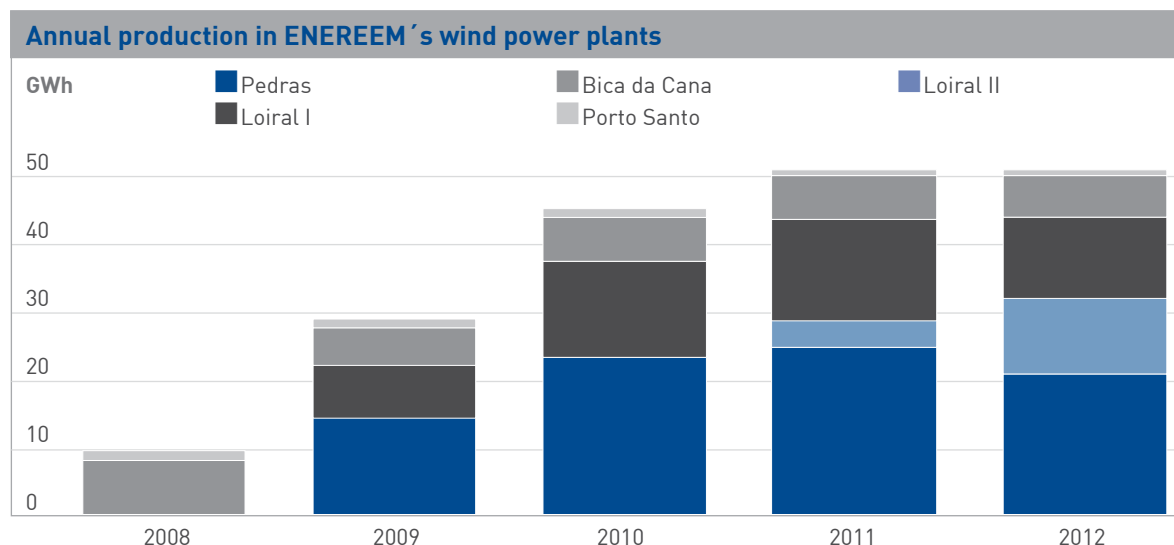
ENEREEM, being the company with the largest installed wind capacity in RAM, has added responsibilities in the balance of regional power system, enhancing to contribute to reach safely levels of wind power integration without parallel in isolated and small dimension networks, therefore should not be reductively seen as a simple tool company in EEM's group which produces electric energy.

Exploitation data

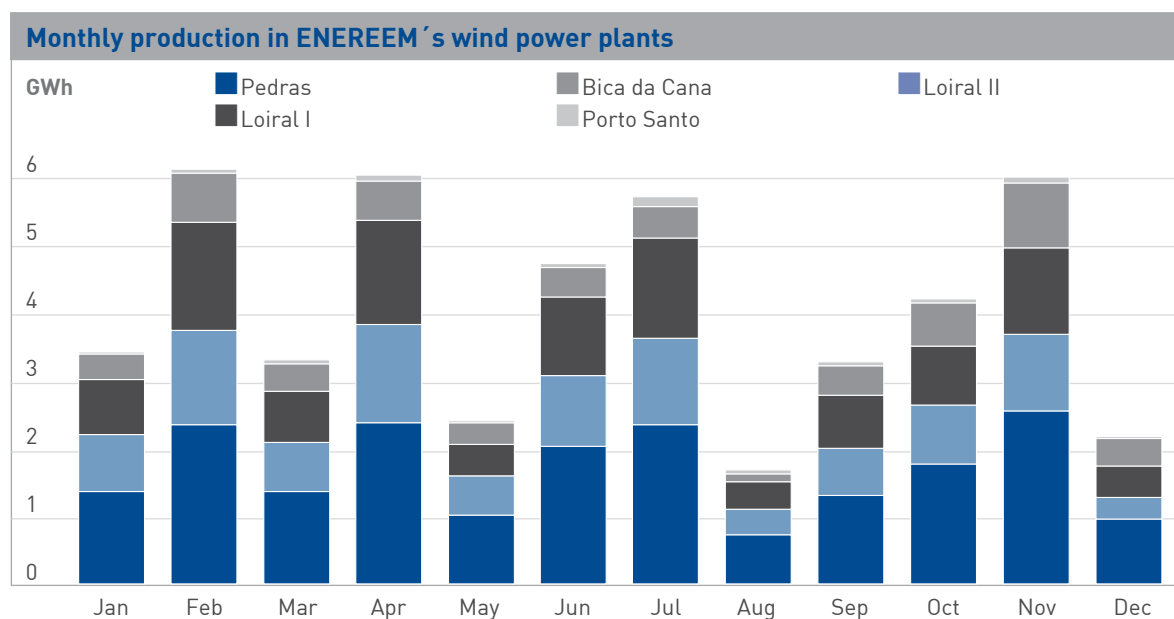
On December 31st, 2012, ENEREEM owned 5 wind power plants in exploration, scattered through Madeira and Porto Santo islands, with a total installed power of 25,260 kW, of which 24,600 kW (97.4%) in 4 wind power plants located in Paúl da Serra and the remaining 660 kW (2.6%), in Porto Santo wind power plant.



The energy production of the 5 wind power plants, in 2012, reached 48,612,814 kWh, of which 47,855,772 kWh and 757,042 kWh were produced by wind power plants in Madeira and Porto Santo islands, respectively.



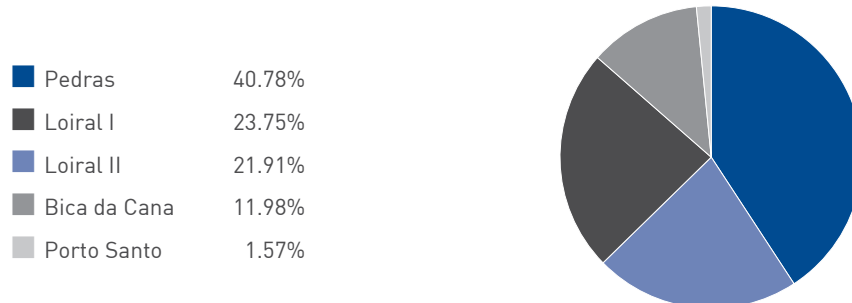
Regarding the energy issue, thus meaning the energy delivered to the network, ENEREEM's wind power plants emitted 47,900,668 kWh, in 2012, presenting 5.4% of the total energy emitted in the SEPM:



According to the graph, the most favourable months of wind resource are February, April, July and November, jointly assuring 48.8% of the total energy emitted by ENEREEM's wind power plants.

In Paúl da Serra were issued 47,146,125 kWh, ensuring 57.1% of the total emitted by this source of energy in the network of Madeira Island. The Pedras wind power plant was highlighted with a major contribution of 40.8% of the total energy emitted by the 5 ENEREEM's wind power plants.

Energy emitted distribution ENEREEM's wind power plants in 2012



Concerning the Porto Santo wind power plant, with an installed capacity of 660 kW, the production reached 757,042 kWh, showing a decrease of 21.9% compared to last year, due to the accommodation of other renewable energy sources in the network and the significant decrease consumption of this island.

The emission of wind power in Porto Santo, secured with the EEM's wind power plant, reached 754,543 kWh, representing 2.9% of the total electric energy emitted to the network on the island.

In environmental terms, the avoided emissions accounted through the exploitation of the 4 wind plants reached, in 2012: 31,447 tons of CO₂, 142.4 tons of SO₂, 585.5 tons of NO_x and 12.3 tons of particles, avoiding the consumption of 11,566.6 tons of fuel oil.

Regarding the operating wind power plant in Porto Santo, the environmental gain achieved was: 600.5 tons of CO₂, 1.8 tons of SO₂, 7.4 tons of NO_x and 0.3 tons of particles, while avoiding the consumption 171.2 tons of fuel.

• Marine biofuel oil - CO₂ capture

The Marine biofuel oil project has as main purpose the capture and biological utilisation of CO₂, in order to obtain bio-fuel oil with physicochemical characteristics similar to the conventional fuel oil used in thermoelectric power plants in Autonomous Region of Madeira. With this project, it's intended to turn Porto Santo into a self-sustaining island, in electric energy terms, reversing a situation of dependence on fossil fuels in electricity generation.

This industrial unit, pioneer worldwide, comprises 2 execution phases (Phases I and II). For operational reasons and due its close proximity with Porto Santo Thermoelectric Power Plant, priority was given to Phase I, whose implementation works began in June 2011, being currently near completion.

General view of the marine biofuel production facility in Porto Santo Island



Throughout 2012, construction works were executed to support the necessary infrastructure installation for the proper operation of this unit, namely the interconnecting pipe line between this facility and the Porto Santo Thermoelectric Power Plant.

The line of CO₂ capture was completed in late 2012. The capture is performed directly through the exhaust systems of the thermoelectric power plant. After a treatment process / separation of gases, CO₂ is driven into the production unit and introduced, properly controlled, in the culture facilities.

Centrifugation equipment and the main air compressed reservoir were also installed. The works for the enlargement of Nave I are in course, which comprise the installing of an outbuilding for new auxiliary equipment's for the final process. The laboratory keeps functioning, assuring a continuous monitoring of the microalgae cultivation process, controlling the use of water quality and the CO₂ concentration at each time.

The expected completion of the investment for the Phase 1 remains at the first half of 2013, with the commencement of biofuel production.

• **GNL Project (liquefied natural gas)**

Taking into consideration the adverse macroeconomic framework, the initial GNL project in Madeira, with an estimated investment of about 100 million Euros, has been analysed and considered with greater detail, in order to be duly included in a feasible investment plan regarding the guarantees of an adequate financial cover, in particular, EU funds and banks.

Meanwhile and pending the opportunity to move forward with that project, it was decided to retake an interim and flexible solution, as initially scheduled, when the early studies were developed by EEM, based on the installation of a facility for reception, storage and regasification of natural gas (UAG), in order to supply exclusively the three dual-fuel groups installed in Nave III of the Vitória Thermoelectric Power Plant.

In that sense, EEM launched, in due course, an international public tender to provide the raw material (liquefied natural gas) to be available at the premises of power plant, aiming to replace the fuel currently consumed by those three generating groups, establishing a cost per kWh of produced energy through the natural gas, lower cost than one by fuel oil.

In this context, it is envisaged the supply of an annual natural gas quantity between 240 and 450 GWh for a period of eight years, which will reduce CO₂ emissions by about 200 gr per kWh produced, in comparison with the use of fuel oil, considering that in both cases, the generating groups work in a combined cycle.

Thus, the fulfilment of this project, which will allow the gradual substitution of fuel oil by an alternative raw material, cleaner and more environmentally friendly, will lead to a significant reduction in the volume of air emissions of gaseous and particulate pollutants, contributing, to the diversification of energy sources and materializing a strategic Regional energy policy.

• **Geothermic potential**

In August 2010, a contract was signed between EEM and the "Laboratório Nacional de Energia e Geologia", to evaluate the geothermal potential of Madeira Island, which shall last until the end of 2012. The field works were completed and EEM awaits the final report.

According to the study, Madeira has geothermal potential of recent volcanism, with 6 to 7 thousand years, which in geological terms, implies not be regarded as extinct. The occurrence of abnormal water temperatures, rich in CO₂, suggest the existence of rocks and / or water with significant temperatures and depths amenable to economic exploitation for electricity generation.



The undertaken activities in 2012 corresponded mainly to the following actions:

- Laboratory data treatment obtained by the team of Seismic Noise Tomography and Micro seismicity, which resulted in three suggestive maps of Madeira heterogeneity for the studied parameters;
- Laboratory data treatment obtained by the Magnetic and Gravity Monitoring team, which led to the reporting maps of magnetic and gravity anomalies;
- Achievement of the first images of Remote Detection by the Thermometry team in order to obtain the electromagnetic spectrum and thus generate a map of temperatures derived from thermal bands, which can contribute to identify the source of heat in the island;
- The refinement studies of isotope geochemistry of waters sampled in tunnels, galleries and holes that allowed inferring that the residence time of water in aquifers vary between 40 and 200 years and the warmer waters of the tunnels of Encumeada, Tornos and Pico Grande have magmatic source containing gases, suggesting reaction temperatures, meaning that somewhere on its way passed / included materials between 100 and 330 ° C temperature;
- Continuation of treatment of morphostructural and volcanic data in order to understand the geodynamics associated with the onset of warm air masses and the escape of magmatic fluids, being confirmed the presence of a persistent network of structural lineaments corresponding to fractures and shear zones, significant in geodynamics of the island.

Thus we await the conclusions of work for promising structures as also for the distribution and characterisation of volcanic and tectonic structures in depth, in order to conclude on the feasibility of exploiting them for electricity generation.

• Electric Mobility in RAM

The transport sector accounts more than 50.0% of the final energy consumption in RAM, presenting itself in the coming years, as one of the great challenges of regional energy policy. The program of electric mobility (EM) in the RAM can make an enormous contribution to minimize the well-known adverse effects on the environment. Briefly, the EM program has the following main objectives:

 <p>Contribute to lower energy dependence, based on a sustainable mobility;</p> <p>Encourage the use of renewable energy sources in transports;</p> <p>Increase efficiency in energy use;</p> <p>Contribute to the regional economy increase;</p> <p>Integrate from the beginning, the national electricity network mobility, (MOBI.E).</p>	 <p>Reduce the greenhouse gas emissions (GEE);</p> <p>Reduce the noise pollution from transports;</p> <p>Reduce the current imbalance in charges diagram (off peak consumption);</p> <p>Reduce the losses in transformation process (electricity production), which are substantially lower than the ones from combustion engines.</p>
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From a purely electric insight, mobility brings added benefit in the perspective of the grid operator SEPM, allowing the stabilization of the network to increase the integration of renewable energy sources in electricity production mix, through the concept Vehicle-to-Grid (V2G).

The feasibility of V2G is the suppression of the needs of both parties; the owner and the electric vehicle network operator. The first requires sufficient stored energy for his driving needs, while the network operator needs a special charge which could be used as storage if managed centrally. This concept is especially important for a small isolated system as Madeira, helping to stabilize the electric grid with high renewables penetration levels.

Indeed, once reached the goal of the Regional Government of Madeira for the RAM, accomplish a share of at least 5.0% of vehicles powered by electricity by 2020, according to the electric mobility program for Madeira Island (PMEM), the electric grid management may, through V2G, generate an important power storage and regulator.

During 2012, the activities of EEM, as leader of the Work Group for the Madeira Electric Mobility Program (MEMP), consisted in a preventive maintenance of the installed infrastructure, 5 charging stations for public access, contributing to the promotion of investment in this type of technology and management two 100% electric cars, seeking to be an example, as a user of electric mobility.

Charging Stations



Council	N.º of charging stations
Funchal	2 Normal
Porto Moniz	2 Normal 1 Fast
Calheta	2 Normal 1 Fast
Santana	2 Normal
Porto Santo	2 Normal

EEM' Fleet



Two 100% electric vehicles

Data of 2012

14 700 kms traveled;
2,1 MWh/year consumption;
with an average of 16 kWh/100km.

4 - Final Remarks

As conclusion of the Annual Report of the activities developed by Empresa de Electricidade da Madeira, S.A., over the year of 2012, the Board of Directors wishes to express a word of gratitude for the support received from all the different entities with whom we have cooperated over the year, particularly our shareholder, the Regional Government of Madeira, represented by its Vice-President, responsible for the leadership of the energy sector in Madeira.

The Board of Directors also expresses its appreciation to the General Assembly and to the Statutory Auditor for their cooperation, permanent availability and for their positive contribution for the development and control of EEM's activities.

A special reference to our staff for the dedication, competence and professionalism, they have continuously expressed in its functions and to the development of our Company.

And finally to our customers, to thank the confidence expressed in us and reaffirm our unmistakable commitment in upgrade the services provided.

The Board of Directors:

Rui Alberto Faria Rebelo (Chairman of the Board)
 João Heliodoro da Silva Dantas (Vice-Chairman of the Board)
 Mário Eugénio Jardim Fernandes (Board Member)

Consolidated and Individual Financial Statements

EEM - Empresa de Electricidade da Madeira

Consolidated Balance Sheet as at 31 December 2012 and 2011

	Notes	2012 Euros	2011 Euros
Non-Current Assets			
Tangible fixed assets	7	385,863,288	404,619,186
Intangible assets	8	5,364,818	8,033,411
Investments - Equity method	9	10,251,401	10,159,863
Investments - Other methods	10	1,815,803	3,481,188
Clients	11	27,343,448	27,464,512
Other receivables	12	22,531,172	21,394,371
Deferrals	17	-	91,667
Deferred tax assets	13	7,298,330	5,664,696
Total Non-Current Assets		460,468,260	480,908,894
Current Assets			
Inventories	15	15,752,142	14,392,650
Clients	11	86,161,588	80,244,234
Tax receivable	14	3,669	278,441
Shareholders	16	13,971,454	9,815,881
Other receivables	12	110,085,459	94,837,107
Deferrals	17	311,684	504,371
Other financial assets	18	6,170,000	2,010,000
Cash and deposits at banks	4	180,093	260,326
Total Current Assets		232,636,089	202,343,010
Total Assets		693,104,349	683,251,904
Equity			
Share capital	19	20,000,000	20,000,000
Legal reserves	20	4,020,148	4,020,148
Other reserves		15,549,486	15,027,582
Retained earnings	21	53,915,334	52,716,654
Financial assets adjustments	22	917,676	718,341
Revaluation reserves	23	9,953,983	10,722,252
Other changes in equity	24	23,395,093	24,370,293
Consolidated net profit for the period attributable to equity holders of EEM		4,540,673	5,649,990
Total Equity attributable to equity holders of EEM		132,292,393	133,225,260
Minority interests	25	375,156	306,673
Total Equity		132,667,549	133,531,933
Non-Current Liabilities			
Provisions	26	12,654,307	10,704,307
Financial debt	27	324,587,249	353,487,959
Employee benefits	28	23,700,478	23,079,307
Deferrals	17	711,875	740,000
Total Non-Current Liabilities		361,653,909	388,011,573
Current Liabilities			
Suppliers	29	66,171,626	60,116,090
Tax payable	14	8,477,320	2,793,125
Financial debt	27	98,513,523	75,304,650
Other payables	30	16,010,111	16,071,320
Deferrals	17	307,500	240,000
Other financial liabilities	31	9,302,811	7,183,213
Total Current Liabilities		198,782,891	161,708,398
Total Liabilities		560,436,800	549,719,971
Total Equity and Liabilities		693,104,349	683,251,904

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira

Consolidated Income Statement

for the periods ended 31 December 2012 and 2011

	<u>Notes</u>	<u>2012</u> <u>Euros</u>	<u>2011</u> <u>Euros</u>
Sales and services rendered	32	217,793,515	193,533,577
Operating government grants	33	-	58,523
Gains/(losses) on subsidiaries, associated companies and joint ventures	34	494,512	566,624
Own work capitalised	35	5,946,011	12,568,493
Cost of sales	32	(117,039,856)	(102,942,647)
Supplies and services	36	(10,131,467)	(13,412,077)
Personnel costs	37	(30,003,674)	(29,602,484)
Impairment of trade receivables (losses/reversals)	11 and 12	(3,444,660)	(8,330,014)
Provisions (charges/reversals)	26 and 28	(1,950,000)	5,654,606
Fair value gains/losses	38	(3,784,984)	(6,235,322)
Other gains	39	9,437,497	11,806,163
Other losses	40	(10,447,471)	(8,707,888)
Profit before depreciation, interest and income taxes		<u>56,869,423</u>	<u>54,957,554</u>
Losses/reversals of depreciation and amortisation	7 and 8	(31,818,260)	(34,508,850)
Operating profit (before interest and income taxes)		<u>25,051,163</u>	<u>20,448,704</u>
Interest and other income obtained	41	2,058,221	2,353,229
Interest and other losses supported	41	(23,519,195)	(20,194,854)
Profit before income taxes		<u>3,590,189</u>	<u>2,607,079</u>
Income taxes	42	1,019,981	3,129,709
Consolidated net profit for the period		<u>4,610,170</u>	<u>5,736,788</u>
Consolidated net profit for the period attributable to:			
Equity holders of EEM		4,540,673	5,649,990
Minority interests		<u>69,497</u>	<u>86,798</u>
		<u>4,610,170</u>	<u>5,736,788</u>
Earnings per share (Basic)		1.14	1.41

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira

Consolidated Statement of Changes in Shareholders' Equity for the periods ended 31 December 2012 and 2011

[Amounts expressed in Euros]

	Notes	Share capital	Legal reserves	Other reserves	Retained earnings	Financial assets adjustments	Revaluation reserves	Other changes in equity	Net profit for the period	Total	Minority interests	Total Equity
Balance on 1 January 2011		20,000,000	4,020,148	14,541,565	48,453,977	623,562	11,812,572	26,021,916	4,823,412	130,297,152	222,058	130,519,210
Changes in the period:												
Reval. reserves from tangible and intangible assets realised (net of taxes)		-	-	-	876,356	-	(1,090,320)	-	-	(213,964)	-	(213,964)
Investments in associated companies adjustments		-	-	-	(94,779)	94,779	-	-	-	-	-	-
Government grants (net of taxes)		-	-	-	(856,295)	-	-	(1,651,623)	-	(2,507,918)	(2,183)	(2,510,101)
2		-	-	-	(74,718)	94,779	(1,090,320)	(1,651,623)	-	(2,721,882)	(2,183)	(2,724,065)
3												
Net profit for the period									5,649,990	5,649,990	86,798	5,736,788
Comprehensive income									5,649,990	2,928,108	84,615	3,012,723
Operations with equity holders during the period:												
Transfer of the net profit for the period		-	-	486,017	4,337,395	-	-	-	(4,823,412)	-	-	-
5		-	-	486,017	4,337,395	-	-	-	(4,823,412)	-	-	-
6 = 1 + 2 + 3 + 5		20,000,000	4,020,148	15,027,582	52,716,654	718,341	10,722,252	24,370,293	5,649,990	133,225,260	306,673	133,531,933
Changes in the period:												
Reval. reserves from tangible and intangible asset realised (net of taxes)		-	-	-	768,269	-	(768,269)	-	-	-	-	-
Investments in associated companies adjustments		-	-	-	(202,310)	199,335	-	-	-	(2,975)	-	(2,975)
Government grants (net of taxes)		-	-	-	(995,365)	-	-	(975,200)	-	(1,970,565)	(1,014)	(1,971,579)
7		-	-	-	(429,406)	199,335	(768,269)	(975,200)	-	(1,973,540)	(1,014)	(1,974,554)
8												
Net profit for the period									4,540,673	4,540,673	69,497	4,610,170
Comprehensive income									4,540,673	2,567,133	68,483	2,635,616
Operations with equity holders during the period:												
Dividends		-	-	-	(3,500,000)	-	-	-	-	(3,500,000)	-	(3,500,000)
Transfer of the net profit for the period		-	-	521,904	5,128,086	-	-	-	(5,649,990)	-	-	-
10		-	-	521,904	1,628,086	-	-	-	(5,649,990)	(3,500,000)	-	(3,500,000)
11 = 6 + 7 + 8 + 10		20,000,000	4,020,148	15,549,486	53,915,334	917,676	9,953,983	23,395,093	4,540,673	132,292,393	375,156	132,667,549

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira

Consolidated Cash Flow Statement

for the periods ended 31 December 2012 and 2011

	<u>2012</u> <u>Euros</u>	<u>2011</u> <u>Euros</u>
Cash flows arising from operating activities		
Cash receipts from clients	232,059,238	137,911,883
Cash paid to suppliers	(139,935,060)	(107,521,267)
Payments to employees and pensioniers	(27,565,891)	(30,890,089)
Other receipts	-	5,161,911
Net cash from operations	<u>64,558,287</u>	<u>4,662,438</u>
Income tax received/(paid)	(766,166)	450,919
Other receipts/(payments)	<u>(22,407,614)</u>	<u>6,533,086</u>
Net cash from operating activities (1)	<u>41,384,507</u>	<u>11,646,443</u>
Cash flows arising from investing activities		
Cash payments relating to:		
Tangible fixed assets	(4,742,168)	(24,311,958)
Intangible assets	(660,283)	(720,090)
Other assets	(4,821,829)	(9,089,641)
Cash receipts relating to:		
Tangible fixed assets	3,547	1,000
Intangible assets	1,467,050	2,291,164
Other assets	666,257	387,134
Government grants	2,685,247	4,032,139
Interest and other income	59,686	736,203
Dividends	650,000	400,000
Net cash from investing activities (2)	<u>(4,692,493)</u>	<u>(26,274,049)</u>
Cash flows arising from financing activities		
Cash receipts relating to:		
Loans obtained	2,820,047	45,593,077
Cash payments relating to:		
Repayment of loans	(8,870,303)	(10,677,038)
Interest and similar costs	(23,061,991)	(19,078,060)
Dividends	(3,500,000)	-
Other financing activities	(4,160,000)	(2,010,000)
Net cash from financing activities (3)	<u>(36,772,247)</u>	<u>13,827,979</u>
Net changes in cash and cash equivalents (1 + 2 + 3)	<u>(80,233)</u>	<u>(799,627)</u>
Cash and cash equivalents balance at the beginning of the period	<u>260,326</u>	<u>1,059,953</u>
Cash and cash equivalents balance at the end of the period	<u><u>180,093</u></u>	<u><u>260,326</u></u>

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira, S. A.

Balance Sheet as at 31 December 2012 and 2011

	Notes	2012 Euros	2011 Euros
Non-Current Assets			
Tangible fixed assets	7	358,418,871	375,395,450
Intangible assets	8	5,363,111	8,029,998
Investments - Equity method	9	16,135,937	16,262,036
Investments - Other methods	10	1,815,803	3,481,188
Clients	11	27,343,448	27,464,512
Other receivables	12	22,531,172	21,394,371
Deferred tax assets	13	7,519,406	5,901,030
Total Non-Current Assets		439,127,748	457,928,585
Current Assets			
Inventories	15	15,714,991	14,355,133
Clients	11	86,019,444	80,071,206
Tax receivable	14	-	264,951
Shareholders	16	13,971,454	9,815,881
Other receivables	12	110,082,385	94,841,147
Deferrals	17	219,748	226,712
Other financial assets	18	6,170,000	2,010,000
Cash and deposits at banks	4	144,880	106,400
Total Current Assets		232,322,902	201,691,430
Total Assets		671,450,650	659,620,015
Equity			
Share capital	19	20,000,000	20,000,000
Legal reserves	20	4,020,148	4,020,148
Other reserves		15,549,486	15,027,582
Retained earnings	21	48,471,979	48,685,597
Financial assets adjustments	22	4,192,811	3,022,262
Revaluation reserves	23	9,953,983	10,722,252
Other changes in equity	24	23,250,754	24,215,824
Net profit for the period		4,500,208	5,219,037
Total Equity		129,939,369	130,912,702
Non-Current Liabilities			
Provisions	26	12,654,307	10,704,307
Financial debt	27	308,226,270	335,309,094
Employee benefits	28	23,700,478	23,079,307
Total Non-Current Liabilities		344,581,055	369,092,708
Current Liabilities			
Suppliers	29	66,087,692	59,620,805
Tax payable	14	8,174,487	2,560,815
Shareholders	16	915,000	550,000
Financial debt	27	96,688,688	73,459,085
Other payables	30	15,761,548	16,240,687
Other financial liabilities	31	9,302,811	7,183,213
Total Current Liabilities		196,930,226	159,614,605
Total Liabilities		541,511,281	528,707,313
Total Equity and Liabilities		671,450,650	659,620,015

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira, S. A.

Income Statement for the periods ended 31 December 2012 and 2011

	<u>Notes</u>	<u>2012</u> <u>Euros</u>	<u>2011</u> <u>Euros</u>
Sales and services rendered	32	217,157,730	193,014,242
Operating government grants	33	-	58,523
Gains/(losses) on subsidiaries, associated companies and joint ventures	34	1,659,688	1,804,315
Own work capitalised	35	5,946,011	12,568,493
Cost of sales	32	(120,995,477)	(106,868,278)
Supplies and services	36	(9,596,043)	(12,931,084)
Personnel costs	37	(29,839,486)	(29,457,065)
Impairment of trade receivables (losses/reversals)	11 and 12	(3,444,660)	(8,330,014)
Provisions (charges/reversals)	26 and 28	(1,950,000)	5,654,606
Impairment of non-depreciable/amortisable investments (losses/reversals)	9	(40,464)	39,448
Fair value gains/losses	38	(3,784,984)	(6,235,322)
Other gains	39	9,423,543	11,770,923
Other losses	40	(10,383,416)	(8,655,822)
Profit before depreciation, interest and income taxes		54,152,442	52,432,965
Losses/reversals of depreciation and amortisation	7 and 8	(29,961,067)	(32,801,253)
Operating profit (before interest and income taxes)		24,191,375	19,631,712
Interest and other income obtained	41	2,058,221	2,353,229
Interest and other losses supported	41	(23,164,423)	(19,782,840)
Profit before income taxes		3,085,173	2,202,101
Income taxes	42	1,415,035	3,016,936
Net profit for the period		4,500,208	5,219,037

CHIEF ACCOUNTANT

THE BOARD OF DIRECTORS

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira, S. A.

Statement of Changes in Shareholders' Equity for the periods ended 31 December 2012 and 2011

(Amounts expressed in Euros)

	Notes	Share capital	Legal reserves	Other reserves	Retained earnings	Financial assets adjustments	Revaluation reserves	Other changes in equity	Net profit for the period	Total
Balance on 1 January 2011	1	20,000,000	4,020,148	14,541,565	45,207,412	2,130,740	11,812,572	25,842,938	4,860,171	128,415,546
Changes in the period:										
Revaluation reserves from tangible and intangible assets realised (net of taxes)		-	-	-	876,356	-	(1,090,320)	-	-	(213,964)
Investments in associated companies adjustments		-	-	-	(918,454)	891,522	-	-	-	(26,932)
Government grants (net of taxes)		-	-	-	(853,871)	-	-	(1,627,114)	-	(2,480,985)
	2	-	-	-	(895,969)	891,522	(1,090,320)	(1,627,114)	-	(2,721,881)
Net profit for the period	3								5,219,037	5,219,037
Comprehensive income	4 = 2 + 3								5,219,037	2,497,156
Operations with equity holders during the period:										
Transfer of the net profit for the period		-	-	486,017	4,374,154	-	-	-	(4,860,171)	-
	5	-	-	486,017	4,374,154	-	-	-	(4,860,171)	-
Balance on 31 December 2011	6 = 1 + 2 + 3 + 5	20,000,000	4,020,148	15,027,582	48,685,597	3,022,262	10,722,252	24,215,824	5,219,037	130,912,702
Changes in the period:										
Revaluation reserves from tangible and intangible assets realised (net of taxes)		-	-	-	768,269	-	(768,269)	-	-	-
Investments in associated companies adjustments		-	-	-	(1,186,019)	1,170,549	-	-	-	(15,470)
Government grants (net of taxes)		-	-	-	(993,001)	-	-	(965,070)	-	(1,958,071)
	7	-	-	-	(1,410,751)	1,170,549	(768,269)	(965,070)	-	(1,973,541)
Net profit for the period	8								4,500,208	4,500,208
Comprehensive income	9 = 7 + 8								4,500,208	2,526,667
Operations with equity holders during the period:										
Dividends		-	-	-	(3,500,000)	-	-	-	-	(3,500,000)
Transfer of the net profit for the period		-	-	521,904	4,697,133	-	-	-	(5,219,037)	-
	10	-	-	521,904	1,197,133	-	-	-	(5,219,037)	(3,500,000)
Balance on 31 December 2012	11 = 6 + 7 + 8 + 10	20,000,000	4,020,148	15,549,486	48,471,979	4,192,811	9,953,983	23,250,754	4,500,208	129,939,369

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira, S. A.

Cash Flow Statement for the periods ended 31 December 2012 and 2011

	2012	2011
	Euros	Euros
Cash flows arising from operating activities		
Cash receipts from clients	231,204,627	137,075,784
Cash paid to suppliers	(145,045,911)	(112,457,747)
Payments to employees and pensioners	(27,404,870)	(30,746,725)
Other receipts	-	5,161,911
Net cash from operations	<u>58,753,846</u>	<u>(966,777)</u>
Income tax received/(paid)	(382,153)	881,723
Other receipts/(payments)	<u>(21,527,440)</u>	<u>6,627,317</u>
Net cash from operating activities (1)	<u>36,844,253</u>	<u>6,542,263</u>
Cash flows arising from investing activities		
Cash payments relating to:		
Tangible fixed assets	(3,967,897)	(18,375,076)
Intangible assets	(660,283)	(720,090)
Other assets	(4,861,914)	(10,958,536)
Cash receipts relating to:		
Tangible fixed assets	-	1,000
Intangible assets	1,467,050	2,273,764
Other assets	1,377,282	425,082
Government grants	2,685,247	4,032,139
Interest and other income	59,686	736,203
Dividends	1,308,914	400,000
Net cash from investing activities (2)	<u>(2,591,915)</u>	<u>(22,185,514)</u>
Cash flows arising from financing activities		
Cash receipts relating to:		
Loans obtained	2,820,047	45,743,077
Other financing activities	365,000	-
Cash payments relating to:		
Repayment of loans	(7,044,343)	(10,262,539)
Interest and similar costs	(22,694,562)	(18,667,488)
Dividends	(3,500,000)	-
Other financing activities	<u>(4,160,000)</u>	<u>(2,010,000)</u>
Net cash from financing activities (3)	<u>(34,213,858)</u>	<u>14,803,050</u>
Net changes in cash and cash equivalents (1 + 2 + 3)	38,480	(840,201)
Cash and cash equivalents balance at the beginning of the period	<u>106,400</u>	<u>946,601</u>
Cash and cash equivalents balance at the end of the period	<u>144,880</u>	<u>106,400</u>

See accompanying notes to the Financial Statements

EEM - Empresa de Electricidade da Madeira

Notes to the Financial Statements 31 December 2012 and 2011

Annex to the Financial Statements

1. Entity identification

EEM - Empresa de Electricidade da Madeira, S.A. (EEM) was established as a state owned company (E.P.) by the Decree-Law no. 12/74, of 17 January, being its main objective the generation, transport, distribution and commercialisation of electric energy in the Autonomous Region of Madeira. The company head office is located in Funchal at Avenida do Mar e das Comunidades Madeirenses, no. 32.

In accordance with the Regional Legislative Decree no. 14/94/M, published in “Diário da República” as at 3 June 1994, the legal status of EEM was changed to a private company (S.A.), entirely held by a public shareholder. Its name was also changed to EEM - Empresa de Electricidade da Madeira, S.A..

EEM is ruled by the above mentioned regulation, by its internal by-laws, by the regulations applied to private companies and by special rules applied to similar companies operating in the same business.

As at 25 March 2002, was published the Decree-Law no. 69/2002, which extended to the Autonomous Regions of Azores and Madeira the regulation, by the Regulatory Agency for Energy Services (ERSE), for the activities of generation, transport, distribution and commercialisation of electric energy. During 2002, ERSE adjusted the regulatory framework for the electric sector, namely the Tariff Regulation, in order to extend its application to the Autonomous Regions, seeking a progressive standardisation of tariffs in Portugal starting 1 January 2003, under the principles of tariff convergence and electric companies financial stability. Therefore, the tariffs applied by EEM since 1 January 2003 are established by ERSE, being its responsibility the calculation of the compensation amount to be paid to EEM from that date resulting from tariffs reduction (see Note 3.2 k)).

The subsidiaries owned by EEM are presented in Note 6 to the financial statements.

2. Accounting standards applied in the financial statements

- 2.1** EEM's financial statements were prepared according with the Portuguese accounting standards "Sistema de Normalização Contabilística" (SNC), as required by Decree-Law no. 158/2009, of 13 July. SNC is composed by "Financial Statement Presentation Basis" (BADF), "Financial Statement Templates" (MDF), "Accounts Code" (CC), "Accounting and Financial Reports Standards" (NCRF), "Interpretative Standards" (NI) and "Conceptual Framework".

The financial statements which include the balance sheet, the income statement by nature, the statement of changes in shareholder's equity, the cash flow statement and the notes to the financial statements, were approved by the Board of Directors as at 28 March 2012. These financial statements are presented in Euros and prepared on a continuity and accrual basis, under which items are recognised as assets, liabilities, equity, income and expenses when they meet the definitions and recognition criteria for those elements establish in the conceptual framework, in accordance with the qualitative features of comprehensibility, relevance, materiality, reliability, faithful representation, substance over form, neutrality, prudence, completeness and comparability.

The accounting policies, presented in Note 3, were used in the preparation of the financial statements for the period ended 31 December 2012 and for the comparative financial information presented in these financial statements for the period ended 31 December 2011.

- 2.2** There were no exceptions to SNC disposals.
- 2.3** There are no balance sheet and income statement accounts whose contents are not comparable with the previous period.

3. Accounting policies

The main accounting policies applied in the preparation of the financial statements are presented as follows:

3.1 Measurement basis used in the preparation of the financial statements

The consolidated financial statements as at 31 December 2012 and 2011 reflect the assets, liabilities and results of EEM and its subsidiaries, namely, Casa da Luz, Emacom and Enereem (see Note 6), and the results attributable to EEM from its associated companies. These accounting policies were consistently applied in all companies. The financial statements were prepared under the historical cost principle.

The preparation of the financial statements in accordance with NCRF requires the 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 3.3. critical accounting estimates and judgments in preparing the financial statements.

3.2 Other significant accounting policies

a) Basis of consolidation

Investments in subsidiaries

Investments in subsidiaries where EEM has control are fully consolidated from the date EEM assumes control over their financial and operating activities until the moment that control ceases to exist. Control is presumed to exist when EEM owns more than half of the voting rights. Control also exists when EEM 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%.

In an individual basis, the investments in subsidiaries where EEM has direct or indirect control are accounted under the equity method from the date EEM assumes control over their financial and operating policies until the moment that control ceases to exist.

Investments on associated companies

Investments in associated companies are accounted for by the equity method from the date EEM acquires significant influence, directly or indirectly, to the date it ceases. Associated companies are entities over which EEM has significant influence, but not control, over its financial and operating policies. When EEM holds more than 20% of the voting rights of the investee it is presumed to have significant influence. If EEM holds 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.

Balances and transactions eliminated on consolidation

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

Other investments

The investments in which the EEM Group holds less than 20% of the voting rights and over which have no significant influence on the financial and operating policies are accounted at fair value through profit or loss.

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.

b) Tangible fixed assets

Tangible fixed assets are accounted at cost plus all expenditure directly attributable to bring the asset to the location and working condition for its intended use, less accumulated depreciation and impairment losses.

On transition to NCRF, EEM decided to consider as deemed cost the revalued amount of the tangible fixed assets (determined under the legal revaluations realised in previous periods), in accordance with the previous accounting policy.

Subsequent costs are recognised as Tangible fixed assets only when it is probable that future economic benefits associated with the item will flow to EEM. Repair and maintenance costs are charged to the income statement as incurred, in an accrual basis.

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

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

	<u>No. of years</u>
Buildings	10 to 50
Basic equipment	3 to 33
Transport equipment	4 to 5
Office equipment	4 to 16
Other	4 to 20

The useful lives, the depreciation method and the residual value are revised annually. The effect of changes in these estimates is recognised prospectively in the income statement.

Any gains or losses resulting from assets disposals are calculated by the difference between the receivable amount and the book value, being recognised as income or cost in the period. In disposals of revaluated assets the amount included in the revaluation reserves is transferred to retained earnings.

c) Intangible assets

EEM recognises an intangible asset if identifiable, if assumes control over it, and is expected to provide future economic benefits to the entity and its cost can be reliably measurable.

Intangible assets with defined useful life

The intangible assets with defined useful life are registered at acquisition cost net of accumulated depreciations and impairment losses.

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

Internally generated intangible assets

Research expenditures are recorded as cost when incurred. EEM recognises internally generated intangible assets when it is possible to demonstrate:

- Its technical feasibility to complete the intangible asset so that it will be available for use or sale;
- Its intention to complete the intangible asset and to use or sell it;
- Its ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The cost of internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by Management.

Acquisition and development of software

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

Costs incurred by EEM 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 the estimated useful life of the software.

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

Industrial property and other rights

Industrial property and other rights are depreciated on a straight-line basis over the estimated useful life.

The estimated useful lives are as follows:

	<u>No. of years</u>
Software	6
Industrial property and other rights	10 to 33

d) Borrowing costs capitalised

Borrowing costs that are directly attributable to the acquisition or construction of assets are capitalised as part of the cost of the assets.

A qualifying asset is an asset that needs a substantial period of time to be ready for its intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on those assets, net of investment government grants. The capitalisation rate corresponds to the weighted average of the borrowing costs applicable to the outstanding borrowings during the period.

The capitalisation of borrowing costs begins when expenditures for the assets are being incurred, borrowing costs have been incurred and activities necessary to prepare all or part of the assets for their intended use or sale are in progress.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying assets for their intended use or sale are completed.

e) Leases

Leases are classified as finance leases or operating leases taking into consideration the substance of the transaction rather than its legal form. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. A lease is classified as an operating lease if it does not transfers substantially all the risks and rewards incidental to ownership to the lessee.

Operating leases

Payments made under operating leases are charged to the income statement in the period to which they relate.

Finance leases

Finance leases are recorded at inception date, both under assets and liabilities, at the cost of the leased asset, which is equivalent to the present value of outstanding lease instalments.

Instalments comprise: (i) an interest charge which is recognised in the income statement; (ii) the amortisation of the principal which is deducted from liabilities. Financial charges are recognised in the income statement over the lease period, in order to reflect a constant periodic rate of interest on the remaining balance of the liability for each period.

f) Inventories

Inventories are stated at the lower of the acquisition cost and net realisable value. The cost of inventories comprises costs of purchase, costs of 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.

Inventories usage (consumption) is valued at the weighted average cost.

Inventories costs are reduced to its net realisable value every time these assets are booked at a higher amount than the expected amount to be obtained through its usage or sale.

g) Accounts receivable

Accounts receivable are initially recognised at fair value, being subsequently measured at amortised cost based on the effective interest rate method, less impairment losses.

Impairment losses are recorded based on the regular evaluation of objective evidence of impairment losses related to doubtful debts as at the balance sheet date. Identified impairment losses are recognised in the income statement and can be reversed if the estimated losses decrease, in a subsequent period.

h) Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and deposits at banks.

i) Income tax

EEM and its subsidiaries are subject to the tax legislation considered in "Código do IRC – Imposto sobre o Rendimento das Pessoas Colectivas". In accordance with Portuguese tax legislation, tax returns can be reviewed and adjusted by the tax authorities for a period of four years for tax years beginning after 2012 (Social Security: 5 years).

If there are tax losses, this period is 5 years for tax years beginning after 2012, 4 years for the years 2011 and 2010 and 6 years for the previous years.

Income tax corresponds to current and deferred tax. Income tax is recognised in the income statement, except when it relates to items that are directly registered against shareholders' equity, in which case it is also recognised against shareholders' equity.

Current tax is the tax expected to be paid based on the taxable profit for the period, calculated considering the tax rules in place and using tax rates enacted or substantively enacted in each jurisdiction as at the balance sheet date.

Deferred tax is determined using the balance sheet liability method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax basis, being calculated using the tax rates enacted or substantively enacted in each jurisdiction as at the balance sheet date and expected to be applied when the temporary differences will revert.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. At each balance sheet date, all temporary differences resulting from deferred tax assets are reviewed in order to recognise or adjust it, depending on the current expectations of future recovery.

As established in paragraph 68 of NCRF 25, EEM compensates the deferred tax assets and liabilities whenever (i) it 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 the same taxable entity.

j) Foreign exchange transactions

Foreign exchange transactions are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities expressed in foreign currencies are converted to Euros at the foreign exchange rates ruling as at the balance sheet date. Foreign exchange differences arising on conversion are recognised in the income statement. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are converted using the exchange rate as at the transaction date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are converted using the exchange rate as at the date the fair value was determined.

k) Government grants

Non-refundable government grants and other similar grants related with tangible and intangible fixed assets are, initially, recognised against shareholders' equity and, subsequently, charged as income over the periods needed to offset the costs incurred. Subsidies are recorded on a cash basis.

Refundable government grants and other similar grants are booked as liabilities.

Compensation regarding the tariff convergence

The subsidies granted by governmental entities, in order to compensate the reduction of the electricity tariffs, were accounted under the protocol established in 1998 between the Regional and Central Governments. This protocol was established for the three years period from 1998 to 2000, then being subsequently extended for the years 2001 and 2002.

During April 2003, was signed the contract related with the Tariffs Convergence for Electric Energy between EEM, the Regional Government and the Central Government. This contract establishes the criteria for the compensation payments due to EEM, as a result of the tariffs reduction from 1998 to 2002, revoking the previous protocol. However, the calculation methodology for the compensation amount is mainly the same.

In accordance with the above mentioned contract, the compensation attributable to EEM until 2002 is calculated by the difference between the receipts at standard cost (receipts that EEM would obtain if the tariffs were defined to cover the standard costs) and the receipts with the current tariffs (receipts obtained by the application, in each year, of the current tariffs). The standard costs include the activities of generation, transport, distribution and commercialisation of electric energy and are determined by the application of the rules defined in the tariff convergence process.

In accordance with Tariff Regulation, the subsidies granted to EEM under the tariff convergence process for the years after 2002 are recognised in the income statement in period to which the convergence refers, based on the equity principle of tariffs between the Continent and Autonomous Region of Madeira consumers.

Transfers of assets from customers

The works carried out in the distribution network at customer request and invoiced to them are recorded as tangible fixed assets as long as they meet the capitalisation requirements. The received amounts are recorded in the income statement.

Promotion plan for efficient consumption of energy

The subsidies granted by ERSE to finance the Promotion Plan for Efficient Consumption of Energy (PPEC) are recognised in income statement when there is reasonable assurance that the amounts will be received.

l) Provisions

Provisions are recognised when:

- EEM has a present, legal or constructive obligation as result of a past event;
- It is probable that settlement will be required in the future;
- A reliable estimate of the obligation can be made.

On an annual basis, provisions are subject to review, according with the expectation of their future liabilities.

m) Employee benefits

Pensions

Following the Company Agreement, EEM assumed the liabilities related to retirement and pre-retirement pensions for the employees that were included in the Social Security ("Caixa Nacional de Pensões") as at the date of the above mentioned Agreement. The retirement pension complements correspond to the difference between the pension granted by the Social Security (limit of age or disability) and the last salary received by the employee.

The above mentioned pension plan consists in a defined benefit retirement plan, whose liabilities are assessed by an independent actuarial valuation following the projected unit credit method, with the purpose of determining the present value of projected benefits and the corresponding current services costs. The discount rate used is determined based on market rates associated with corporate bonds with high rating, denominated in the currency in which benefits will be paid and with a similar maturity to the maturity date of the 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 in the income statement in accordance with IAS 19 – Employee Benefits, as adopted by the original text of Regulation no. 1126/2008, of 3 November.

EEM recognises as cost in the income statement a total net amount that includes (i) current service cost; (ii) interest cost; (iii) estimated return of the fund assets; (iv) the effect of early retirements; and (v) the effect of curtailments.

n) Recognition of income and expenses

Income and expenses are recorded in the period to which they refer regardless of when paid or received, in accordance with the accrual concept. Differences between amounts received and paid and the corresponding revenues and charges are recorded under other assets or liabilities depending on whether they are receivable or payable amounts.

Revenue is measured at fair value of the received or receivable retribution. Revenue comprise the amounts of electricity sales invoiced and related services rendered, net of value added taxes, rebates and discounts and the elimination of sales between Group companies.

Energy sales are considered as income in the period in which the consumption occurs, independently of the invoicing date. The invoicing of electricity sales is undertaken on a monthly basis, considering the electricity tariffs established by ERSE. Revenues regarding the electric energy to be invoiced, corresponding to the actual consumption not metered as at the balance sheet value, are accrued based on real consumptions.

o) CO2 Licenses

EEM owns CO2 licenses in order to face the emissions that result from its operational activity. CO2 licenses owned for own consumption and freely attributed are recognised as an intangible asset against equity as at the attribution date and are valued based on the market price as at that date. The licenses acquired in the market in order to settle the liability arising from the consumption are recognised as an intangible asset at its acquisition cost.

The licenses usage is valued at historical cost considering the emissions occurred during the period (FIFO). These emissions are registered as depreciation expenses in the period they take place. When the emissions for the period exceeds the licenses held, is charged a provision for the amount necessary to acquire the licenses in the market, as at the balance sheet date.

The subsidies initially recorded against equity are subsequently amortised over the period in which they are attributed, on the same proportion as the consumptions, against the income statement. In accordance with the regulation disposals defined by ERSE, the amount recognised in equity arising from the licenses freely attributed and not consumed is reclassified to the balance Other payables, considering the existence of a liability with the Electric System, which will be settled during the “Plano Nacional de Atribuição de Licenças de Emissão II (2008-2012)” period.

p) Tariff adjustments

In activities subject to regulation, 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 EEM's financial statements represent the difference between the amounts invoiced by EEM (based on the applicable tariffs published by ERSE in December of the previous year) and the regulated revenue calculated based on real costs. The assets or liabilities resulting from the tariff adjustments are recovered or returned through the electricity tariffs charged to customers in subsequent periods.

Decree-Law no. 165/2008, of 21 August, recognised the unconditional right of the regulated operators to recover the tariff adjustments under a regime identical to the one used for the tariff deficits. Consequently, EEM books in the income statement the effects resulting from the recognition of tariff adjustments. 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.

q) Financial instruments

EEM recognises a financial asset, a financial liability or an equity instrument only when it becomes part of the financial instrument contract dispositions.

EEM measures the financial instruments at their amortised cost, net of impairment losses, when they fulfil the following conditions:

- Are repayable on demand or have a defined maturity;
- The returns for its holder are (i) a fixed amount; (ii) determined based on a fixed interest rate over the instrument life or based on a variable rate that is a typical market index for financing transactions or that includes a spread over the same index; and
- Do not contain any contractual clause that may result in the loss of the nominal value and accumulated interest (excluding the typical credit risks cases).

The remaining financial instruments are recognised at fair value or at acquisition cost, net of impairment, when it is not possible to reliably measure the fair value.

Clients and other receivables

Clients and other receivables are recognised, at each balance sheet date, at cost or amortised cost net of impairment losses. These assets are initially recognised at their fair value plus transactions costs.

Financial liabilities

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

Derivative financial instruments

EEM contracts derivative financial instruments to hedge the interest rate risk arising from its financial debt portfolio (Management perspective), in order to reduce the variability in the related financial charges.

Derivative financial instruments are recognised on the trade date at fair value. Subsequently, the fair value of derivative financial instruments is re-measured on a regular basis, being the gains or losses on re-measurement recognised directly in the income statement, except for derivatives designated as cash flow hedging instruments.

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.

Impairment

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

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after their initial recognition.

r) Contingent assets and liabilities

The Company does not recognise contingent assets and liabilities.

Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits. Assets are disclosed when an inflow of economic benefits is remote.

Assets and contingent liabilities are assessed continually to ensure that developments are appropriately reflected in the financial statements.

If it becomes probable that an outflow of economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

If it has become virtually certain that an inflow of economic benefits, the asset and related income are recognised in the financial statements of the period in which the change occurs.

Environmental contingent liabilities are not recognised in the balance sheet. If there is a possibility, less likely, that environmental damage should be rectified in the future, but the obligation is still dependent on the occurrence of an uncertain event, the Company discloses the respective contingent liability.

s) Expenses / Income from financing

The expenses / income from financing include the interest paid by borrowing, interest received from such investments and income and expenses obtained and supported.

Interest is recognised according to the accrual basis.

t) Events occurred after the balance sheet date

The presented financial statements reflect subsequent events occurred until 26 March 2013, date in which the Board of Directors approved them, as mentioned in Note 47. Events occurring after the balance sheet date about conditions that existed at the balance date are considered in the preparation of financial statements.

The material events occurred after the balance sheet date which do not result in adjustments are disclosed in Note 47.

3.3 Critical accounting estimates and judgments used in preparing the financial statements

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

The main accounting estimates and judgments used in applying the accounting policies are discussed in this note in order to improve the understanding of how their application affects the EEM's reported results and disclosures. A broader description of the accounting policies employed by EEM is disclosed in Note 3.2.

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

below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairments of clients and other debtors

Impairment losses related to clients and other debtors are determined by EEM 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 clients and other debtors, namely changes in the economic environment, economic sector trends, client's credit risk and increases in the rate of defaults. The evaluation process is subject to numerous estimates and judgment. Changes in the estimates and judgment could change the impairment test results which could affect the reported results.

Tariff adjustments

Tariff adjustments represent the difference between costs and income of the National Electricity System (SEN), estimated at the beginning of each period for purposes of calculating the tariff, and the actual costs and income of the Electricity System established at the end of each period. The tariff adjustments assets or liabilities are recovered or returned through electricity tariffs for customers in subsequent periods. Considering the current legislation which establishes an unconditional right of the regulated operators to recover or return the tariff adjustments, EEM booked in income of the period the effects of the recognition of the tariff adjustment. Under the current legislation, regulated companies can also sell to a third party, in whole or in part, the right to receive the tariff adjustments through the electricity tariffs.

Impairment of non-current assets

Impairment tests are performed, whenever there is a trigger that the recoverable amount of tangible and intangible assets is less than the corresponding carrying amount. Considering the uncertainties regarding the recoverable amount of tangible and intangible assets 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 EEM's results.

Assets useful life

The assets for production, transmission and distribution of energy are amortised over their estimated period of useful life, considering the facts and circumstances existing on the date of preparation of financial statements that include, among others, the best estimates of EEM on the life of the respective assets.

In 2012, Enereem proceeded to redefine the useful lives of the wind farms of Porto Santo and Bica da Cana from 16 to 20 years and, consequently, alter prospectively the amount of the respective depreciation, as described in note 5.

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 the liability. Changes in the assumptions can materially affect the amounts determined.

Provisions

The amount recognised as a provision is the best estimate of the expense required to settle the present obligation at the balance sheet date. The use of different assumptions in the estimates and judgments from those referred to can lead to different results of those considered.

In the normal course of its activities, the EEM Group's subsidiaries have several lawsuits and contingencies (possible risk) of administrative nature, civil nature, tax and other. These lawsuits, arbitration or other involve third parties, administrative Authorities, tax Authorities and other.

These processes in which estimate losses are unlikely do not require provisioning and are periodically reassessed.

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

Income tax

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

In Portugal, the Tax Authorities are entitled to review EEM determination of its annual taxable earnings, and its subsidiaries, for a period of four years and for tax years beginning after 2012. If there are tax losses this period is five years for tax years beginning after 2012, four years for the years 2011 and 2010 and six years for the previous years. 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, EEM believe that there will be no material tax assessments within the context of the financial statements.

Recognition of deferred tax assets related to tax losses carried forward is based on EEM's Board of Directors expectation that future taxable income will exist.

3.4 Main assumptions concerning the future

There were no situations identified by EEM's Board of Directors threatening the continuity of EEM.

4. Cash Flow Statement

The Cash Flow Statement is presented under the direct method, by which gross cash from operational, investment and financing activities are disclosed. EEM classifies cash flows related to interests and dividends paid as financing activities and the interests and dividends received as investment activities.

As at 31 December 2011, and for comparative purposes, was performed the separation of cash flow from financing activities - Payments regarding obtained Financing, leading to a Cash Flow from Financing Activities - Cash payments relating to other operations of funding in the amount of 2,010,000 Euros regarding payments for a collateral deposit for the "interest rate" swap, presented under Other financial assets.

4.1 At 31 December 2012 all the cash and cash equivalent balances are available for use.

4.2 Cash and deposits at banks are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Current bank deposits	3,856	27,504	3,506	27,237
Cash and cash equivalents	176,237	232,822	141,374	79,163
	180,093	260,326	144,880	106,400

5. Changes in accounting estimates and errors

Redefinition of the useful lives of assets in the production of wind energy

In 2012, the EEM Group, through its subsidiary Enereem proceeded to redefine the useful lives of the wind farms of Porto Santo and Bica da Cana from 16 to 20 years and, consequently, changed prospectively the amount of the respective amortisation.

The redefinition of the useful life of the plants was based on the technical specifications of the suppliers of assets installed in these wind farms, certified by an external entity. Based on this information, we identified the remaining useful life of each asset. This analysis includes assumptions that require judgment and estimates for the determination of the useful lives of these assets, and the expectation of Management that the period licenses for the use of the public domain of Madeira Autonomous Region for the production of electricity from renewable sources, will remain until the end of the useful lives.

6. Consolidation perimeter

The subsidiaries consolidated under the full consolidation method as at 31 December 2012 are as follows:

(amounts expressed in Euros)

Designation	Head office	Share capital	Total assets	Total liabilities	Total equity	Sales and services rendered	Net profit for the period	% Group
Casa da Luz	Funchal	99,760	2,412,996	2,005,161	407,835	55,015	1,392	100.00%
Enereem	Funchal	49,880	25,397,734	20,395,648	5,002,085	3,955,987	926,626	92.50%
Emacom	Funchal	49,880	1,684,801	1,248,770	436,031	898,500	376,152	100.00%

The associated companies consolidated under the equity method as at 31 December 2012 are as follows:

(amounts expressed in Euros)

Designation	Head office	Share capital	Total assets	Total liabilities	Total equity	Sales and services rendered	Net profit for the period	% Group
Teleféricos da Madeira	Funchal	250,000	9,271,987	2,565,479	6,706,508	5,676,513	2,623,669	20.00%
EEM & BFS	Funchal	6,000,000	28,478,799	16,103,553	12,375,246	-	(71,554)	40.00%

During the period ended 31 December 2012 there were no transactions related to the acquisition and/or disposal of shareholdings in the companies listed above.

7. Tangible fixed assets

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gross amount:				
Land	6,422,029	6,422,029	6,422,029	6,422,029
Buildings	201,682,386	200,002,640	198,471,392	196,791,646
Basic equipment	597,504,118	589,388,034	563,894,796	555,809,810
Transport equipment	378,615	409,728	197,055	197,055
Office equipment	7,651,850	7,605,341	7,502,982	7,456,473
Other	3,047,250	3,017,947	3,047,249	3,017,947
Art	63,295	63,295	-	-
Work in progress	14,823,730	16,126,390	14,823,730	16,126,390
	831,573,273	823,035,404	794,359,233	785,821,350
Accumulated depreciation and impairment losses:				
Depreciation of the period	(27,369,949)	(27,489,344)	(25,514,462)	(25,783,453)
Depreciation of write-offs/disposals	76,182	479,110	-	479,109
Depreciation of previous periods	(418,416,218)	(391,405,984)	(410,425,900)	(385,121,556)
	(445,709,985)	(418,416,218)	(435,940,362)	(410,425,900)
Net amount	385,863,288	404,619,186	358,418,871	375,395,450

The movements in Tangible fixed assets for the Group, during 2012, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Land	6,422,029	-	-	-	-	6,422,029
Buildings	200,002,640	38,710	-	-	1,641,036	201,682,386
Basic equipment	589,388,034	3,989,320	-	(80,124)	4,206,888	597,504,118
Transport equipment	409,728	-	-	(31,113)	-	378,615
Office equipment	7,605,341	46,509	-	-	-	7,651,850
Other	3,017,947	29,303	-	-	-	3,047,250
Art	63,295	-	-	-	-	63,295
Work in progress	16,126,390	4,780,440	-	-	(6,083,100)	14,823,730
	823,035,404	8,884,282	-	(111,237)	(235,176)	831,573,273
Accumulated depreciation and impairment losses:						
Buildings	(84,355,982)	(5,374,990)	-	-	-	(89,730,972)
Basic equipment	(324,601,905)	(21,562,064)	-	45,069	-	(346,118,900)
Transport equipment	(227,857)	(62,790)	-	31,113	-	(259,534)
Office equipment	(6,990,071)	(251,656)	-	-	-	(7,241,727)
Other	(2,240,403)	(118,449)	-	-	-	(2,358,852)
	(418,416,218)	(27,369,949)	-	76,182	-	(445,709,985)
Net amount	404,619,186					385,863,288

The Acquisitions recorded in the period include interventions on transmission lines (317,499 Euros), medium voltage distribution (970,000 Euros), substations (540,129 Euros), posts sectioning (422,345 Euros), low voltage networks (2,654,965 Euros) and counting and measuring equipment (495,094 Euros). In the production area, investment in Hydroelectric plants amounted to 1,152,993 Euros in which 477,781 Euros will include the remodeling of the hydroelectric system of Calheta, 180,068 for the hydroelectric recovery system of Fonte do Juncal / Chão da Ribeira and 373,952 Euros spent on the rebuilding various channels. There were made several interventions in thermal plants, regarding the maintenance of their productive capacity, amounting to 513,079 Euros.

In addition to these investments during this period there were capitalised under the caption borrowing costs in the amount of 276,800 Euros (2011: 207,880 Euros), having been used the capitalisation rate of 5.66% to determine these costs (see Note 41).

As mentioned in Note 5, in 2012 the EEM Group, through its subsidiary Enereem proceeded to redefine the useful lives of the wind farms of Porto Santo and Bica da Cana, from 16 to 20 years

and, consequently, changed prospectively the amount of the respective amortisation for the period beginning in 1 January 2012.

The movements in Tangible fixed assets for the Group, during 2011, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Land	6,422,029	-	-	-	-	6,422,029
Buildings	195,828,245	1,302,877	-	-	2,871,518	200,002,640
Basic equipment	571,484,066	8,107,969	-	(441,463)	10,237,462	589,388,034
Transport equipment	209,215	238,160	-	(37,647)	-	409,728
Office equipment	7,434,039	153,822	-	-	17,480	7,605,341
Other	2,853,122	164,825	-	-	-	3,017,947
Art	63,295	-	-	-	-	63,295
Work in progress	15,538,207	13,799,276	-	-	(13,211,093)	16,126,390
	<u>799,832,218</u>	<u>23,766,929</u>		<u>(479,110)</u>	<u>(84,633)</u>	<u>823,035,404</u>
Accumulated depreciation and impairment losses:						
Buildings	(79,028,411)	(5,327,571)	-	-	-	(84,355,982)
Basic equipment	(303,416,209)	(21,627,159)	-	441,463	-	(324,601,905)
Transport equipment	(182,943)	(82,561)	-	37,647	-	(227,857)
Office equipment	(6,671,011)	(319,060)	-	-	-	(6,990,071)
Other	(2,107,410)	(132,993)	-	-	-	(2,240,403)
	<u>(391,405,984)</u>	<u>(27,489,344)</u>		<u>479,110</u>		<u>(418,416,218)</u>
Net amount	<u>408,426,234</u>					<u>404,619,186</u>

In 2011 the acquisitions for the period reflect the final works in “Central Térmica da Vitória” (CTV III), in the amount of 939,358 Euros, works for the reconstruction of the water supply network “levadas”, in the amount of 1,485,140 Euros, works on the energy transport network (1,230,150 Euros), medium-voltage (3,023,100 Euros) and low-voltage (3,313,480 Euros) distribution networks. In addition, some interventions were made in Groups 9 and 10 of “Central Térmica da Vitória” in order to maintain its productive capability, in the amount of 626,621 Euros, and also major repairs in the fuel tanks in “Central Térmica do Porto Santo”, in the amount of 530,131 Euros.

Additionally in 2011, in the subsidiary Enereem, the wind farm “Loiral II” was completed and started its operation, consisting of 2 wind turbines of 3 MW each, whose investment amounted, in 2011, to 6,399 Euros.

The movements in Tangible fixed assets caption on an individual basis, during the year 2012, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Land	6,422,029	-	-	-	-	6,422,029
Buildings	196,791,646	38,710	-	-	1,641,036	198,471,392
Basic equipment	555,809,810	3,878,098	-	-	4,206,888	563,894,796
Transport equipment	197,055	-	-	-	-	197,055
Office equipment	7,456,473	46,509	-	-	-	7,502,982
Other	3,017,947	29,302	-	-	-	3,047,249
Work in progress	16,126,390	4,780,440	-	-	(6,083,100)	14,823,730
	<u>785,821,350</u>	<u>8,773,059</u>			<u>(235,176)</u>	<u>794,359,233</u>
Accumulated depreciation and impairment losses:						
Buildings	(83,012,833)	(5,265,600)	-	-	-	(88,278,433)
Basic equipment	(318,161,412)	(19,876,228)	-	-	-	(338,037,640)
Transport equipment	(144,855)	(17,400)	-	-	-	(162,255)
Office equipment	(6,866,365)	(236,784)	-	-	-	(7,103,149)
Other	(2,240,435)	(118,450)	-	-	-	(2,358,885)
	<u>(410,425,900)</u>	<u>(25,514,462)</u>				<u>(435,940,362)</u>
Net amount	<u>375,395,450</u>					<u>358,418,871</u>

The movements in Tangible fixed assets caption on an individual basis, during the year 2011, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Land	6,422,029	-	-	-	-	6,422,029
Buildings	192,617,251	1,302,877	-	-	2,871,518	196,791,646
Basic equipment	544,363,912	8,081,290	-	(441,462)	3,806,070	555,809,810
Transport equipment	165,102	69,600	-	(37,647)	-	197,055
Office equipment	7,292,116	153,267	-	-	11,090	7,456,473
Other	2,853,122	164,825	-	-	-	3,017,947
Work in progress	15,505,442	7,400,648	-	-	(6,779,700)	16,126,390
	<u>769,218,974</u>	<u>17,172,507</u>	<u>-</u>	<u>(479,109)</u>	<u>(91,022)</u>	<u>785,821,350</u>
Accumulated depreciation and impairment losses:						
Buildings	(77,794,651)	(5,218,182)	-	-	-	(83,012,833)
Basic equipment	(298,506,967)	(20,095,907)	-	441,462	-	(318,161,412)
Transport equipment	(153,109)	(29,393)	-	37,647	-	(144,855)
Office equipment	(6,559,386)	(306,979)	-	-	-	(6,866,365)
Other	(2,107,443)	(132,992)	-	-	-	(2,240,435)
	<u>(385,121,556)</u>	<u>(25,783,453)</u>	<u>-</u>	<u>479,109</u>	<u>-</u>	<u>(410,425,900)</u>
Net amount	<u>384,097,418</u>					<u>375,395,450</u>

During the years ended 31 December 2012 and 2011, the following amounts were capitalised under the caption Tangible fixed assets:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Own work capitalised:				
Tangible fixed assets:				
Materials	814,880	2,624,040	814,880	2,624,040
Supplies and services	984,021	3,292,998	984,021	3,292,998
Personnel	1,904,271	2,252,448	1,904,271	2,252,448
Other	56,295	66,709	56,295	66,709
	<u>3,759,467</u>	<u>8,236,195</u>	<u>3,759,467</u>	<u>8,236,195</u>
Work in progress:				
Materials	403,783	775,158	403,783	775,158
Supplies and services	1,094,076	2,743,515	1,094,076	2,743,515
Personnel	528,457	628,468	528,457	628,468
Other	-	20,158	-	20,158
	<u>2,026,316</u>	<u>4,167,299</u>	<u>2,026,316</u>	<u>4,167,299</u>
	<u>5,785,783</u>	<u>12,403,494</u>	<u>5,785,783</u>	<u>12,403,494</u>

During 2012, the expenses incurred with these assets amounted to 5,785,783 Euros (2011: 12,403,494 Euros), being the corresponding income recorded in the income statement under the caption Own work capitalised (Note: 35).

During the period were capitalised in this caption and recorded as environmental expenditures the amounts of 853,734 Euros and 1,026,489 Euros, respectively.

8. Intangible assets

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gross amount:				
Software	18,377,025	3,989,362	18,366,788	17,666,161
CO2 licenses	3,989,362	3,989,362	3,989,362	7,570,538
Industrial property and other rights	146,538	146,538	146,538	146,538
	<u>22,512,925</u>	<u>8,125,262</u>	<u>22,502,688</u>	<u>25,383,237</u>
Accumulated amortisation and impairment losses:				
Amortisation of the period	(4,448,311)	(7,019,506)	(4,446,605)	(7,017,800)
Amortisation of previous periods	(12,699,796)	(10,340,557)	(12,692,972)	(10,335,439)
	<u>(17,148,107)</u>	<u>(17,360,063)</u>	<u>(17,139,577)</u>	<u>(17,353,239)</u>
Net amount	<u>5,364,818</u>	<u>(9,234,801)</u>	<u>5,363,111</u>	<u>8,029,998</u>

The movements in this balance for the Group, during 2012, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Software	17,676,398	465,451	-	-	235,176	18,377,025
CO2 licenses	7,570,538	3,984,191	-	(7,565,367)	-	3,989,362
Industrial property and other rights	146,538	-	-	-	-	146,538
	<u>25,393,474</u>	<u>4,449,642</u>	<u>-</u>	<u>(7,565,367)</u>	<u>235,176</u>	<u>22,512,925</u>
Accumulated amortisation and impairment losses:						
Software	(12,680,142)	(2,147,242)	-	-	-	(14,827,384)
CO2 licenses	(4,660,267)	(2,294,598)	-	4,660,267	-	(2,294,598)
Industrial property and other rights	(19,654)	(6,471)	-	-	-	(26,125)
	<u>(17,360,063)</u>	<u>(4,448,311)</u>	<u>-</u>	<u>4,660,267</u>	<u>-</u>	<u>(17,148,107)</u>
Net amount	<u>8,033,411</u>					<u>5,364,818</u>

The acquisitions of Software refer, mainly, to the up-date and development of the EEM computer systems.

EEM recorded in the caption CO2 licenses, as at 1 January 2012 3,984,191 Euros related to the CO2 licenses freely attributed in 2012 by “Instituto do Ambiente” (577,419 tons of Emission Unit Allowance: EUA).

The reduction in the caption CO2 licenses includes 4,660,267 Euros related to the licenses delivered concerning the 2011 consumptions (335,271 tons of EUA), as referred in Note 44.

Additionally, during this period, EEM performed several operations under which sold 209,000 tons of EUA by 1,446,150 Euros (net of commissions), which had an impact in the same amount in the income statement, due to the recognition of a loss in the sale of EUA (1,458,950 Euros including 20,900 Euros of commissions: see Note 40) and of the subsidy associated to the EUA freely attributed that were sold (2,905,100 Euros: see Note 39). Through the regulation mechanism, the total impact of the CO2 licenses transactions amounts to 8,547 Euros (including the effect of the Tariff compensation of 2012 in the income statement).

The depreciation recorded in the caption CO2 licenses, in the amount of 2,294,598 Euros (2011: 4,660,267 Euros), refers to CO2 consumptions performed by EEM in the course of its operational activity, as referred in Note 3.2 o).

The movements in this balance for the Group, during 2011, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Software	16,962,699	629,066	-	-	84,633	17,676,398
CO2 licenses	6,560,851	8,026,124	-	(7,016,437)	-	7,570,538
Industrial property and other rights	146,538	-	-	-	-	146,538
	<u>23,670,088</u>	<u>8,655,190</u>	<u>-</u>	<u>(7,016,437)</u>	<u>84,633</u>	<u>25,393,474</u>
Accumulated amortisation and impairment losses:						
Software	(10,327,374)	(2,352,768)	-	-	-	(12,680,142)
CO2 licenses	(4,671,968)	(4,660,267)	-	4,671,968	-	(4,660,267)
Industrial property and other rights	(13,183)	(6,471)	-	-	-	(19,654)
	<u>(15,012,525)</u>	<u>(7,019,506)</u>	<u>-</u>	<u>4,671,968</u>	<u>-</u>	<u>(17,360,063)</u>
Net amount	<u>8,657,563</u>					<u>8,033,411</u>

EEM recorded in the caption CO2 licenses, as at 1 January 2011 8,026,124 Euros related to the CO2 licenses freely attributed in 2011 by "Instituto do Ambiente" (577,419 tons of Emission Unit Allowance: EUA).

The reduction in the caption CO2 licenses in 2011 includes 4,671,968 Euros related to the licenses delivered concerning the 2010 consumptions (364,144 tons of EUA) as shown in note 44.

Additionally, during the 2011 period, EEM performed several operations under which sold 180,000 tons of EUA by 2,305,400 Euros (net of commissions), which had an impact in the same amount in the income statement, due to the recognition of a loss in the sale of EUA (39,070 Euros including 18,000 Euros of commissions: see Note 40) and of the subsidy associated to the EUA freely attributed that were sold (2,344,469 Euros: see Note 39). Through the regulation mechanism, the total impact of the CO2 licenses transactions amounts to 5,842 Euros (including the effect of the Tariff compensation of 2011 in the income statement).

The depreciation recorded in the caption CO2 licenses, in the amount of 4,660,267 Euros, refers to CO2 consumptions performed by EEM in the course of its operational activity, as referred in the accounting policy 3.2 o).

The movements in this caption on an individual basis, during the year 2012, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Software	17,666,161	465,451	-	-	235,176	18,366,788
CO2 licenses	7,570,538	3,984,191	-	(7,565,367)	-	3,989,362
Industrial property and other rights	146,538	-	-	-	-	146,538
	<u>25,383,237</u>	<u>4,449,642</u>	<u>-</u>	<u>(7,565,367)</u>	<u>235,176</u>	<u>22,502,688</u>
Accumulated amortisation and impairment losses:						
Software	(12,673,318)	(2,145,536)	-	-	-	(14,818,854)
CO2 licenses	(4,660,267)	(2,294,598)	-	4,660,267	-	(2,294,598)
Industrial property and other rights	(19,654)	(6,471)	-	-	-	(26,125)
	<u>(17,353,239)</u>	<u>(4,446,605)</u>	<u>-</u>	<u>4,660,267</u>	<u>-</u>	<u>(17,139,577)</u>
Net amount	<u>8,029,998</u>					<u>5,363,111</u>

The movements in this caption on an individual basis, during the year 2011, are analysed as follows:

	Balance at 1 January Euros	Acquisitions/ Charges Euros	Revaluations/ Impairment Euros	Disposals/ Write-offs Euros	Transfers/ Regularisations Euros	Balance at 31 December Euros
Gross amount:						
Software	16,946,073	629,066	-	-	91,022	17,666,161
CO2 licenses	6,560,851	8,026,124	-	(7,016,437)	-	7,570,538
Industrial property and other rights	146,538	-	-	-	-	146,538
	23,653,462	8,655,190	-	(7,016,437)	91,022	25,383,237
Accumulated amortisation and impairment losses:						
Software	(10,322,256)	(2,351,062)	-	-	-	(12,673,318)
CO2 licenses	(4,671,968)	(4,660,267)	-	4,671,968	-	(4,660,267)
Industrial property and other rights	(13,183)	(6,471)	-	-	-	(19,654)
	(15,007,407)	(7,017,800)	-	4,671,968	-	(17,353,239)
Net amount	8,646,055					8,029,998

During 2012 the expenses incurred with Intangible assets amounted to 105,584 Euros (2011: 87,663 Euros), being the corresponding income recorded in the income statement under the caption Own work capitalised (Note 35).

9. Investments - Equity method

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Subsidiaries	-	-	5,884,536	6,102,173
Associated companies	10,251,401	10,159,863	10,251,401	10,159,863
	10,251,401	10,159,863	16,135,937	16,262,036

The detail of this balance, on an individual basis, is analysed as follows:

	Dec 2012			Dec 2011		
	Gross amount Euros	Impairment Euros	Net amount Euros	Gross amount Euros	Impairment Euros	Net amount Euros
Subsidiaries:						
Museu - Casa da Luz	2,353,023	(2,353,023)	-	2,312,559	(2,312,559)	-
Enereem	5,448,505	-	5,448,505	5,383,379	-	5,383,379
Emacom	436,031	-	436,031	718,794	-	718,794
	8,237,559	(2,353,023)	5,884,536	8,414,732	(2,312,559)	6,102,173
Associated companies:						
Teleféricos da Madeira	1,341,302	-	1,341,302	1,219,543	-	1,219,543
EEM & BFS	8,910,099	-	8,910,099	8,940,320	-	8,940,320
	10,251,401	-	10,251,401	10,159,863	-	10,159,863
	18,488,960	(2,353,023)	16,135,937	18,574,595	(2,312,559)	16,262,036

As referred under the accounting policy 3.2 a) and in accordance with NCRF 13, in an individual basis, the investments in subsidiaries and associated companies in which EEM has, respectively, control or significant influence, are recorded by the equity method. However, in a consolidated basis, the investments in subsidiaries are fully consolidated.

The movements in this balance on an individual basis, during 2012, are analysed as follows:

	Balance at 1 January Euros	Acquisitions / Charges Euros	Disposals / Reductions Euros	Equity method Euros	Other variations Euros	Balance at 31 December Euros
Gross amount:						
Casa da Luz	2,312,559	-	-	379	40,085	2,353,023
Enereem	5,383,379	-	-	776,151	(711,025)	5,448,505
Emacom	718,794	-	-	(282,763)	-	436,031
Teleféricos da Madeira	1,219,543	-	-	121,759	-	1,341,302
EEM & BFS	8,940,320	-	-	(30,221)	-	8,910,099
	18,574,595	-	-	585,305	(670,940)	18,488,960
Impairment:						
Casa da Luz	(2,312,559)	(40,464)	-	-	-	(2,353,023)
	(2,312,559)	(40,464)	-	-	-	(2,353,023)
	16,262,036					16,135,937

In the column Equity method is presented the effects of the application of this consolidation method, being this variation a result of the appropriation of the net profit of the period of the subsidiaries and associated companies, in the amount of 1,661,288 Euros, and of negative variations in the equity of the subsidiaries and associated companies, in the amount of 1,075,983 Euros.

The caption Other variations corresponds to variations in loans granted considered as equity instruments under NCRF.

The resumed financial information relative to subsidiaries and associated companies is presented in Note 6.

The movements in this balance during 2011 on an individual basis, are analysed as follows:

	Balance at 1 January Euros	Acquisitions / Charges Euros	Disposals / Reductions Euros	Equity method Euros	Other variations Euros	Balance at 31 December Euros
Gross amount:						
Casa da Luz	2,352,007	-	-	(1,499)	(37,949)	2,312,559
Enereem	2,555,525	-	-	958,959	1,868,895	5,383,379
Emacom	465,494	-	-	253,300	-	718,794
Teleféricos da Madeira	1,017,233	-	-	202,310	-	1,219,543
EEM & BFS	8,976,007	-	-	(35,687)	-	8,940,320
	15,366,266	-	-	1,377,383	1,830,946	18,574,595
Impairment:						
Casa da Luz	(2,352,007)	-	39,448	-	-	(2,312,559)
	(2,352,007)	-	39,448	-	-	(2,312,559)
	13,014,259					16,262,036

In the column Equity method is presented the effects of the application of this consolidation method, being this variation a result of the appropriation of the net profit of the period of the subsidiaries and associated companies, in the amount of 1,804,315 Euros, and of negative variations in the equity of the subsidiaries and associated companies, in the amount of 426,932 Euros.

The caption Other variations corresponds to variations in loans granted considered as equity instruments under NCRF.

10. Investments - Other methods

The detail of this balance is analysed as follows:

		Dec 2012			Dec 2011		
	Method	Gross amount Euros	Impairment Euros	Net amount Euros	Gross amount Euros	Impairment Euros	Net amount Euros
Banif - Banco Internacional do Funchal, S.A.	Fair value	1,136,490	-	1,136,490	2,646,621	-	2,646,621
Luso Carbon Fund	Fair value	609,323	-	609,323	764,577	-	764,577
Horários do Funchal, S.A.	Acquisition cost	611,027	[611,027]	-	611,027	[611,027]	-
Companhia Logística de Combustíveis da Madeira, S.A.	Acquisition cost	50,000	-	50,000	50,000	-	50,000
Madibel Indústrias de Alimentos e Bebidas, S.A.	Acquisition cost	20,141	[20,141]	-	20,141	[20,141]	-
Comboio do Monte, S.A.	Acquisition cost	16,000	-	16,000	16,000	-	16,000
Centro de Empresas e Inovação da Madeira, Lda.	Acquisition cost	3,990	-	3,990	3,990	-	3,990
		2,446,971	[631,168]	1,815,803	4,112,356	[631,168]	3,481,188

During the year 2012 occurred the extinction of Banif - SGPS, S.A., as part of its merge with Banif - Banco Internacional do Funchal, S.A. (Banif, S.A.), having now the status of a public company listed on the public investment Stock Exchange. Following the merge shares of Banif S.A. were allocated in the proportion of one to one, to the former shareholder of Banif SGPS.

The movement of investments during the year 2012 is analysed as follows:

	Balance at 1 January Euros	Acquisitions Euros	Disposals Euros	Changes in fair value Euros	Impairment Euros	Balance at 31 December Euros
Banif - Banco Internacional do Funchal, S.A.	2,646,621	-	-	(1,510,131)	-	1,136,490
Luso Carbon Fund	764,577	-	-	(155,254)	-	609,323
Companhia Logística de Combustíveis da Madeira, S.A.	50,000	-	-	-	-	50,000
Comboio do Monte, S.A.	16,000	-	-	-	-	16,000
Centro de Empresas e Inovação da Madeira, Lda.	3,990	-	-	-	-	3,990
	3,481,188	-	-	(1,665,385)	-	1,815,803

As at 31 December 2012, the investments held in Banif - Banco Internacional do Funchal, S.A. and Luso Carbon Fund decreased 1,510,131 and 155,254 Euros, respectively, this impairment was recognised in the fair value reductions (see Note 38).

The movement of investments during the year 2011 is analysed as follows:

	Balance at 1 January Euros	Acquisitions Euros	Disposals Euros	Changes in fair value Euros	Impairment Euros	Balance at 31 December Euros
Banif - SGPS, S.A.	6,694,394	-	-	(4,047,773)	-	2,646,621
Luso Carbon Fund	964,804	-	-	(200,227)	-	764,577
Companhia Logística de Combustíveis da Madeira, S.A.	50,000	-	-	-	-	50,000
Comboio do Monte, S.A.	16,000	-	-	-	-	16,000
Centro de Empresas e Inovação da Madeira, Lda.	3,990	-	-	-	-	3,990
	7,729,188	-	-	(4,248,000)	-	3,481,188

As at 31 December 2011, the investments held in Banif - SGPS, S.A. and in Luso Carbon Fund decreased by 4,047,773 and 200,227 Euros respectively, being this decrease booked against Fair value losses (see Note 38).

11. Clients

The Clients are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gross amount:				
Non-current assets:				
Official entities with protocol	34,446,202	34,848,485	34,446,202	34,848,485
	34,446,202	34,848,485	34,446,202	34,848,485
Current assets:				
Official entities with protocol	2,666,948	3,500,663	2,666,948	3,500,663
Official entities without protocol	76,918,927	72,240,232	76,918,812	72,239,890
Private clients	40,798,213	35,957,709	40,653,518	35,782,357
	120,384,088	111,698,604	120,239,278	111,522,910
	154,830,290	146,547,089	154,685,480	146,371,395
Impairment:				
Non-current assets	(7,102,754)	(7,383,973)	(7,102,754)	(7,383,973)
Current assets	(34,222,500)	(31,454,370)	(34,219,834)	(31,451,704)
	(41,325,254)	(38,838,343)	(41,322,588)	(38,835,677)
Net amount:	113,505,036	107,708,746	113,362,892	107,535,718

The balance Official entities with protocol, in the amount of 37,113,150 Euros (2011: 38,349,148 Euros), refers to a set of protocols signed with several regional official entities in order to receive the amounts owed by those entities during a period between 5 and 30 years, without interest and in a monthly based instalments. Under these protocols, EEM has received during 2012 the amount of 3,412,736 Euros (2011: 2,431,648 Euros).

The balance Official entities without protocol, in the amount of 76,918,927 Euros (2011: 72,240,232 Euros), relates to amounts invoiced to regional official entities until 31 December 2012 regarding electric energy supply and other services rendered due as at the balance sheet date and with no payment plan established. This amount includes 30,718,101 Euros (2011: 29,846,102 Euros) related to public lighting.

In 2012, the movements in Impairment losses, for the Group, are analysed as follows:

	Balance at 1 January Euros	Charge-off Euros	Charges Euros	Reversals Euros	Balance at 31 December Euros
Impairment losses:					
Non-current assets:					
Official entities with protocol	(7,383,973)	-	-	281,219	(7,102,754)
	(7,383,973)	-	-	281,219	(7,102,754)
Current assets:					
Official entities with protocol	(74,616)	-	(605,938)	-	(680,554)
Official entities without protocol	(20,268,010)	-	-	324,719	(19,943,291)
Private clients	(11,111,744)	957,749	(3,444,660)	-	(13,598,655)
	(31,454,370)	957,749	(4,050,598)	324,719	(34,222,500)
	(38,838,343)	957,749	(4,050,598)	605,938	(41,325,254)

The charge-off of impairment of private clients in the amount of 957,749 Euros, corresponds to the write-off of amounts due with significant seniority (uncollectible), whose impairment was already fully registered.

In 2011, the movements in Impairment losses, for the Group, are analysed as follows:

	Balance at 1 January Euros	Charge-off Euros	Charges Euros	Reversals Euros	Balance at 31 December Euros
Impairment losses:					
Non-current assets:					
Official entities with protocol	(8,033,046)	-	-	649,073	(7,383,973)
	(8,033,046)	-	-	649,073	(7,383,973)
Current assets:					
Official entities with protocol	(73,922)	-	(694)	-	(74,616)
Official entities without protocol	(15,569,632)	-	(4,698,378)	-	(20,268,010)
Private clients	(10,730,405)	2,898,676	(3,280,015)	-	(11,111,744)
	(26,373,959)	2,898,676	(7,979,087)	-	(31,454,370)
	(34,407,005)	2,898,676	(7,979,087)	649,073	(38,838,343)

The impairment for private clients charge-off, amounting to 2,898,676 Euros, refers to the write-off of amounts owed with significant seniority (uncollectible), which were already fully impaired.

12. Other receivables

The detail of this balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gross amount:				
Non-current assets:				
Tariff compensation	22,531,172	17,355,563	22,531,172	17,355,563
Tariff convergence	-	4,255,723	-	4,255,723
	22,531,172	21,611,286	22,531,172	21,611,286
Current assets:				
Tariff compensation	75,578,265	69,667,849	75,578,265	69,667,849
Tariff convergence	18,411,010	13,973,845	18,411,010	13,973,845
REN	8,684,089	2,618,242	8,684,089	2,618,242
Energy to invoice	5,738,061	6,826,668	5,742,777	6,828,206
Other	2,758,704	2,835,173	2,750,914	2,837,675
	111,170,129	95,921,777	111,167,055	95,925,817
	133,701,301	117,533,063	133,698,227	117,537,103
Impairment:				
Non-current assets	-	(216,915)	-	(216,915)
Current assets	(1,084,670)	(1,084,670)	(1,084,670)	(1,084,670)
	(1,084,670)	(1,301,585)	(1,084,670)	(1,301,585)
Net amount:	132,616,631	116,231,478	132,613,557	116,235,518

The balance Tariff compensation, in the amount of 98,109,437 Euros (2011: 87,023,412 Euros), corresponds to the difference between the amounts invoiced by EEM (based on the tariffs published by ERSE in December of the previous year) and the income calculated based on actual conditions.

The Tariff compensation is detailed, per year of receiving, as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Asset:				
Tariff compensation of 2008	6,027,640	6,027,640	6,027,640	6,027,640
Tariff compensation of 2009	30,601,468	30,601,468	30,601,468	30,601,468
Tariff compensation of 2010	6,967,563	6,967,563	6,967,563	6,967,563
Tariff compensation of 2011	7,305,443	7,305,443	7,305,443	7,305,443
Tariff compensation of 2012	7,476,180	18,765,735	7,476,180	18,765,735
Tariff compensation of 2013	17,199,971	17,355,563	17,199,971	17,355,563
Tariff compensation of 2014	22,531,172	-	22,531,172	-
	98,109,437	87,023,412	98,109,437	87,023,412

The balance Tariff convergence, in the amount of 18,411,010 Euros (2011: 18,229,568 Euros), results from the difference between the amounts recorded in the income statement from 1998 until 2002 and the amounts received regarding the same period, under the contract signed between EEM, the Regional Government and the Central Government, that establishes the payment of the debt in 40 quarterly instalments plus interest, which, as at 31 December 2012, amounts to 324,189 Euros. Under this contract, EEM received from the Central Government, in earlier periods, the amount of 26,713,636 Euros (including capital and interest) plus VAT at a rate of 4%. The tariff convergence is recorded at amortised cost, having a related impairment loss which amounts to 84,670 Euros (2011: 301,585 Euros).

The balance REN, in the amount of 8,684,089 Euros (2011: 2,618,242 Euros), refers to the tariff convergence for December 2012, monthly transferred to EEM.

In 2012, the movements in Impairment losses for the Group are analysed as follows:

	Balance at 1 January Euros	Charges Euros	Reversals Euros	Balance at 31 December Euros
Impairment losses:				
Non-current asset:				
Tariff convergence	(216,915)	-	216,915	-
	(216,915)	-	216,915	-
Current asset:				
Tariff convergence	(84,670)	-	-	(84,670)
Other receivables	(1,000,000)	-	-	(1,000,000)
	(1,084,670)	-	-	(1,084,670)
	(1,301,585)	-	216,915	(1,084,670)

The Impairment losses result from the net present value calculation of the payment plan referred above, which establishes the payment of the debt in 40 quarterly payments without interest. The period reversal corresponds to the unwinding of the amount to receive throughout this payment plan.

In 2011, the movements in Impairment losses for the Group are analysed as follows:

	Balance at 1 January Euros	Charges Euros	Reversals Euros	Balance at 31 December Euros
Impairment losses:				
Non-current asset:				
Tariff convergence	(584,358)	-	367,443	(216,915)
	(584,358)	-	367,443	(216,915)
Current asset:				
Tariff convergence	(88,056)	-	3,386	(84,670)
Other receivables	-	(1,000,000)	-	(1,000,000)
	(88,056)	(1,000,000)	3,386	(1,084,670)
	(672,414)	(1,000,000)	370,829	(1,301,585)

13. Deferred tax assets and liabilities

In its consolidated financial statements, EEM records the tax effect arising from temporary differences between the carrying amounts of assets and liabilities and their respective tax basis, which is analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Deferred tax (net)	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Transition adjustment	365,356	548,034	-	-	365,356	548,034
Non-deductible provisions	15,150,393	14,507,600	-	-	15,150,393	14,507,600
Depreciations without tax consequences	-	-	206,384	218,784	(206,384)	(218,784)
Accounting revaluations	-	-	984,459	1,069,822	(984,459)	(1,069,822)
Non-refundable grants	-	-	7,026,576	8,102,332	(7,026,576)	(8,102,332)
	15,515,749	15,055,634	8,217,419	9,390,938	7,298,330	5,664,696

In its individual financial statements, EEM records the tax effect arising from temporary differences between the carrying amounts of assets and liabilities and their respective tax basis, which is analysed as follows:

	Deferred tax assets		Deferred tax liabilities		Deferred tax (net)	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Transition adjustment	365,356	548,034	-	-	365,356	548,034
Non-deductible provisions	15,150,393	14,507,600	-	-	15,150,393	14,507,600
Depreciations without tax consequences	-	-	12,322	12,841	(12,322)	(12,841)
Accounting revaluations	-	-	984,459	1,069,822	(984,459)	(1,069,822)
Non-refundable grants	-	-	6,999,562	8,071,941	(6,999,562)	(8,071,941)
	15,515,749	15,055,634	7,996,343	9,154,604	7,519,406	5,901,030

The movements in deferred taxes for the Group and in an individual basis, for 2012 and 2011, are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Balance at 1 January	5,664,696	4,837,617	5,901,030	5,511,199
Charges to the income statement	2,304,946	3,512,198	2,289,688	3,068,872
Charges against reserves	(671,312)	(2,685,119)	(671,312)	(2,679,041)
Balance at 31 December	7,298,330	5,664,696	7,519,406	5,901,030

The Regional Legislative Decree No. 20/2011/M, of 26 December, changed the applicable IRC (income tax) rate in the Autonomous Region of Madeira in 2012, from 20% to 25%. In accordance with NCRF 25.44, deferred tax assets and liabilities should be measured using the tax rates that are expected to be applied in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that are approved at the balance sheet date, therefore the deferred taxes were calculated using the 25% tax rate.

14. State and other public entities

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Tax receivable:				
Income tax	3,669	278,441	-	264,951
	3,669	278,441	-	264,951
Tax payable:				
Income tax	681,728	86,952	578,286	-
Withholding tax	1,044,465	307,043	1,041,894	300,876
Value added tax (VAT)	5,877,550	1,748,862	5,683,825	1,612,058
Other taxes	292,934	58,375	292,954	58,395
Social Security contributions	556,643	573,657	553,528	571,250
Local municipality tax	24,000	18,236	24,000	18,236
	8,477,320	2,793,125	8,174,487	2,560,815

15. Inventories

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gross amount:				
Goods	9,062,603	9,490,159	9,023,399	9,450,589
Raw materials	6,946,765	5,159,717	6,946,765	5,159,717
	16,009,368	14,649,876	15,970,164	14,610,306
Impairment:				
Impairment for inventories depreciation	(257,226)	(257,226)	(255,173)	(255,173)
	(257,226)	(257,226)	(255,173)	(255,173)
	15,752,142	14,392,650	15,714,991	14,355,133

The balance Goods includes electric cables, material to be incorporated in the transport and distribution networks and thermoelectric backup components for power plants.

In 2012, the movements in Impairment losses, for the Group, are analysed as follows:

	Balance at 1 January Euros	Charges Euros	Reversals Euros	Balance at 31 December Euros
Impairment losses:				
Goods	(183,324)	-	-	(183,324)
Raw materials	(73,902)	-	-	(73,902)
	(257,226)	-	-	(257,226)

16. Shareholders

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Current assets:				
Companhia Logística de Combustíveis da Madeira	-	666,256	-	666,256
EEM & BFS	13,971,454	9,149,625	13,971,454	9,149,625
	<u>13,971,454</u>	<u>9,815,881</u>	<u>13,971,454</u>	<u>9,815,881</u>
Current liabilities:				
Emacom	-	-	(915,000)	(550,000)
	<u>-</u>	<u>-</u>	<u>(915,000)</u>	<u>(550,000)</u>
	<u>13,971,454</u>	<u>9,815,881</u>	<u>13,056,454</u>	<u>9,265,881</u>

17. Deferrals

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Assets:				
Deferred expenses:				
Insurance premiums	219,822	287,271	219,748	226,712
Other deferred expenses	91,862	308,767	-	-
	<u>311,684</u>	<u>596,038</u>	<u>219,748</u>	<u>226,712</u>
Liabilities:				
Deferred income:				
Services rendered	1,019,375	980,000	-	-
	<u>1,019,375</u>	<u>980,000</u>	<u>-</u>	<u>-</u>

According to its maturity, this balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Assets:				
Deferred expenses:				
Non-current	-	91,667	-	-
Current	311,684	504,371	219,748	226,712
	<u>311,684</u>	<u>596,038</u>	<u>219,748</u>	<u>226,712</u>
Liabilities:				
Deferred income:				
Non-current	711,875	740,000	-	-
Current	307,500	240,000	-	-
	<u>1,019,375</u>	<u>980,000</u>	<u>-</u>	<u>-</u>

As at 31 December 2012 and 2011, for the Group, the deferred expenses refer, mainly, to amounts paid related with the multi-risk insurance policy for the electricity generating plants and to the agreements celebrated with Vestas Portugal for the warranty and maintenance of Enereem wind farms.

The deferred income results from the amount received (600,000 Euros in 2011 and 337,500 Euros in 2012) by Emacom under an agreement for the rental of telecommunication circuits for a 5 years period, with maturity in 2015 and 2017, respectively.

18. Other financial assets

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Colateral Swap Barclays PLC	6,170,000	2,010,000	6,170,000	2,010,000
	6,170,000	2,010,000	6,170,000	2,010,000

Under the terms of the contract signed with Barclays PLC for the interest rate swap (see Note 31), EEM is required to make a deposit whenever the fair value of the derivative is negative by an amount that exceeds 4 million Euros (threshold until 17 May 2012) or exceeds 3 million Euros (threshold after 17 May 2012). On this basis EEM made a deposit to meet this contractual requirement, in the amount of 6,170,000 Euros as at 31 December 2012 (2011: 2,010,000 Euros). The obligation to provide the deposit as collateral for this transaction arose after the downgrade of EEM rating, following the downgrade of the Portuguese Republic and consequently of the Autonomous Region of Madeira.

19. Share capital

The share capital, in the amount of 20,000,000 Euros, is represented by 4,000,000 shares with a nominal value of 5 Euros each, and is fully paid as at 31 December 2012, being entirely held by Madeira's Regional Government.

20. Legal reserves

Under the Portuguese legislation, EEM is required to set up a legal reserve equal to a minimum of 5% of the annual profits until the reserve reaches 20% of its share capital. Such reserve is not distributable in cash and can only be used to cover future losses or to increase the share capital. Considering that in earlier periods EEM has already reached the limit of the legal reserve, as mentioned above, it was not charged against this balance any amount of the profit for the period ended 31 December 2011.

21. Retained earnings

In 2012, this caption variation, for the Group, includes the application of the profit for the period ended 31 December 2011 in the amount of 5,128,086 Euros. Additionally, this variation includes the realisation of the tangible and intangible assets revaluation reserves, in the amount of 768,269 Euros, the reclassification to the caption Financial assets adjustments of the net profit for the period appropriated from its associated companies by the application of the equity method and not distributed, in the amount of 202,310 Euros, and the reclassification to the Other changes in equity caption of the deferred tax associated to the Government grants recognised in equity that were reclassified to income during the period ended 31 December 2012 in the amount of 995,365 Euros.

In 2012 EEM proceeded to extraordinary distribution of dividends in the amount of 3,500,000 Euros, approved at the General Meeting of 30 May 2012.

22. Financial assets adjustments

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Equity method:				
Non-distributed profits	911,273	708,963	4,064,057	2,878,039
Other variations	6,403	9,378	128,754	144,223
	<u>917,676</u>	<u>718,341</u>	<u>4,192,811</u>	<u>3,022,262</u>

23. Revaluation reserves

This balance is related to revaluation reserves originated by the tangible and intangible assets legal revaluations performed by EEM, amounting to 9,953,983 Euros (2011: 10,722,252 Euros).

24. Other changes in equity

The balance Other changes in equity is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Government grants	31,109,064	32,409,330	31,001,006	32,287,765
Deferred tax - Government grants	(7,777,266)	(8,102,332)	(7,750,252)	(8,071,941)
Donations	63,295	63,295	-	-
	<u>23,395,093</u>	<u>24,370,293</u>	<u>23,250,754</u>	<u>24,215,824</u>

The movements in Other changes in equity for the Group and in an individual basis, for 2012 and 2011, are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Balance at 1 January	24,370,293	26,021,916	24,215,824	25,842,938
Government grants recognised in the period	2,685,247	4,253,443	2,685,247	4,253,443
Deferred tax - Government grants recognised in the period	(671,312)	(850,689)	(671,312)	(850,689)
Government grants reclassified to profit or loss	(3,985,513)	(4,292,389)	(3,972,006)	(4,269,350)
Deferred tax - Government grants reclassified to profit or loss	996,378	858,479	993,001	853,871
Deferred tax - Change in tax rate	-	(1,620,467)	-	(1,614,389)
Balance at 31 December	<u>23,395,093</u>	<u>24,370,293</u>	<u>23,250,754</u>	<u>24,215,824</u>

25. Minority interests

The caption Minority interests refers to the investment held by Aream – “Agência Regional da Energia e Ambiente da Região Autónoma da Madeira” on the subsidiary Enereem.

The 92.5% investment held by EEM was consolidated under the full consolidation method, originating minority interests related to the remaining 7.5% investment on Enereem, in the amount of 375,156 Euros (2011: 306,673 Euros).

26. Provisions

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Municipal network tax of 2006	-	6,027,640	-	6,027,640
Contingencies arising from commercial activities	8,200,000	-	8,200,000	-
Other liabilities and charges	4,454,307	4,676,667	4,454,307	4,676,667
	12,654,307	10,704,307	12,654,307	10,704,307

During 2007, a provision was made in the amount of 6,027,640 Euros, considering recoverability risk of the amount paid by EEM for the utilisation of municipal public domain for 2006, as mentioned in Note 30. During the year 2012 this provision was reversed.

In 2012 EEM recorded a provision to cover contingencies arising from its commercial activity, in the amount of 8,200,000 Euros.

In 2012, the movements in Provisions, for the Group, are analysed as follows:

	1 January Euros	Charges Euros	Reversals Euros	31 December Euros
Municipal network tax of 2006	6,027,640	-	(6,027,640)	-
Contingencies arising from commercial activities	-	8,200,000	-	8,200,000
Other liabilities and charges	4,676,667	-	(222,360)	4,454,307
	10,704,307	8,200,000	(6,250,000)	12,654,307

In 2011, the movements in Provisions, for the Group, are analysed as follows:

	1 January Euros	Charges Euros	Reversals Euros	31 December Euros
Municipal network tax of 2006	6,027,640	-	-	6,027,640
Other liabilities and charges	4,676,667	-	-	4,676,667
	10,704,307	-	-	10,704,307

27. Financial debt

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Non-current liabilities:				
Foreign loans	302,569,787	307,793,002	302,569,787	307,793,002
Other loans	22,017,462	45,694,957	5,656,483	27,516,092
	324,587,249	353,487,959	308,226,270	335,309,094
Current liabilities:				
Short term loans	54,777,366	51,858,232	54,777,366	51,858,232
Foreign loans	16,269,918	17,836,191	16,269,918	17,836,191
Other loans	27,466,239	5,610,227	25,641,404	3,764,662
	98,513,523	75,304,650	96,688,688	73,459,085
	423,100,772	428,792,609	404,914,958	408,768,179

In 2005, the EEM contracted a loan of 220,000,000 Euros from a bank syndicate composed by of Dexia, KfW and BNG, maturing in 2020. This financing consists of two installments, one of 154,000,000 Euros subject to a fixed rate of 3.745% + spread, and another 66,000,000 Euros subject to variable rate indexed to Euribor 6 months + spread. To hedge the variability of interest rate associated with the installment of 66,000,000 Euros, was hired a interest rate swap, thus fixing the interest rate at 3.55% + spread (see Note 31).

As at 28 May 2010, EEM agreed a credit facility with European Investment Bank (EIB) in the total amount of 75,000,000 Euros with the purpose of improving the electricity production, transmission and distribution infrastructures in the Autonomous Region of Madeira. During 2011, EEM increased the amount used from this credit facility by 15,000,000 Euros, which is booked in the Foreign loans caption.

In 2012, Financial debt by maturity, for the Group, is analysed as follows:

	Up to 1 year Euros	From 1 to 5 years Euros	More than 5 years Euros	Total Euros
Non-current liabilities:				
Foreign loans	-	30,825,896	271,743,891	302,569,787
Other loans	-	12,928,030	9,089,432	22,017,462
	-	43,753,926	280,833,323	324,587,249
Current liabilities:				
Short term loans	54,777,366	-	-	54,777,366
Foreign loans	16,269,918	-	-	16,269,918
Other loans	27,466,239	-	-	27,466,239
	98,513,523	-	-	98,513,523
	98,513,523	43,753,926	280,833,323	423,100,772

In 2011, Financial debt by maturity, for the Group, is analysed as follows:

	Up to 1 year Euros	From 1 to 5 years Euros	More than 5 years Euros	Total Euros
Non-current liabilities:				
Foreign loans	-	27,519,421	280,273,581	307,793,002
Other loans	-	34,787,638	10,907,319	45,694,957
	-	62,307,059	291,180,900	353,487,959
Current liabilities:				
Short term loans	51,858,232	-	-	51,858,232
Foreign loans	17,836,191	-	-	17,836,191
Other loans	5,610,227	-	-	5,610,227
	75,304,650	-	-	75,304,650
	75,304,650	62,307,059	291,180,900	428,792,609

As at 31 December 2012, the scheduled repayments of the Group's debt including interest accrual are as follows:

	2013 Euros	2014 Euros	2015 Euros	2016 Euros	2017 Euros	Following years Euros	Total Euros
Non-current liabilities	-	12,674,369	10,377,667	10,354,313	10,347,577	280,833,323	324,587,249
Current liabilities	98,513,523	-	-	-	-	-	98,513,523
	98,513,523	12,674,369	10,377,667	10,354,313	10,347,577	280,833,323	423,100,772

As at 31 December 2011, the scheduled repayments of the Group's debt including interest accrual are as follows:

	2012 Euros	2013 Euros	2014 Euros	2015 Euros	2016 Euros	Following years Euros	Total Euros
Non-current liabilities	-	30,777,177	10,801,774	10,373,795	10,354,313	291,180,900	353,487,959
Current liabilities	75,304,650	-	-	-	-	-	75,304,650
	75,304,650	30,777,177	10,801,774	10,373,795	10,354,313	291,180,900	428,792,609

The financial crisis actually affecting the liquidity in international markets, as well as EEM's rating reduction, as a result of the Portuguese Republic rating reduction and, consequently, the Autonomous Region of Madeira rating reduction, led to an increase in spreads applied to bank financing. Regarding the 220 million Euros syndicated loan, the referred reduction to a note below Baa2 demanded, in 2011, obtaining an unconditional and irrevocable guarantee from the Autonomous Region of Madeira Government, leading to an increase of the related financial costs.

28. Employee benefits

In the terms of the Company Agreement, EEM assumed under the form of a defined benefit plan, the liability to pay pension complements on retirement to the employees that were included in the Social Security Program “Caixa Nacional de Pensões” as at the date of the above mentioned Agreement.

As referred in the accounting policy stated in Note 3.2, EEM adopts an accounting policy that provides for the recognition of actuarial gains and losses in the income statement for the year.

Actuarial losses were recognised in the amount of 1,570,464 Euros in the year 2012 and gains in the amount of 1,851,710 Euros in 2011.

As at 31 December 2012 and 2011, the liabilities for past services associated to the pension plan were the following:

	Dec 2012 Euros	Dec 2011 Euros
Evolution of liabilities:		
Liabilities at the beginning of the year	23,079,307	30,989,119
Current service cost	46,634	67,645
Interest cost	1,096,267	1,471,983
Benefits paid	(2,092,194)	(2,255,206)
Actuarial gains and losses	1,570,464	(1,851,710)
Curtailment	-	(5,342,524)
Liabilities at the end of the year	23,700,478	23,079,307

As at 31 December 2012 and 2011, the number of participants covered by this pension plan is analysed as follows:

	Dec 2012	Dec 2011
Employees	49	59
Pre-pensioners	21	19
Pensioners	243	244
	313	322

The actuarial assumptions used for the calculation of pension liabilities are presented as follows:

	Dec 2012	Dec 2011
Salaries increase rate	2% (a)	2.75% (a)
Pre-pensioners pensions increase rate	1.75%	1.75%
Pensioners pensions increase rate	1.75%	1.75%
Discount rate	3.25%	4.75%
Mortality table:		
Women	TV88/90	TV88/90
Men	TV73/77 + 1 year	TV73/77 + 1 year
Disability rate	EVK 80	EVK 80

(a) For the years 2012 and 2013 it was not considered any salaries increase.

The liabilities with the pension plan are covered by pension provisions, as shown below:

	Dec 2012 Euros	Dec 2011 Euros
Liabilities as at 31 December:		
Employees	1,921,060	2,741,813
Pre-pensioners	2,898,518	3,122,350
Pensioners	18,880,900	17,215,144
	23,700,478	23,079,307
Liabilities to be covered:		
Provisions charged	23,700,478	23,079,307
Liabilities not covered	-	-

During 2011, EEM settled the insurance policy held to cover part of the pension liabilities.

In 2012, the EEM recorded a cost with supplementary retirement and pre-retirement in the amount of 2,713,365 Euros (2011: reversal of provision for 5,654,606 Euros), which is analysed as follows:

	Dec 2012 Euros	Dec 2011 Euros
Cost for the year:		
Current service cost	46,634	67,645
Interest costs	1,096,267	1,471,983
Actuarial gains and losses	1,570,464	(1,851,710)
Curtailment	-	(5,342,524)
Net cost for the year	2,713,365	(5,654,606)

29. Suppliers

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Suppliers:				
General	62,428,341	54,712,304	61,993,522	54,283,672
Subsidiaries	-	-	354,494	590,885
Suppliers of tangible assets	3,743,285	5,403,786	3,739,676	4,746,248
	<u>66,171,626</u>	<u>60,116,090</u>	<u>66,087,692</u>	<u>59,620,805</u>

The caption Suppliers – General includes, mainly, fuel and electric energy supplies. On an individual basis, the caption Suppliers – Subsidiaries is related to services rendered by Emacom and the Museum Casa da Luz to EEM.

30. Other payables

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Accrued costs:				
Municipal network tax (see Note 40)	7,600,877	7,665,104	7,600,877	7,665,104
Holiday pay and subsidies	3,702,049	1,926,685	3,684,206	1,911,815
Other accrued costs	629,043	841,817	405,228	1,025,921
National Electric System (CO2)	1,694,764	2,910,271	1,694,764	2,910,271
Other creditors	2,383,378	2,727,443	2,376,473	2,727,576
	<u>16,010,111</u>	<u>16,071,320</u>	<u>15,761,548</u>	<u>16,240,687</u>

The caption Municipal network tax refers to the 2012 local tax rate owed by EEM related to the usage of the regional public domain. The tax rate was fixed in 7.5% of the annual sales amount of low tension electric energy in each Council, in accordance with Regional Decree-Law no.2/2007/M, of 8 January, which produces effects starting on 1 January 2006.

The caption National Electric System (CO2) refers to the CO2 licenses freely attributed and not yet consumed, as referred in Note 44.

The caption Other creditors includes the mandatory guarantee deposits received from electricity consumers, in the amount of 2,147,083 Euros (2011: 2,467,829 Euros).

31. Other financial liabilities

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Interest rate swaps	9,302,811	7,183,213	9,302,811	7,183,213
	9,302,811	7,183,213	9,302,811	7,183,213

The caption Interest rate swaps corresponds to the fair value of the interest rate derivative agreed to hedge the variability of the interest charges associated to the component of 66,000,000 Euros of the 220,000,000 Euros syndicated loan, obtained in 2005 by EEM under the restructuring of its financial liabilities. Under this swap, which matures in 15 November 2017, EEM receives a variable interest rate (Euribor 6 months) and pays a fixed interest rate of 3.55% over the amount referred above. Under this agreement, a deposit was made as collateral for this swap whose value amounts to 6,170,000 Euros (2011: 2,010,000 Euros) (see Note 18).

32. Sales and services rendered and Cost of sales

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Sales:				
Energy	121,916,191	120,443,765	121,964,914	120,461,566
Tariff compensation	94,740,481	71,991,505	94,740,481	71,991,505
Services rendered	1,123,888	1,024,605	439,491	487,552
Goods	12,955	73,702	12,844	73,619
	217,793,515	193,533,577	217,157,730	193,014,242
Cost of sales:				
Raw materials	64,454,358	56,217,282	64,454,359	56,217,282
Energy purchased from third parties	48,558,708	40,079,346	52,514,695	44,006,079
Goods	4,026,790	6,646,019	4,026,423	6,644,917
	117,039,856	102,942,647	120,995,477	106,868,278

The caption Tariff compensation includes the amounts of 72,839,649 Euros attributed to EEM related to the 2012 tariff convergence, 21,957,638 Euros related to the 2012 tariff compensation recoverable in 2014 and 56,806 Euros related to the ERSE review of the 2011 tariff compensation estimate, returnable through the electric energy tariff in 2013.

33. Operating government grants

During the period were recognised in the income statement the following grants:

	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Operating government grants:				
European Social Fund	-	58,523	-	58,523
	-	58,523	-	58,523

34. Gains/(losses) on subsidiaries, associated companies and joint ventures

The Gains/(losses) on subsidiaries, associated companies and joint ventures resulting from the application of the equity method are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gains:				
Subsidiaries	-	-	1,165,176	1,237,691
Associated companies	524,733	602,310	524,733	602,310
	524,733	602,310	1,689,909	1,840,001
Losses:				
Associated companies	(30,221)	(35,686)	(30,221)	(35,686)
	(30,221)	(35,686)	(30,221)	(35,686)
	494,512	566,624	1,659,688	1,804,315

35. Own work capitalised

The balance Own work capitalised is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Own work capitalised:				
Tangible and intangible assets	5,891,367	12,491,157	5,891,367	12,491,157
Other	54,644	77,336	54,644	77,336
	5,946,011	12,568,493	5,946,011	12,568,493

36. Supplies and services

The balance Supplies and services is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Supplies and services:				
Subcontracts	2,242,363	5,859,836	2,240,130	5,858,786
Specialised works	1,816,357	1,538,168	1,798,037	1,523,516
Maintenance and repairs	1,631,592	1,514,420	1,110,933	1,120,233
Rents and leases	1,044,641	868,496	1,069,186	848,695
Insurances	782,841	828,772	711,863	771,291
Communications	680,608	713,334	899,976	908,228
Fuel and water	412,230	386,797	410,066	384,783
Other supplies and services	1,520,835	1,702,254	1,355,852	1,515,552
	<u>10,131,467</u>	<u>13,412,077</u>	<u>9,596,043</u>	<u>12,931,084</u>

The caption Specialised works includes expenses with financial, legal and IT advisory services and maintenance and repair.

37. Personnel costs

The balance Personnel costs is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Personnel costs:				
Board of Directors remuneration	201,061	199,549	201,061	199,549
Employee's remuneration and other	21,951,856	23,885,846	21,817,786	23,767,046
Employee benefits	2,713,365	-	2,713,365	-
Social charges on remuneration	4,858,986	5,195,592	4,829,988	5,170,556
Insurance policies	223,756	192,075	222,744	190,596
Others	54,650	129,422	54,542	129,318
	<u>30,003,674</u>	<u>29,602,484</u>	<u>29,839,486</u>	<u>29,457,065</u>

Although the Portuguese State Budget for 2013 imposed the suspension of holiday subsidy pay, it raised some questions regarding its constitutionality which led to it being submitted to the Constitutional Court for review, the EEM Board of Directors considered such subsidy as accrued costs in 2012, due to the high probability of being considered unconstitutional.

For the Group, the average number of employees during the period amounts to 827 (2011: 850).

38. Fair value gains/losses

The balance Fair value gains/losses is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Gains:				
Derivative financial instruments	-	9,571	-	9,571
	-	9,571	-	9,571
Losses:				
Investments - Other methods	(1,665,385)	(4,248,000)	(1,665,385)	(4,248,000)
Derivative financial instruments	(2,119,599)	(1,996,893)	(2,119,599)	(1,996,893)
	(3,784,984)	(6,244,893)	(3,784,984)	(6,244,893)
	(3,784,984)	(6,235,322)	(3,784,984)	(6,235,322)

39. Other gains

The balance Other gains is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
CO2 licenses	5,199,698	7,004,737	5,199,698	7,004,737
Investment grants	3,985,513	4,292,389	3,972,006	4,269,350
Other income	252,286	509,037	251,839	496,836
	9,437,497	11,806,163	9,423,543	11,770,923

The caption CO2 licenses corresponds to amortisation of the amount recognised against equity arising from the licenses freely attributed, as referred in Note 3 o), being 2,905,000 Euros (2011: Euros 2,344,470) related to licenses sold and Euros 2,294,598 (2011: 4,660,267 Euros) licenses to cover emissions in 2012 (Note 8).

40. Other losses

The balance Other losses is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Municipal network tax	7,600,877	7,665,104	7,600,877	7,665,104
Stamp duty	825,899	629,045	811,220	612,580
CO2 licenses	1,438,050	21,070	1,438,050	21,070
Other	582,645	392,669	533,269	357,068
	10,447,471	8,707,888	10,383,416	8,655,822

The caption Municipal network tax refers to the 2012 local tax rate owed by EEM, as referred in Note 30.

The caption CO2 licenses emission corresponds to a loss obtained by the difference between the total value of sales of licenses and their book value.

The caption Other includes 350,749 Euros related to an insufficient income tax estimative of the previous year (2011: 25 Euros).

41. Financial income/costs

The balances Interest and other income obtained and Interest and other losses supported are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Interest and other income obtained:				
Late payment charges	776,643	469,229	776,643	469,229
Interest income - Tariff adjustment	573,534	1,137,835	573,534	1,137,835
Interest income - Tariff convergence	181,443	108,363	181,443	108,363
Unwinding of tariff convergence	216,915	370,829	216,915	370,829
Dividends	250,000	-	250,000	-
Other	59,686	266,973	59,686	266,973
	2,058,221	2,353,229	2,058,221	2,353,229
Interest and other losses supported:				
Interest expense from financial debt	19,373,824	17,341,385	19,019,465	16,930,292
Commissions and banking services	3,303,784	2,541,841	3,303,371	2,540,978
Capitalised interest expense from financial debt	(276,800)	(207,880)	(276,800)	(207,880)
Other	1,118,387	519,508	1,118,387	519,450
	23,519,195	20,194,854	23,164,423	19,782,840
Financial results	(21,460,974)	(17,841,625)	(21,106,202)	(17,429,611)

Under the terms mentioned in Note 12, the tariff convergence for the 1998-2002 period will be settled in quarterly instalments without interest and therefore EEM recorded the net present value of this receivable against equity, at the transition date to NCRF. Therefore, EEM recorded the respective unwinding in the years ended 31 December 2012 and 2011 in the amounts of 216,915 Euros and 370,829 Euros, respectively.

The caption Capitalised interest expense from financial debt refers to the interest charges attributable to the acquisition, construction or production of the company assets, in accordance with the accounting policy referred in note 3.2. d).

The caption Dividends - Interest and similar income, relates to dividends paid by associated company Companhia Logística de Combustíveis da Madeira, S.A. (CLCM) during the year 2012.

The caption Interest and other losses supported includes 1,118,333 Euros (2011: 519,444 Euros) concerning costs with the unconditional and irrevocable guarantee "aval" obtained from the Government of the Autonomous Region of Madeira in order to meet the requirements of the 220 million Euros syndicated loan as a result of the reduction in EEM's rating to a note below the Baa2, resulting from the rating reduction of Portugal and consequently of the Autonomous Region of Madeira.

42. Income taxes

This balance is analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Current tax	1,284,965	382,489	874,653	51,936
Deferred tax	(2,304,946)	(3,512,198)	(2,289,688)	(3,068,872)
	(1,019,981)	(3,129,709)	(1,415,035)	(3,016,936)

The caption Deferred tax corresponds to the deferred tax assets and liabilities, as referred to in Note 13.

The reconciliation between the statutory income tax rate and the effective income tax rate for the Group, in 2012 and 2011, is analysed as follow:

	2012			2011		
	Rate	Tax basis	Tax	Rate	Tax basis	Tax
Income tax calculated based on the statutory tax rate	25.00%	3,590,189	897,547	20.00%	2,607,079	521,416
Tax benefits	(11.83%)	(1,698,590)	(424,648)	(13.14%)	(1,713,217)	(342,643)
Subsidies	(48.57%)	(6,974,765)	(1,743,691)	(24.09%)	(3,139,604)	(627,921)
Equity method	(3.45%)	(496,112)	(124,028)	(4.35%)	(566,624)	(113,325)
Tax-exempt dividends	(1.74%)	(250,000)	(62,500)	-	-	-
Autonomous taxation	1.20%	172,320	43,080	1.29%	167,795	33,559
Non-deductible tax losses	0.47%	68,136	17,034	0.66%	86,102	17,220
Changes in estimates	9.77%	1,402,949	350,737	-	-	-
Provisions without tax consequences	(0.08%)	(11,431)	(2,858)	14.56%	1,897,481	379,496
Other adjustments	0.82%	117,382	29,346	(0.02%)	(2,586)	(516)
Tax rate change	-	-	-	(114.96%)	(14,984,976)	(2,996,995)
	(28.41%)	(4,079,922)	(1,019,981)	(120.05%)	(15,648,550)	(3,129,709)

The Regional Legislative Decree No. 20/2011/M, of 26 December, changed the applicable IRC rate in the Autonomous Region of Madeira in 2012, from 20% to 25%. In accordance with the provisions of the NCRF 25.44, deferred tax assets and liabilities should be measured at the tax rates that are expected to be applied in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that are approved at the balance sheet date.

The effects of these changes in the tax rate were considered in the determination of deferred tax assets recorded in the financial statements for the periods ended 31 December 2011 and 31 December 2012, as well as the estimated current tax for the period ended 31 December 2012. The respective impacts on deferred taxes for the period ended 31 December 2011 are disclosed under the captions Change in tax rate (effect on deferred taxes), in note 24.

The Law no. 10/2009, of 10 March extended to the period ended 31 December 2011 (State Budget Law of 2012), introduced a set of incentives to investment and employment, including the tax investment support regime (RFAI). In the 2012 income tax estimate, EEM benefits from a tax incentive presented in the referred law in the form of a tax deduction, in the amount of 331,528 Euros (2011: 4,742 Euros). However, in 2012, and due to the application of the limits to the use of tax benefits imposed by Article 92º of the CIRC, 200,409 Euros (2011: 4,164 Euros) were added to tax payable.

In Enereem, the estimate current tax for 2012, benefited from a tax incentive regulated by this law, on the form of a deduction to the collection in the amount of 77,206 Euros (74,635 Euros in 2011).

However, in 2012, and by applying the limit on the use of tax benefits imposed by Article 92º of the CIRC, it has been added to the collection the value of 46,773 Euros (2011: 45,141 Euros).

43. Operating leases

The total non-cancellable future operating lease payments are presented as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Future payments:				
Less than one year	554,270	545,747	626,578	614,789
Between one and five years	712,936	1,225,974	793,314	1,371,313
	<u>1,267,206</u>	<u>1,771,721</u>	<u>1,419,892</u>	<u>1,986,102</u>

To these values, VAT should be added at the legal rate in force in the period in which the invoicing rents will be issued.

The Operating leases caption corresponds to EEM's fleet leases.

44. CO2 licenses

The CO2 licenses movements are analysed as follows:

	December 2012		December 2011	
	CO2 (Ton)	Price (Ton) Euros	CO2 (Ton)	Price (Ton) Euros
CO2 licenses as at 1 January	209,372	13.90	147,224	12.83
CO2 licenses freely attributed	577,419	6.90	577,419	13.90
CO2 licenses acquired	-	-	-	-
CO2 licenses sold	(209,000)	13.90	(180,000)	13.02
	<u>577,791</u>		<u>544,643</u>	
CO2 licenses to return regarding the year consumption	(332,173)		(335,271)	
	<u>245,618</u>	6.90	<u>209,372</u>	13.90
Excess / (Insufficiency) of CO2 licenses				
Assets / (Liabilities) – Euros	<u>1,694,764</u>		<u>2,910,271</u>	

The CO2 licenses freely attributed for the 2008-2012 period amount to 2,887,095 tons of EUA, which will be allocated on a straight line basis over the referred period (577,419 tons per year), in accordance with PNALE II.

During 2012 and as mentioned in Note 8, EEM sold 209,000 tons of EUA freely attributed, recognising a net loss of 1,458,950 Euros (see note 8). Through the regulation mechanism, the total impact of the CO2 licenses transactions amounts to 8,547 Euros (including the effect of the Tariff compensation of 2012 in the income statement).

The licenses corresponding to each year's consumptions are returned to the regulatory entity of each country until the end of the fourth month of the subsequent year (see Note 8).

45. Related parties

Shareholders

As at 31 December 2012, EEM's share capital is entirely held by Madeira's Regional Government, as referred in Note 19.

Remuneration of company officers

During the periods ended 31 December 2012 and 2011, the remuneration cost of the Board of Directors is presented as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Short term employee benefits	246,799	241,358	231,772	241,358
	246,799	241,358	231,772	241,358

As at 31 December 2012, the expenses with the Statutory Auditor amounted to 60,750 Euros (2011: 59,250 Euros).

Balances and transactions with subsidiaries, associated companies and other investments

In the normal development of its activity, EEM performs business operations and transactions with several entities, among which include companies that are in a control or group related with EEM. These transactions are conducted on normal market conditions for similar transactions, regardless of its relevance, and are part of the current activity of the EEM.

The balances and transactions between EEM and its subsidiaries, associated companies and other investments, for the year ended 31 December 2012, are analysed as follows:

	Asset			Liability	
	Clients	Accrued income	Loans granted	Suppliers	Other creditors
Enereem	-	3,021	1,196,732	-	-
Casa da Luz	25,018	1,551	1,945,188	(83,829)	-
Emacom	466	142	-	(270,665)	(915,000)
EEM & BFS	93,197	6,977	13,971,454	-	-
Teleféricos da Madeira	39,329	5,929	-	-	-
Companhia Logística de Combustíveis da Madeira	14,443	12,163	-	-	-
	172,453	29,783	17,113,374	(354,494)	(915,000)

Transactions				
Sales	Other income	Financial income	Cost of sales	Suppliers and services
Enereem	(28,082)	-	3,955,987	-
Casa da Luz	(18,516)	-	-	68,713
Emacom	(2,125)	(7,132)	-	293,349
EEM & BFS	(51,582)	-	-	-
Teleféricos da Madeira	(75,190)	-	(29,474)	-
Companhia Logística de Combustíveis da Madeira	(132,522)	-	(28,365)	-
	(308,017)	(7,132)	(57,839)	3,955,987
				362,062

The balances between EEM and its subsidiaries are eliminated during the consolidation process, as referred in Note 3.1.

The balances and transactions between EEM and its subsidiaries, associated companies and other investments, for the year ended 31 December 2011, are analysed as follows:

	Asset			Liability	
	Clients	Accrued income	Loans granted	Suppliers	Other creditors
Enereem	-	-	1,907,758	-	(325,072)
Casa da Luz	-	1,330	1,905,103	-	-
Emacom	420	208	-	(590,885)	(550,000)
EEM & BFS	11,903	470	9,149,625	-	-
Teleféricos da Madeira	45,914	-	-	-	-
Companhia Logística de Combustíveis da Madeira	61,444	-	666,256	-	-
	119,681	2,008	13,628,742	(590,885)	(875,072)

Transactions				
Sales	Other income	Financial income	Cost of sales	Suppliers and services
Enereem	-	-	3,926,734	-
Casa da Luz	(15,505)	-	-	39,525
Emacom	(2,296)	(6,830)	-	258,908
EEM & BFS	(834)	-	-	-
Teleféricos da Madeira	(72,210)	-	(29,474)	-
Companhia Logística de Combustíveis da Madeira	(128,115)	-	(37,773)	-
	(218,960)	(6,830)	(67,247)	298,433

46. Commitments

As at 31 December 2012 and 2011, the commitments not included in the balance sheet, referring to bank guarantees, are analysed as follows:

	Group		Individual	
	Dec 2012 Euros	Dec 2011 Euros	Dec 2012 Euros	Dec 2011 Euros
Bank guarantees provided by others on behalf of EEM	89,583,333	95,000,000	89,583,333	95,000,000
Bank guarantees provided by EEM	13,633	142,780	13,633	142,780
	89,596,966	95,142,780	89,596,966	95,142,780

EEM's commitments through bank guarantees provided on behalf of EEM were agreed with the following financial institutions: Banco Espírito Santo, Banco Português de Investimento, Caixa Geral de Depósitos, Banco Espírito Santo de Investimento and Banco Santander Totta, in favour of European Investment Bank, in the amount of 89,583,333 Euros (2011: 95,000,000 Euros).

The amount of 13,633 Euros relating to bank guarantees given by EEM relate primarily to guarantees in favor of the Labour Court of Funchal. In 2011, there was a bank guarantee in favor of the Câmara Municipal do Funchal – “Concurso público do projeto Comboio do Monte”, in the amount of 129,147 Euros, which was canceled during the year 2012.

47. Subsequent events

After the balance sheet date there were no events that may lead to adjustments in the financial statements of the company.

48. Explanation added for translation

These financial statements are a translation of financial statements originally issued in Portuguese in accordance with generally accepted accounting principles in Portugal. In the event of discrepancies, the Portuguese language version prevails.

Statutory Auditor's Opinion on the Consolidated Accounts



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STATUTORY AUDITOR'S OPINION ON THE CONSOLIDATED ACCOUNTS

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

Introduction

- 1 We have audited the consolidated financial statements of EEM – **Empresa de Electricidade da Madeira, S.A.**, which comprise the Consolidated balance sheet as at 31 December 2012 (which shows total assets of Euro 693,104,349 and a total equity attributable to equity holders of EEM of Euro 132,292,393, including a net profit of Euro 4,540,673), the Consolidated income statement by nature, the Consolidated statement of changes in equity and the Consolidated statement of cash flows for the period then ended, and the corresponding Notes.

Responsibilities

- 2 The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view of the financial position of the group of companies included in the consolidation, the consolidated results of its operations, the changes in consolidated equity and its consolidated cash flows, as well as for the adoption of adequate accounting policies and criteria and the maintenance of an appropriate internal control system.
- 3 Our responsibility is to express a professional and independent opinion on those consolidated financial statements based on our audit.

Scope

- 4 Except for the matters referred to in paragraphs 7.1, 8 and 10 below, 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. For this purpose our audit included:
 - Verification if the financial statements of the companies included in the consolidation were properly audited and, for the significant cases that they were not, the verification, on a test basis, of the information underlying the figures and disclosures contained in the financial statements and an assessment of the estimates, based on judgments and criteria defined by the Board of Directors, used in their preparation;
 - verification of the consolidation procedures and the application of the equity method;
 - the assessment of the adequacy of the accounting principles used and their disclosure, considering the circumstances;
 - the appropriateness of the going concern basis of accounting; and
 - the assessment of the adequacy of the overall presentation of the consolidated financial statements.

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A., a Portuguese company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Capital Social: 3.120.000 Euros - Pessoa Colectiva N.º PT 502 161 078 - Inscrição na O.R.C.C. N.º 189 - Inscrição na C.M.V.M. N.º 9093

Matriculada na Conservatória do registo Comercial de Lisboa sob o PT 502 161 078



- 5 Our audit also included the verification that the financial information included in the Management Report is consistent with the consolidated financial statements.
- 6 We believe that our audit provides a reasonable basis for our opinion.

Qualifications

- 7 Under the responsibilities defined by Decree-Law n.º 159/99, of 14 September, which establishes the legal framework for the transfer of competences to the local Municipalities and defines the competences of the Municipalities concerning the rural and urban public lightning, and in accordance with the "Lei das Finanças Locais", the Municipalities of the Autonomous Region of Madeira approved, through Municipalities' Assemblies, as at 1 January 2006, the constitution of a Municipalities Association for which the responsibilities regarding the urban and rural public lightning were transferred, including the ability to collect an annual tax for the utilisation of the municipal public domain by the production equipment and by the electric energy transport and distribution networks of EEM (municipal network tax).

In this context, the Regional Decree-Law n.º 2/2007/M was published to regulate the transfer of the responsibility related to the rural and urban public lightning from the Regional Government to the Municipalities of the Autonomous Region of Madeira as well as to limit the municipal network tax rate.

Considering the above mentioned legislation, which legally supports the collection of the referred tax, EEM booked, as at 31 December 2012 and in prior periods, costs related to the municipal network tax in the total amount of Euro 49,471,089. Considering the assumption that the costs incurred with the municipal network tax are eligible for determining tariffs of future periods, regulatory assets in the same amount were recorded against profits, in the income statement.

- 7.1 As mentioned in the documents regarding the determination of tariffs, ERSE considered that the amount of the municipal network tax paid is owed to EEM, and should be charged to Autonomous Region of Madeira consumers and not supported on an equitable basis by the Continental and Autonomous Region of Madeira consumers. Considering EEM's different interpretation, which believes that this tax should be charged to all national consumers, ERSE has accepted EEM's proposal and has not included the municipal network tax exclusively in the tariffs of the Autonomous Region of Madeira consumers.

At the date of this Statutory Auditor's Opinion the measures and mechanisms that will ensure the recovery of the assets arising from the municipal network tax for the periods from 2006 to 2012, in the amount of Euro 49,471,089, are not defined and implemented. Therefore, it is not possible to estimate when these payments will occur and the impact, if any, in EEM shareholders' equity and profit for the period as at 31 December 2012.

- 7.2 At the end of 2007, and based on the analysis of the tariffs and prices proposal for 2008 by the Tariff Council, ERSE considered that the municipal network tax for 2006 should not be considered for the purpose of determining the tariffs. As at 31 December 2007, and as a result of this decision, EEM recorded a provision for liabilities and charges against retained earnings in the amount of Euro 6,027,640, an amount equivalent to the municipal network tax recorded as at 31 December 2006. This provision was reversed in the period ended on 31 December 2012.



- 8 As at 27 January 2012, following the financial assistance request by the Regional Government to the Central Government the Financial and Economic Adjustment Programme for the Autonomous Region of Madeira (Programme) was published, in order to reverse the unbalanced financial situation of the Autonomous Region of Madeira and ensure the sustainability of the public finances. The Programme sets out, among others measures, the renegotiation of the regional official entities debts, through the establishment of payment plans. As EEM booked under the caption Clients a net amount of Euro 86,305,478 regarding debts from regional official entities with a significant seniority, as disclosed in Note 11 to the financial statements, the referred measures can affect the date on which the debts will be received. Therefore, it is not possible to estimate these receipts dates and the impact, if any, in EEM shareholders' equity and profit for the period as at 31 December 2012.

Additionally, EEM booked, under the caption Other receivables, amounts to be recovered regarding the 2009 tariff convergence in the amount of Euro 24,173,186 as well as amounts owed by the Central Government regarding tariff convergence from 1998 to 2002 in the amount of Euro 18,326,340, determined in accordance with the Contract for the Tariff Convergence for Electric Energy. Considering that the Portuguese Republic is subject to the terms of the Memorandum of Understanding on Specific Economic Policy Conditionality, signed with Troika, at the date of this Statutory Auditor's Opinion there are still significant old amounts outstanding, for which it is not possible to estimate the receipts date and the impact, if any, in shareholders' equity and profit for the period.

- 9 On February 2010, a natural disaster occurred in Autonomous Region of Madeira, which caused significant damages on the hydroelectric production equipment and on the electric transport and distribution networks of EEM. In November 2011, EEM received a compensation from an insurance company for those losses in the amount of Euro 3,103,673, recorded against shareholders equity. This amount is being amortised against profit and loss in accordance with the useful life of the related assets. Therefore, as at 31 December 2012 the amount recorded in shareholders equity, net of tax, amounts to Euro 2,252,069. As at 31 December 2012, we consider that this compensation should be included in Retained earnings, therefore these are understated in the amount of Euros 2,302,526 and the caption Other changes in equity and the net profit for the period are overstated in the amount of Euros 2,252,069 and Euros 50,457, respectively.
- 10 The company EEM & BFS – Energy, S.A. (EEM & BFS), owned in 40% by EEM, has recorded a receivable asset from its shareholder BFS – Bio Fuel System (BFS) as an advance made for the construction of a biofuel plant, on Porto Santo island, in the amount of Euros 9,000,000. BFS has received and confirmed on 23 March 2012 the existence of the cash advance. According to this confirmation, BFS stated that this advance would be settled by delivery of the plant, which was expected to occur during the period between the years 2011-2013.

At the date of our opinion, the construction of EEM & BFS biofuel plant is already in the final stages, and the expenses related to the execution are being paid to the company responsible for the building by EEM & BFS and not by BFS. On this basis, it is not possible to predict how and when the advance granted to BFS will be received, and the impact, as at 31 December 2012, if any, in the valuation of the investment in the associate EEM & BFS, and in the profit for the period then ended of EEM.



Qualified opinion

- 11 In our opinion, except for the effect of the adjustments, if any, that might result from the matters described in paragraphs 7.1, 8 and 10 above, and except for the effect of the matters described in paragraphs 7.2 and 9 above, the referred consolidated financial statements, present fairly, in all material respects, the consolidated financial position of **EEM - Empresa de Electricidade da Madeira, S.A.** as at 31 December 2012, the consolidated results of its operations, the consolidated changes in equity and its consolidated cash flows for the period then ended in accordance with generally accepted accounting principles in Portugal.

Report on other legal requirements

- 12 It is also our opinion that the financial information included in the Management Report is consistent with the consolidated financial statements for the period.

Lisbon, 13 May 2013

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
 represented by
 José Eduardo Urpina Portugal (ROC n.º 1336)

Extract of the Minute of the General Assembly Meeting

MINUTE NUMBER TWENTY-SEVENTH

- «On the fourteenth of May of two thousand and thirteen at ten o'clock AM, in accordance with paragraph one of the 373th article of the Companies' Code, the General Assembly of the EEM – Empresa de Electricidade da Madeira, S.A., collective entity and registered in the Commercial Registry of Funchal number 511010435, headquartered at Avenida do Mar e das Comunidades Madeirenses, number thirty-two, in Funchal, was gathered. There were present at the meeting the President of the General Assembly, Dr. Maria de Fátima Castro Fernandes e Freitas, the Vice-President of the General Assembly, Dr. Rui Antero Fernandes Pestana, the Secretary of the General Assembly, Dr. Ana Cristina Dantas Andrade, the members of the Executive Board, Dr. Rui Alberto Faria Rebelo, Mr. João Heliodoro da Silva Dantas and Engineer Mário Eugénio Jardim Fernandes, as well as the single shareholder, the Autonomous Region of Madeira, represented by Dr. Paulo Jorge Figueiroa de França Gomes, representing the total Share capital, valued at twenty million euros, for which reasons the General Assembly has gathered the necessary quorum to operate and deliberate according to legal terms and concerning the following order of tasks:

POINT ONE: The Annual Report of 2012;

POINT TWO: Deliberate on application of net profits;

POINT THREE: Management Report and Consolidated Accounts of 2012;

POINT FOUR: Appreciation of the administration and fiscal supervision.

- Once opened the session, the members of the Executive Board of EEM – Empresa de Electricidade da Madeira S.A., presented the Annual Report of 2012 as well as the proposal for the application of results, regarding which was proposed the following application of net income for the year amounting to 4,500,208.43 €:

Retained Earnings: 4,050,187.59 €

Statutory Reserve: 450,020.84 €

- After the discussion of EEM annual report and the referred proposal for the net profit of the, it was determined to approve them unanimously.
- Regarding point three, the Executive Board of EEM presented the Annual Report and Consolidated Accounts of 2012, with the net income of the year, amounting to 4,610,169.66 € which was analysed and deliberated to approve them unanimously.
- Regarding point four, the Autonomous Region of Madeira, single shareholder of EEM, represented by Dr. Paulo Jorge Figueiroa de França Gomes reaffirmed its confidence in the board of the company and in its fiscal supervisors.
- As no other issues were there to be discussed, the meeting was closed and the present minute written, which, after having been read and approved, was properly signed.»



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